



Sent by email to patricia.stewart@uregni.gov.uk

The Utility Regulator
Queens House
14 Queens Street
Belfast
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11th October 2019

Dear Patricia,

Review of NISEP discussion paper

Gemserv welcomes the opportunity to respond to this consultation and thanks the Utility Regulator's Office for consulting on the review of the Northern Ireland Sustainable Energy Programme (NISEP) for improvement. We have responded to a number of your specific questions in the attached Annex, based on our experience and where we think we can add value, and have outlined below the key points we wish to make.

We are an expert provider of professional services in a world driven by data and technology. Our response draws heavily from our unique insights and experience gained from delivering the Green Deal Oversight and Registration function, the Microgeneration Certification Scheme and the Biomass Suppliers List (BSL), which supports the Renewable Heat Incentive (RHI) in Great Britain. We also administer the Master Registration Agreement (MRA), which underpins the GB electricity market, the GB Smart Energy Code (SEC), the Alternative Home Area Network (Alt HAN), the Smart Meter Device Assurance (SMDA) scheme and assurance services for the Ireland National Smart Metering Programme. In Northern Ireland, we provide support to the Utility Regulator through our quality assurance work on the Retail Electricity Market, and market systems, alongside providing technical advisory services on Electric Vehicles

Please see our full response in the appendix. In summary:

- Measures that should be supported include connected smart home technologies, commercial incentives for energy suppliers and fabric efficiency analyses for different property types to highlight optimisation opportunities.
- Self-funding programmes and pay-as-you-save mechanisms are potential methods for securing future financial support, however, how support should be funded depends on the focus of the scheme.
- Energy efficiency schemes should not incentivise one solution over another without considering wider impacts and good governance is required to ensure the success of future support for energy efficiency.
- NISEP should be looking to deploy low-carbon solutions from 2022, to achieve decarbonisation aims.

Please do contact us if we can support you in your work, share our thoughts and ideas and answer any questions you may have with regards to our response.

Yours faithfully,

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Appendix: Gemserv response to Review of NISEP discussion paper

Q3 *Are the existing energy efficiency measures currently supported by NISEP still appropriate?*

Based on announcements of installing low carbon solutions, the existing measures are focussed on traditional fabric efficiency improvements. To achieve carbon targets, the list of measures should also include low carbon technologies such as Heat Pumps. It is important that the next NISEP programme directly supports the transition away from fossil fuel heating solutions and implements low carbon alternatives. This is particularly important for those who are vulnerable or fuel poor, living in low-efficiency accommodation.

Q4 *Please suggest measures that you think should be supported by NISEP including new and/or innovative measures. Please prioritise the measures and provide evidence to justify your view.*

One suggested measure that we believe should be supported is the transition towards connected smart home technologies that enable greater control and more efficient operation. This digital transition has the capacity to offer new customer propositions, such as heat-as-a-service, which can more effectively support the heating needs for the vulnerable who can find it difficult to control the spend on their heating.

An additional measure that should be supported are commercial incentives for energy suppliers to encourage them to offer energy as a service-type proposition for the vulnerable whilst suppliers deploy low carbon technologies to promote decarbonisation of heat services. A roadmap creating a route to market for low carbon heating technologies will help support this. For instance, should a specific energy-saving technology be installed in people's homes, then the upfront cost could be paid off through the savings in energy over a 3-5 year contract.

However, rather than specific measures being suggested, an analysis of fabric efficiency for each individual property type should be supported. If a given property type is found to be sufficiently efficient then other less efficient property types can be given greater resources and intervention. For example, if a building type had effective fabric efficiency, there could be opportunities to improve the lighting system by deploying LED solutions to deliver significant efficiency gains.

Q6 *What are your views on how NISEP or any future support should be funded?*

Self-funding programmes and pay-as-you-save mechanisms are potential methods for securing future financial support and reducing the burden on the state. A simple pay-as-you-save mechanism for able-to-pay households should be explored; removing the disincentive of high upfront costs for some measures. With self-funding schemes, NISEP has the opportunity to explore how a grant-led scheme could transition to a self-funding model that is able to self-manage. Gemserv has considerable experience in this area, having designed and delivered such transitions for the Department of Business Energy and Industrial Strategy.



Regarding finances, any new finance package for able to pay customers must be simple and transparent so for such costs to be fully understood, including, for example, how it will be repaid and over what period. The process for obtaining a loan for an energy-saving measure or product should not be overly complex so as to avoid hindrance for prospective customers. The principle of repaying a loan through the electricity meter is sound as it addresses the challenge of high upfront costs and long payback periods for some energy efficiency measures, that may not be recovered in the timeframe within which the homeowner plans to stay in the property. The infrastructure for collecting payments already exists and can, therefore, be used to support zero-interest loans for example. Long term policy certainty will encourage innovative finance mechanisms to be developed in the market. The market can then decide which of these are the most effective and offer the best value for money.

However, how future support should be funded depends on the focus of the scheme. For instance, the way the scheme is funded will depend upon whether NISEP wishes to pursue low carbon solutions or delivers energy-saving measures for vulnerable customers. It is also important that there isn't a duplication of support between other programmes in Northern Ireland.

Q10 What are your views on the main lessons learnt from elsewhere and how they should be taken into consideration in the design of any future support for energy efficiency?

Energy efficiency schemes should not incentivise one solution over another without considering wider impacts. Consideration around efficiency should be focussed on a merit order of technologies, i.e. most cost-effective solution / most effective solution first. A major consideration within efficiency is around how one measures it in the first place against any marked improvement, for instance, seasonality can affect results dramatically. There have been occasions where efficiency systems are installed during winter months, whereby, the assessor will then measure the improvement in the summer, thereby giving a false indication of improved efficiency gains. The International Performance Measurement and Verification Protocol has become widely accepted as a benchmark methodology which is a good way forward to address this.

Good governance is required to ensure the success of future supporting measures for energy efficiency. We are of the opinion that stop-start policies weaken the market; this was especially prevalent in the Green Deal with the Green Deal Home Improvement Fund (GD HIF), which encouraged large boom and bust cycles.

There is also an opportunity for greater data sharing, through the opening up of the EPC register. This will help identify buildings that would benefit from future energy efficiency schemes and help estimate potential savings with greater accuracy.



Q11 *To what extent if any, should NISEP or any replacement scheme ensure Northern Ireland is ready for energy efficiency/ carbon reduction challenges in the future?*

The government has legislated for carbon net-zero and will be deploying some policies to achieve this in the near future. As those are announced, there will be a greater focus on how this will be achieved.

Hence, the scheme should be looking to deploy low-carbon solutions from 2022, as the lifespan of those solutions will enable them to achieve their decarbonisation aims. The fabric efficiency of properties has to be sufficient to enable effective operation of low carbon solutions, such as heat pumps.

Q14 *Have you any other comments on the existing NISEP scheme or any future support scheme that efficiency to make?*

We would be delighted to share our thoughts and experience in a direct conversation with the Utility Regulator and its stakeholders.

Gemserv

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