127 Baggot Street Lower
Dublin 2

Date: 22nd October 2021

Robert Deegan,
Principal Officer
Residential Energy Efficiency Division
Department of Environment, Climate and Communications
29-31 Adelaide Road
Dublin 2
D02 X285

RE: EAI Concerns re. EEOS

Dear Mr Deegan,

I am writing to you on behalf of EAI members to reiterate our concern that we expect there to be a shortfall in meeting this year's Obligation Scheme targets and request that certainty is provided on how credit deficits will be addressed. Suppliers also wish to highlight some concerns following the publication of the EEOS 2022 – 2030 decision paper.

EEOS 2021

In EAI's letter to DECC on the 30th of August, we highlighted many of the issues which will make achieving targets for this year's obligation scheme challenging. Suppliers faced a truncated year for delivering on EEOS targets given 5 months of potential works were lost at the start of the year due to Covid-19 restrictions. Since then, suppliers have been making every effort to deliver as many projects as possible to counteract the time previously unavailable for delivery. However, suppliers have faced a variety of issues in recent months including labour shortages, delays in the return to the office and businesses postponing/delaying decision-making on energy efficiency investments. It is our experience that businesses across all sectors have curtailed their energy efficiency objectives for 2021. We anticipate that these issues will continue for the remainder of the year resulting in a very challenging landscape for delivering EEOS targets.

EAI members have since taken part in several Governance Group Meetings. The data presented at recent workshops shows that there is currently a deficit in credits and considering the level of activity expected out to year-end our members do not have confidence that targets for this year can be met. We also do not expect that there will be enough credits available for trading. If there are a small number of Obligated Parties that do have a surplus of credits we expect that these credits will be held by the Obligated Party and carried over until next year given a higher 2022 target is expected. Therefore, we still have concerns that there will be a shortfall this year.

Obligated Parties are concerned about potential implications of the deficits that are likely to exist and are keen for certainty to be provided as soon as possible. As these challenges have arisen due to factors outside of Obligated Parties control, we anticipate a flexible and fair approach will be adopted this year to 2021 targets. We note the Department's EEOS decision for Q7.2 which says that "the calculation of targets for the remaining years of the obligation period (2022-30) will take account of each obligated party's 2021 delivery of savings". **We interpret this as meaning there will be no penalties or buy-outs imposed for shortfall this year and such shortfalls can be recovered over the remaining years of the scheme. We would welcome confirmation, in writing, from the Department on this matter.**

We believe this is the most pragmatic outcome overall given prevailing market-wide conditions. Enabling suppliers to deliver the required energy savings at a later date still allows Ireland time to meet the 2030 energy efficiency target as required by the Energy Efficiency Directive so we would consider this as a 'least-regrets' option. It also avoids a situation where energy suppliers would incur buy-out/ penalty rates at a time where wholesale energy prices have increased significantly which has had substantial impacts on consumers. Buy-out/ penalty rates are contributed to an Energy Efficiency Fund which then enables the Irish Government to deliver the required savings. However, given the various resource, budget and price issues outlined above, we expect the Irish Government to face similar challenges in delivering the credits so it would be best to simply allow Obligated Parties more time to deliver the savings given the buy-out/penalty option will do little to expedite Ireland's energy efficiency savings.

EEOS 2022-2030

With regards to the decision paper for next year's scheme, EAI members continue to have a number of concerns in regard to the design of the scheme and the lack of clarity at this late stage of the year on key items including:

- A decision is yet to be made regarding penalties. While we welcome the appointment of consultants to research and inform an appropriate penalty framework, clarity is not expected until early 2022. This uncertainty is a significant cause for concern as suppliers need clarity (in writing) for financial forecasts and audits. We ask that this work is expedited to provide certainty as soon as reasonably possible. We also ask for supplier comments to be considered on how the penalty framework might operate to ensure that suppliers know potential financial exposure rates as soon as possible after a non-compliance event

- We are disappointed that the requirements for BER uplifts for fuel poor households locks out many vulnerable customers as an 'eligible energy poor home' will be a property that has a pre-works BER of D2 or worse (as well as in receipt of a Warmer Homes eligible payment/ home owned by a Local Authority or Housing Association) While this is an improvement from the proposed BER of E1, we would still like to see energy poor homes with a BER of C or less be included also as we consider the energy poverty target to be very challenging to deliver under the proposed BER ratings.

- We feel the EEOS proposals for the coming years disincentivise the step-by-step approach to energy efficiency upgrades which many consumers' favour for affordability reasons. This ignores the reality that many consumers wish to undertake energy efficiency measures on a staged basis for reasons of affordability and convenience.

- The requirements set out in the decision paper for the delivery of energy poor sub-targets state that a BER of B2 or better must be achieved. The absence of the pathway approach reduces options and the flexibility of the scheme. This BER uplift is not required by the Directive, it is unnecessarily restrictive and risks putting Obligated Parties in an extremely challenging position in terms of obtaining credits under such narrow conditions.

- We have concerns that using the year 2020 as part of the baseline for setting targets going forward will underestimate the share of final energy consumption used for transport due to the impact of Covid-19 restrictions which occurred in 2020. Instead, we would suggest using the years 2017, 2018, and 2019.

- We also have concerns with the process proposed by SEAI in regard to 'exceptional changes'. In the previous scheme, a 10% market share change was sufficient to trigger a target review. The EEOS consultation indicated that the Department was minded to maintain this approach. The rationale for doubling this to 20% has not been sufficiently explained. Retaining the 10% threshold would de-risk the EEOS for Obligated Parties and ensure that market losses / gains can be dealt with in a fair and equitable manner. We ask that the proposed position be reconsidered by the Department and SEAI.

- Lastly, we still believe the scheme will need to be reviewed much earlier than what is proposed (in 2025/26). We would suggest the scheme is reviewed in 2023/24 and every two years thereafter.

EAI members will continue to make every effort to deliver as many projects as possible this year and will continue monitor their progress towards meeting targets for this year of the scheme and would be happy to engage further with DECC on this matter over the remaining few months of 2021.

Yours sincerely,

Dara Lynott

CEO

Electricity Association of Ireland