6 Merrion Square North,
Dublin
D02 FF95

Date 5th September 2022

Energy Poverty Action Plan Consultation,
Residential Energy Efficiency Division,
Department of the Environment, Climate and Communications,
29-31 Adelaide Road,
Dublin 2 D02X285

By email to: **Energy.Efficiency@decc.gov.ie**

RE: **Energy Poverty Strategy Consultation**

Dear DECC

Recognising the new challenges in dealing with energy poverty and the need for continued action, Electricity Association of Ireland (EAI) members welcome the fact that there will be a Plan that will continue to deliver on the Strategy's objectives through medium- and longer-term measures to alleviate energy poverty, as well as outlining the shorter more immediate measures needed to ensure winter-readiness for those at risk of energy poverty.

Given current market conditions, EAI members have been working collectively over the course of this year to:

- Review and provide insight on emerging Government policy and regulatory requirements in the area of customer protection and energy poverty such as the National Energy Security Framework and CRU's enhanced customer protection measures
- Provide recommendations on measures that could help to reduce energy poverty as part of pre-Budget 2023 submissions
- Establish whether additional voluntary measures can be rolled out to further support customers

We support the NESF and are in the process of delivering a suite of actions to help customers, in very short, perhaps record, timeframes. However, over the medium- to long- terms we acknowledge that more needs to be done to better understand and reduce energy poverty. We feel there are several areas of focus that could help, including:

- **Energy efficiency**: In the context of rising energy prices and increased risks of fuel poverty which is expected to be in the region of 40% during 2023, the Government has recently released a National Energy Security Framework as well as an Energy Poverty Strategy Consultation, both of which emphasise the importance of retrofit for reducing bills and positively impacting on affordability and fuel poverty. This is against the backdrop of a pre-existing Climate Action Plan target to retrofit 500,000 homes to BER B2 rating by 2030 as well as REPowerEU, Europe's plan to reduce reliance on Russian fossil fuels which also can be delivered by improving energy efficiency. Therefore, in responding to this consultation we have focused on those measures we believe will make a material impact on customers' ability to access and carry out energy efficiency
- **Direct customer supports** delivering the proposed actions under the NESF will be key to supporting customers, particularly those that make a direct impact on customers' bills
- **Data Sharing**: Ongoing monitoring of energy poverty levels as well as heightened data sharing with suppliers will be key to allow suppliers to identify those that may be experiencing fuel poverty so further action can be taken

We provide further detail below on each of our proposals.

Question	**Comment**
Q1. What further action could be taken to alleviate energy poverty through home energy upgrades? Please provide any relevant analysis or research to support your suggestions.	**Reduce VAT rate on energy efficiency measures:** Given the challenging environment that customers currently face in terms of accessing funds for retrofit and managing repayments, we believe a change in how VAT is applied could be beneficial. Currently VAT on energy efficiency measures is applied as follows: • If the cost of materials makes up less than two thirds of the total cost, then a rate of 13.5% is applied to the full retrofit cost, including both labour and materials • If the cost of materials makes up more than two thirds of the total cost, then a rate of 23% is applied

	Reducing the VAT rate on energy efficiency to zero, for both labour and materials, would significantly decrease the total cost paid by customers and improve the payback period. or a deep retrofit of a 2-bed mid-terrace 110m2 home this makes up approximately €2,500 of the total cost of approximately €18,000. . The Government released revised retrofit grants in February that increased the monetary support available to customers. The revised grants were welcomed, but since then inflation associated with both materials and labour have reduced the impact of these grants. Currently, inflation in the Eurozone area is approximately 9% . To ensure customers have the same or similar spending power, an upward revision of the grants would be warranted. However, we feel a change in VAT rate would achieve a similar end goal and as it can be centrally managed may be less administratively burdensome. While this change would be particularly beneficial in the current climate, we believe it has the potential to be a medium- term measure that will assist the delivery of the Government's Climate Action Plan target. This is particularly important given the risk that current inflationary measures could stifle retrofit rollout. In other jurisdictions a similar approach is being taken, such as in the UK, where zero% VAT is applied to energy efficiency measures for a period of 5 years out to 2027 . We outlined in the **appendix** the proposed list of measures this should apply to as well as some examples retrofit cases to illustrate the positive financial impact this proposal could have. **Deliver the low-cost loan scheme** The Government has been planning to release a low-cost loan scheme for some time now. In fact, action 218 of the Climate Action Plan 2021 committed to delivering a scheme by Q3 2022. While there are some low-cost loan schemes available in the market, we call on the Government to deliver its planned scheme as soon as possible to help consumers can access lower cost finance. This scheme could have a material impact on broadening the rollout of energy efficiency measures.

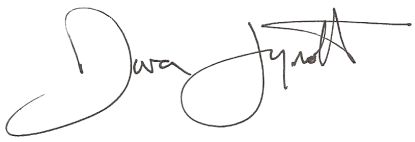
	In terms of the approach to residential and fuel poor households, we firmly believe the current proposal isn't practical due to the requirement for a BER before and after, and we reiterate the point that a large proportion of energy credits will go uncounted for. SEAI and the Department have previously stated that energy suppliers are key to the success of an Obligation Scheme, namely through their interaction with customers and acting as the first point of contact, in many cases, for carrying out retrofits. By imposing the pre and post BERs, along with imposing the minimum uplift and closing off the avenue of deemed measures to suppliers' homeowners, who are newly embarked on their home retrofit and wish to avail of shallow measures, risk being turned down for financial support and may carry out measures in the grey market. Once they go down this route, we risk losing them completely for deeper measures and the savings will be lost at a national level. We are encouraging the Department to reconsider this. We are disappointed that the requirements for BER uplifts for fuel poor households locks out many vulnerable customers as an 'eligible energy poor home' 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 as we consider the energy poverty target to be very challenging to deliver under the proposed BER ratings. 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.
Q3. In the areas of energy prices, meeting the cost of energy and consumer protection, what further action could be taken to	**Further credits on customer bills where required:** This is an established mechanism that enables a direct impact on consumers' ability to manage energy bills It gives customers a clear expectation of what monetary impact they will receive on their bills, allowing them to manage household budgets accordingly it can be

alleviate energy poverty? Please provide any relevant analysis or research to support your suggestions.	implemented by suppliers with relative ease and can be executed in good time. **Maintain VAT reductions:** We would support a continued reduction in VAT beyond the existing cut-off point of October 2022. We support the continuation of this measure to the extent that it does have a negative impact on long-term on energy VAT rates i.e., that Ireland can retain the 13.5% VAT rate on an enduring basis. **PSO reduction** We agree with the reduction of the PSO given existing wholesale prices, this should continue as appropriate within the bounds of the existing PSO mechanism/ legislation. **Increase fuel allowance:** Given the fuel allowance is a well-established government mechanism that is means-tested and allows appropriate targeting of those most in need; However, the fuel allowance does not provide for all customer in fuel poverty, and we believe improvements are needed in terms of identifying energy poverty customers.
Q4. In the area of governance, research, measurement and evidence, what further action could be taken to alleviate energy poverty? Please provide any relevant analysis or research to support your suggestions.	**Increased Data Sharing** For suppliers, particularly those obligated under the Energy Efficiency Obligation Scheme, it can be very difficult to access customers who are experiencing energy poverty and we rely heavily on Local Authority engagement. If it was possible for Government Departments and/or agencies to set up an information sharing initiative with obligated parties, in line with data protection legislation, it would greatly improve our outreach to these customers, further reducing energy poverty. This initiative could cover sharing of information about customers who may be in receipt of certain allowances that typically act as an indicator for energy poverty. This would be subject to close consideration but may include (and not be limited to) the Household Benefit Package and Fuel Allowance.

	We also believe data sharing on key indicators such as self-disconnection data from prepayment meter customers is vital for suppliers. We are currently assessing whether this information can be shared with suppliers and if so, how that can be progressed.

If you should have questions or require any additional clarifications regarding this submission, please do not hesitate to contact me

Yours Sincerely



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Dara Lynott
CEO
Electricity Association of Ireland

ELECTRICITY ASSOCIATION OF IRELAND

Appendix

Proposed list of measures this should apply to as well as some example retrofit cases to illustrate the positive financial impact this proposal could have.

House Type: 3 bed two storey semi-detached
Floor Area: 120m2
Built: 1991
Measures: insulation to ensure home is heat pump-compliant and air to water heat pump installed
Cost before SEAI grants: €50,000
Cost post SEAI grants: €29,600
VAT @ 13.5%: €3,520
Final cost post VAT reduction: €26,079

House Type: 4 bed single storey detached
Floor Area: 130m2
Built: 1988
Measures: insulation to ensure home is heat pump-compliant and air to water heat pump installed
Cost before SEAI grants: €60,000
Cost post SEAI grants: €36,400
VAT @ 13.5%: €4,330
Final cost post VAT reduction: €32,070

House Type: 2 bed two storey mid terrace
Floor Area: 72m2
Built: 1930
Measures: insulation to ensure home is heat pump-compliant and air to water heat pump installed
Cost before SEAI grants: €37,000
Cost post SEAI grants: €20,400
VAT @ 13.5%: €2,430
Final cost post VAT reduction: €17,970

House Type: 4 bed two storey detached dormer bungalow

Floor Area: 180m2
Built: 2002
Measures: insulation to ensure home is heat pump-compliant and air to water heat pump installed
Cost before SEAI grants: €55,000
Cost post SEAI grants: €31,400
VAT @ 13.5%: €3,735
Final cost post VAT reduction: €27,665

List of applicable measures:

- Energy efficient lightbulbs including CFLs and LEDs
- Heat pumps
- High efficiency gas or oil boilers with >90% efficiency as per HARP database
- Roof insulation:
- On the ceiling to U-value 0.16W/m2K
- On the rafter to U-value 0.2W/m2K
- On flat roofs to U-value 0.22W/m2K
- External wall insulation to U-value 0.27W/m2K
- Internal dry lining wall insulation to U-value 0.27W/m2K
- Cavity wall insulation to U-value 0.5W/m2K
- Floor insulation to U-value 0.36W/m2K
- Window replacement to U-value1.4W/m2K
- Fully integrated heating controls upgrades as recommended in TGD L 2008
- Solar water heating as per SR 50-2
- Water to water heat pumps, minimum SPF of 485
- Air to water heat pumps with minimum SPF of 350
- Air to air heat pumps with minimum SPF of 325
- Brine to water heat pump with minimum SPF of 390
- High heat retention cylinders (minimum standing loss of 0.5W/l)
- Solar Photo Voltaic as per SR 55 and associated hot water divert technology.