Aileen Duffy
Department of the Environment, Climate and Communications
29-31 Adelaide Road
Dublin 2
D02 X285

30 April 2021

Sent via email: energy.efficiency@decc.gov.ie

Dear Aileen,

Bord Gáis Energy (BGE) welcomes the opportunity to respond to this consultation. The Energy Efficiency Obligation Scheme (EEOS) remains a key part of Ireland's approach to delivering the Article 7 Energy Efficiency Directive (EED) targets. As an obligated party we are committed to working with customers and communities to deliver energy savings through EEOS. We support the Climate Action Plan (CAP) and we are also eager to promote deeper retrofits through initiatives such as the National Home Retrofit Scheme.

However, we have concerns about the proposals for meeting the ambitious EU- wide 32.5% energy efficiency target outlined in the EED 2018. This EEOS connsultation is also released against the backdrop of the ongoing European Commission review of the EED to align it with the Green Deal 'Fit for 55' package which may see a further increase in EED targets to approximately 36-37%. Given the increases in targets we see a need for more flexibility in the EEOS requirements so there is a reasonable possibility that these rising targets can be met.

While we agree with many of the proposals in the consultation, we are concerned that some of the proposed changes to the residential and energy poverty sector are very restrictive for obligated parties and may undermine obligated parties' ability to meet necessary targets. In turn there is a risk that Ireland may not achieve energy savings in line with EED requirements. To address these concerns, we suggest that:

- To better align to the CAP and to ensure that all obligated parties face a similar 'cost of compliance':
  - Residential subsector targets are allocated to all obligated parties, not only those from non-transport sectors.
  - Transport obligated parties are provided with either a transport specific target or energy poverty target.
- The proposed requirements for delivering savings in both the residential and energy poverty subsectors are adjusted to allow flexibility to achieve enough credits to reach the proposed targets. These flexibilities include an option to deliver residential credits under the existing deemed credits table and adjusting the definition of energy poverty to include those who are in households above a BER rating of E1.

Residential

DECC's proposed BER model for the residential subsector introduces affordability, resource and delivery challenges that may significantly limit obligated parties' ability to deliver the targets. As an alternative we suggest that obligated parties have an option to deliver savings under the existing deemed credits table with a 'top up' for multiple measures or the proposed new BER system.

Energy Poverty

While we support efforts made to alleviate energy poverty and remain committed to delivering a proportion of measures in the energy poverty subsector, we have a variety of concerns with DECC's proposals:

- The proposals go beyond what is required by the EED and we do not believe they are necessary.
- We support a BER rating being included as an additional factor to identify energy poverty households. However, we do not think that only properties below a E1 rating are considered energy poverty homes. We think the proposed narrower definition will exclude a significant cohort of consumers in energy poverty from accessing supports. There are about 230,000 homes that are categorised as energy poverty households under the government's energy poverty strategy but may not be considered as energy poverty homes under the EEOS energy poverty subsector. Rather than narrowing the energy poverty definition BGE thinks that the definition should be broadened to include those who are elderly, and households with special needs or long-term sick dependants.
- We also disagree with DECC's proposal that energy poverty credits will only be provided where the property is upgraded to a BER B2 rating or higher. Many properties cannot be upgraded to a B2 standard in one 'big bang' approach for a variety of reasons. Flexibility is required to retrofit the property in a piecemeal fashion and credits should be allowed for individual, incremental measures.

We are surprised that DECC has chosen to propose these changes to the energy poverty and residential subsectors given the outcome of its economic analysis. DECC appointed a consultancy called ECA to model a variety of different options for EEOS 2022-2030. ECA assessed the costs and benefits of each scenario in detail. ECA's analysis shows that the 'Pathway 15 and Enhanced Energy Poor' scenario, which most closely aligns to proposals put forward in the consultation, has a net benefit of between €100-€300 million. However, the 'Reference Scenario' which broadly aligns to the current EEOS design has a net benefit of €1.1 billion. As our proposals more closely align with the Reference Scenario, we ask DECC to consider them as they can reduce the risk that Ireland does not meet the EED targets while delivering a higher net benefit for the country.

You can find our response to the consultation questions in the attached appendix where we outline our views in further detail. We have also completed the online consultation questionnaire.

We hope that you find our response to this consultation useful and would be happy to discuss our views and recommendations further. If you require any further detail or clarification, please feel free to contact me.

Yours sincerely,

[redacted]

Senior Regulatory Affairs Manager

Bord Gáis Energy

Appendix- Consultation Questions & Answers

Question 3.1: Do you agree with our proposal that the EEOS should cover entities across all the main energy markets - electricity, natural gas, liquid fuel and solid fuel?

Yes.

BGE thinks it is appropriate that all eligible sectors play a role in achieving Ireland's energy efficiency targets including entities in the electricity, natural gas, liquid fuel and solid fuel markets.

The Department previously decided not to avail of any of the flexibilities in Article 7(1) of the Energy Efficiency Directive (EED) 2018 i.e. not to exclude certain sectors such as transport when calculating Ireland's total final energy sales. We believe there should be a consistent approach to both target calculation and allocation. If all final energy sales are used to calculate Ireland's targets all sectors that supply final energy should undertake a proportionate role in improving energy efficiency and meeting targets.

Question 3.2: Do you agree with our proposal to obligate the above types of eligible parties within each market, should they be above a certain size, that is: a) of the eligible parties in the liquid fuel market, only the liquid fuel importers operating in Ireland; b) of the eligible parties in the solid fuel market, all entities, including all distributors and suppliers operating in Ireland; c) of the eligible parties in the electricity and natural gas markets, only the retail energy supply companies operating in Ireland?

Yes.

We agree that the proposed eligible obligated parties are appropriate.

Question 3.3: Do you agree with our proposal to set the obligation threshold in terms of annual final energy sales volume (GWh)?
Yes.

We agree that annual final sales measured in GWhs would be the most appropriate unit to use when calculating obligated parties' targets given that it would align with the calculation method for Ireland's overall energy efficiency target. Article 7 of EED 2018 says Member States' headline energy efficiency targets must be calculated in "annual energy sales to final customers by volume".

Question 3.4: Do you agree with our proposal to set the obligation threshold level at final energy sales of 400 GWh per annum, combined with the introduction of a free allowance?

No.

BGE does not support a minimum sales threshold for EEOS. If a minimum threshold must be implemented, it should be set at 0GWhs as we believe all suppliers should be included in the scheme. Also, a free allowance should not be provided as it is not required.

DECC says that to obligate all suppliers, including new entrants, 'from the start' would impose disproportionate amount of fixed costs which can only be smeared across a small customer base putting smaller suppliers at a competitive disadvantage. We do not agree with the ECA assessment that obligated parties face “cliff edge” fixed EEOS costs that would be a barrier to entry/ growth. In practice obligated parties have the facility to purchase energy credits from the market and so avoid fixed costs being incurred. Also, under current proposals outlined in the consultation, obligated parties would have the facility to nominate another obligated party to deliver the EEOS target which would also allow an obligated party to avoid many fixed costs. Therefore, there should be no exemption and if there was an exemption it would distort the market in favour of smaller players.

Question 3.5: Do you wish to provide any specific comments in relation to the above target setting approach?

No.

Question 4.1: Do you agree with our proposal that 60% of Ireland’s Article 7 obligation for 2021-30, equivalent to 36,424 GWh cumulative final energy savings, should be met by an Energy Efficiency Obligation Scheme?

Yes.

We agree with the proposed 60/40 split provided that DECC carries out an assessment to establish if it is possible for these targets to be achieved.

To determine the percentage split that can be allocated to EEOS and alternative measures DECC appointed ECA consultants to carry out a calculation of savings expected from a variety of different alternative measures. ECA did a ‘bottom up’ calculation of alternative measures savings and determined that 40% of Ireland’s energy efficiency target could be allocated to alternative measures and by default the remaining 60% was allocated to EEOS. However, ECA did not carry out an equivalent exercise for EEOS to establish whether the EEOS can deliver the proposed volume of savings. While ECA carried out detailed modelling of a variety of scenarios, it did not assess whether the EEOS target was feasible. Before confirming the 60/40 split EEOS savings should be assessed using a similar ‘bottom up’ approach to clarify if the EEOS can deliver the required savings.

When calculating the volume of energy use in transport to develop EEOS targets we think that electricity supply to electric vehicles should be excluded. From an energy efficiency perspective by changing an internal combustion engine to an electric vehicle all available energy efficiency savings have already taken place. Also, as we are not aware of any further energy efficiency measures that can be undertaken for electric vehicle supply, the desired end goal has been reached so the kWhs supplier should not be used as a basis to calculate a target to drive further energy savings. From a policy perspective if an electric vehicle is in place energy efficiency policy has been satisfied so the remaining policy objective should be to ‘green’ the supply via renewables etc. which is the goal of the Renewables Directive (as transposed into Irish law). Our proposed calculation approach may result in a change to the 60/40 allocation of the target set out above.

We are concerned about the prospect of a revision to EEOS target from 2022-2030. Targets were recalculated in the 2014-2020 phase given alternative measures did not deliver as many credits as expected. We would strongly oppose any recalculation part way through the 2022-2030 phase. Obligated parties must be provided certainty that their targets remain ‘firm’. If alternative measures do not deliver as expected DECC should consider other new alternative measures rather than increasing the EEOS target.

Question 4.2: Do you agree with our proposal that the EEOS Target should be disaggregated, with a 40% target allocated to all transport energy suppliers and distributors (the Transport Sales Target), and a 60% target allocated to all non-transport energy suppliers and distributors (the Non-transport Sales Target)?

Yes.

We welcome the inclusion of transport suppliers in the delivery of EEOS targets. We agree with the proposed approach as it looks to allocate the savings target proportionate to the final energy sales associated with each end use. However, in the interests of transparency we ask DECC to provide clarity on how the 40% transport target was calculated. It would be useful to confirm if 40% is the most appropriate figure as the most recent [1] SEAI says that transport contributed 42% to Ireland's final energy consumption in 2019. Also as explained in our response to question 4.1 we suggest that electricity supplied to electric vehicles is excluded from the transport sector calculation.

Question 5.1: Do you agree with our proposal that a certain proportion of obligated parties' energy savings must come from measures delivered in the residential sector (the Residential Delivery Sub-target)?

Yes.

While we agree that a proportion of obligated parties' energy savings should come from the residential subsector, we do not agree with DECC's proposal for a mandatory residential subsector target to be applied only to the non-transport sector. To better align with climate policy and to ensure fair burden sharing we propose that all obligated parties are required to deliver savings in the residential subsector, including transport obligated parties.

In our view all obligated parties should be treated equally. Obligated parties should be subject to a similar 'cost of compliance'. However, under DECC's current proposals transport obligated parties can fulfil their EEOS targets by obtaining credits in any subsector. As credits in the non-residential sector are less expensive than those in the residential subsector, there is no incentive for transport obligated parties to deliver savings in residential homes. In t[2], ECA assumes non-residential credits are 4 cent and residential credits are 14 cent. In addition, we expect that there will be no penalties for transport obligated parties for not delivering savings in the residential sector. Effectively this means that few or perhaps no savings in the residential subsector will be delivered by the transport subsector. As transport obligated parties will mainly deliver savings in the lowest cost subsector i.e., the non-residential subsector, there will be a sizeable disparity in the cost of compliance for different types of obligated parties. Most importantly, we believe this approach does not fulfil the Department's goal of aligning EEOS with the CAP goal to retrofit 500,000 homes to a BER B2 rating as outlined in the consultation:

"However, where relevant and beneficial, Ireland must also ensure that our policy response to Article 7, and in turn the design of the EEOS, aligns with and supports Ireland's overall targets and ambitions as set out in the Climate Action Plan, the Programme for Government and the National Energy and Climate Plan. To tie the overall EEOS Target more firmly to these broader objectives, DECC is proposing to 'ring-fence' a proportion of the target that

[1] SEAI- Energy in Ireland 2020 report- https://www.seai.ie/publications/Energy-in-Ireland-2020.pdf

[2] ECA- Economic and policy analysis in support of a revised EEOS for Ireland 2021-2030- https://www.gov.ie/en/consultation/11050-public-consultation-on-the-energy-efficiency-obligation-scheme-eeos/

must be met through savings delivered in particular sectors and in line with certain delivery requirements" (page 24, EEOS Consultation document).

Question 5.2: Do you agree that, of these residential savings, a certain proportion must also come from activity in energy poor homes (the Energy Poverty Delivery Sub-target)?

Yes.

While we agree that a proportion of obligated parties' energy savings should come from the energy poverty subsector, we do not agree with DECC's proposal for a mandatory energy poverty subsector target to be applied only to the non-transport sector. In addition to being provided with a residential subsector target, in our view, transport obligated parties should be provided with either a transport-specific subsector target or an energy poverty subsector target.

In principle, obligated parties should face a similar cost to comply with the scheme. However, under DECC's current proposals, transport obligated parties can fulfil their targets by obtaining credits in any subsector at a much lower cost than non-transport obligated parties. As credits in the non-residential sector are significantly less expensive than those in energy poverty subsector, there is no incentive for transport obligated parties to deliver savings in energy poverty homes. In the ECA report[3], ECA assumes non-residential credits are 4 cent and energy poverty credits are 27 cent. In addition, we expect that there will be no penalties for transport obligated parties for not delivering savings in the energy poverty sector. Effectively this means that few or perhaps no savings in the energy poverty subsector will be delivered by transport obligated parties. As transport obligated parties will mainly deliver savings in the lowest cost subsector i.e., the non-residential subsector, there will be a sizeable disparity in the cost of compliance for transport and non-transport obligated parties.

In response to question 5.3 we explain that transport obligated parties should be provided with a transport- specific subsector target. We understand that it would be cost prohibitive for the transport sector to deliver the full target within the transport sector itself. However, we do not consider it cost prohibitive for a portion of the target to be delivered in transport given that the cost of an energy poverty credit and the cost of a transport credit are expected to be broadly similar (27c and 26c respectively). Given the cost parity we think the transport subsector target could be of a similar magnitude to the energy poverty target.

However, if DECC considers that a transport subsector target cannot be applied to transport obligated parties then the transport obligated parties should share a burden of the energy poverty and residential targets. This approach to sharing would be reasonable considering that DECC has calculated the energy poverty, residential and non-residential targets as a portion of the headline energy efficiency target (which are calculated based on total energy sales now including transport, which was previously excluded). Splitting up the subsectors in this way i.e., based off the headline figures is only acceptable if both the transport and non-transport sectors share all three subsector targets i.e., energy poverty, residential and non-residential. If energy poverty and residential are allocated only to the non-transport sector, then the percentages should be calculated based on non-transport sales only, not total sales.

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[3] ECA- Economic and policy analysis in support of a revised EEOS for Ireland 2021-2030- https://www.gov.ie/en/consultation/11050-public-consultation-on-the-energy-efficiency-obligation-scheme-eeos/

Question 5.3: Do you agree with our position not to specifically require that a portion of the EEOS Target must be met by obligated parties through savings from measures in the transport sector?

No.

In line with the spirit of EED 2018 and to align to the CAP, the transport sector should deliver some savings within its own sector.

We accept that full delivery of target within the transport sector itself would be cost prohibitive, as shown by the ECA economic analysis. However, we believe a minimum percentage transport- specific subsector target should be implemented in the transport sector to align with both EED and the CAP goal of rolling out 900,000 electric vehicles by 2030. As the ECA analysis shows that the cost of an energy poverty credit and the cost of a transport credit are broadly similar (27c and 26c respectively) the transport subsector target could be of a similar magnitude to the energy poverty target.

However, if DECC considers that a transport subsector target cannot be applied to transport obligated parties then the transport obligated parties should share a burden of the energy poverty and residential targets. This approach to sharing would be reasonable considering that DECC has calculated the energy poverty, residential and non-residential targets as a portion of the headline energy efficiency target (which are calculated based on total energy sales now including transport, which was previously excluded). Splitting up the subsectors in this way i.e., based off the headline figures is only acceptable if both the transport and non-transport sectors share all three subsector targets i.e., energy poverty, residential and non-residential. If energy poverty and residential are allocated only to the non-transport sector, then the percentages should be calculated based on non-transport sales only, not total sales.

We ask DECC to provide clarity on how the transport targets will be calculated for suppliers who provide electricity for use in electric vehicles. As electricity suppliers for electric vehicles is not separately metered, we understand that an estimate must be made. In the interests of transparency, a detailed and up to date calculation methodology should be provided to suppliers. In addition, when calculating energy sales in transport to develop EEOS targets, we think that electricity supply to electric vehicles should be excluded. From an energy efficiency perspective by changing an internal combustion engine for an electric vehicle, energy efficiencies have already taken place. As we are not aware of any further energy efficiency measures that can be undertaken, we believe the desired end goal has been reached. From a policy perspective if an electric vehicle is in place energy efficiency policy has been satisfied so the remaining policy objective should be to 'green' the supply through renewables which is delivered by the Renewables Directive (as transposed into Irish law).

Question 5.4: Do you agree with our proposal that at least 15% of all EEOS savings, equivalent to 5,464 GWh cumulative final energy savings, must be delivered in the residential sector?

No.

We are concerned that this residential target cannot reasonably be achieved under the current proposed rules. We feel this target can only be achieved if:

- The target is allocated to all obligated parties, not only those from non-transport sectors

- The proposed requirements for delivering savings in the residential subsector are adjusted to allow adequate flexibility to achieve the proposed target

Although ECA assessed a variety of scenarios for the residential subsector, ECA's analysis focused on the costs, benefits and impacts of those scenarios only. ECA did not determine if the targets were feasible, and it is unclear to obligated parties if the proposed targets can be met given the proposed requirements outlined in the consultation.

Question 5.5: Do you agree that at least 5% of the EEOS Target (a third of the Residential Delivery Sub-target), equivalent to 1,821 GWh cumulative final energy savings, must be achieved through measures delivered in energy poor homes?

No.

We are concerned that this energy poverty target cannot reasonably be achieved. We feel this target can only be achieved if:

- The target is allocated to all obligated parties, not only those from non-transport sectors. If target is not allocated to all obligated parties, the target should be recalculated based on a proportion of non-transport sales only, not based on total sales.
- The proposed requirements for delivering savings in the energy poverty subsector are adjusted to allow adequate flexibility to achieve the proposed target.

We do not agree with DECC's approach to apportioning the target. In the consultation document DECC says that the energy poverty target is being "held constant at 5% of overall savings". While it is accurate to say that the total energy poverty subsector target is being held constant, it must be recognised that the energy poverty target is much higher than before. The 5% target is being applied to a larger energy consumption figure which now includes transport consumption which was previously excluded. Given that DECC proposes that this larger target is only delivered by non-transport obligated parties, for non-transport suppliers the energy poverty target has increased from 5% to 8.25%. If 5% of all EEOS savings are to be achieved through activities in the energy poverty sector, then this sub-target must be allocated to all obligated parties; it would be disproportionate and unfair to impose sectoral sub-targets on one cohort of obligated parties and not the other. If the energy poverty target is not allocated to all obligated parties, the target should be recalculated based on 5% of non-transport sales only, not 5% of total sales.

In addition to an increased target there is a much narrower definition of eligible energy poverty homes and a higher BER B2 standard must be met to achieve credits. Considering all proposed changes collectively, we have material concerns about the feasibility of delivering these targets. While we remain committed to alleviating energy poverty by delivering savings within the energy poverty subsector, we feel the proposed 1,821 GWh target can only be implemented if it is shared by all obligated parties and if the proposed new requirements adjusted appropriately.

Although ECA assessed a variety of scenarios for the energy poverty subsector, ECA's analysis focused on the costs, benefits and impacts of those scenarios only. ECA did not determine if the targets were feasible, and it is unclear to obligated parties if the proposed targets can be achieved given the requirements outlined in the consultation.

Question 5.6: Taking account of the worked examples provided in Appendix 3, do you agree with our proposed approach in how the delivery sub-targets are allocated to obligated parties?

No.

All obligated parties must be required to deliver savings in the non-residential and residential subsectors. In addition, transport obligated parties should be provided with either a transport-specific subsector target or an energy poverty subsector target.

Question 6.1: Do you agree with our proposed requirements for delivery under the Residential Delivery Sub-target (excluding the Energy Poverty Delivery Sub-target)?

No.

DECC's proposals may significantly limit obligated parties' ability to deliver the proposed residential targets. The proposed BER model introduces various challenges and we feel that more flexibility is needed to meet the proposed targets. As an alternative we suggest that obligated parties have an option to deliver savings under the existing deemed credits table or the proposed new BER system.

While we are supportive of Ireland's CAP, the suggested approach for the residential and energy poverty sub-sectors appears to focus predominantly on delivering CAP objectives rather than ensuring that the EEOS can meet the EED 2018 targets. The proposed ruleset for EEOS 2022-2030 may limit the availability of credits meaning that obligated parties and in turn Ireland Inc. may not achieve the required energy savings.

The proposed BER model, where credits can only be provided if a property is retrofitted to a BER B2 rating or on a pathway to a B2 rating, introduces the following challenges:

- **Affordability**: We think the proposals need to be amended to be more consumer centric. We are concerned that, as currently proposed, the EEOS scheme will focus on the few consumers that have the financial resources and willingness to spend €35-75,000 on their homes and will limit the many who may be able to spend more manageable sums of money such as €1-€2,000. CAP sets a goal of 500,000 retrofits to a BER B2 rating by 2030 and while we remain committed to playing a part in delivering this goal, we are concerned that there will be a limited portion of consumers who will be able to complete the required upgrades in a single 'big bang' approach. Depending on the current BER rating of the home, deep retrofit costs could vary between €35,000-75,000[4] which presents a significant affordability challenge for householders. As a result, many consumers may continue to undertake energy efficiency measures in a piecemeal fashion. This step-by-step approach may be more popular now considering the impact the current COVID-19 crisis is likely to have on both disposable income and customer sentiment in the coming years. Although low-cost financing may alleviate the challenges with access to capital, we expect a large cohort of consumers will still face difficulties in accessing this finance due to the ongoing economic conditions. While credits may be available where a retrofit delivers energy efficiency on a pathway to B2, the cost of for BERs and Technical Assessments (in the region of €1,000- €1,200) may undermine the viability of the works given the increased administrative costs. The BER model could prohibit rather than reward customers from undertaking energy efficiency improvements in their homes on a piecemeal basis.

[4] www.superhomes.ie

- **Availability of resources & Efficiency**: Currently there are around 450 BER assessors in Ireland that carry out approximately 80,000 BER's per year according to SEAI and ESRI figures. With a CAP target of 500,000 retrofits from 2020-2030 or approximately 50,000 per year, and a requirement to complete a 'before' and 'after' BER etc. there may be a need to complete an additional 100,000 BERs per year. Given that this does not take account of the fact that householders will complete piecemeal renovations rather than one 'big bang' approach within one year, we would consider this a conservative estimate. Given these policy proposals would more than double the need for this type of resource, we ask DECC to consider how resources can be made available to fulfil these requirements. We also question whether the requirement for pre and post BER assessment is efficient given the level of resourcing required?
- **Increased risk that credits are not delivered**: The current approach to EEOS residential credits provides assurance on the volume of credits prior to the commencement of works through the deemed credits table. BGE provides discounts on some energy efficiency works, in line with EEOS materiality requirements, which are proportionate to the available energy credits. In practice if there is no table of deemed credits for individual measures then the contractor, the homeowner and the obligated party will not know the value of energy credits before the works are completed and assessed, so the discount that would be offered by the contractor equivalent to the value of the energy credits (the obligated parties financial contribution) will not be known until some time after the works are completed and only when a BER assessor has managed to return to the home. We are concerned that contractors will not engage with the EEOS scheme, and their works and the energy savings derived from their works will not be counted. Also, with uncertainty about the volume of available credits BGE may not be able to offer discounts resulting in increased prices for customers. Higher prices may lead to weaker demand for measures and an increased risk that target may not be achieved.

We understand DECC's intention to better align EEOS with the CAP, however, given the issues outlined above, we do not believe the BER model alone is a suitable approach to deliver the EED 2018 targets. There is an opportunity to better align the CAP and EED through an alternative route where to obligated parties have an option to deliver credits under

- The current EEOS deemed credits table with a 'top up' for multiple measures **or**
- The proposed new BER model

Considering the aim of the CAP is to deliver 'deeper' retrofits to a higher BER standard, we believe this can be achieved by retaining the current deemed credits table but introducing an incentive scheme where an additional volume of credits ('a top up credit' or 'an adder') would be available for completing multiple measures. Obligated parties would have certainty that they could secure credits for each of the individual measures, however, to obtain the 'top up credits' then the additional BER and Technical assessments would be required. We also suggest that increased grant funding is made available for BER and Technical Assessments to encourage householders to undertake multiple measures. Current BER grants range from €50-€400 however, we estimate approximate costs of €1000-€1200 to complete all required assessments under the BER model.

The BER model does not facilitate credits for energy efficiencies from behavioural changes. Behavioural change-based credits such as heating controls have been a very important and stable source of energy savings to date. Although we appreciate that there is a preference for an increased number of deeper energy efficiency measures to align government climate policy it is vital that credits are still available for reliable energy savings that can provide a solid basis for Ireland to meet EED 2018 targets. Coupling behavioural change savings with an incentivisation mechanism for multiple savings measures, as described above, would provide some certainty that EEOS targets can be met whilst also encouraging deeper measures. We are aware that SEAI is planning to commission an assessment into heating control credits shortly and we would welcome a copy of the terms of reference for this piece of work.

Question 6.2: Do you agree with our proposed requirements for delivery under the Energy Poverty Delivery Sub-target?

No.

While we support efforts made to alleviate energy poverty and remain committed to delivering a proportion of measures in the energy poverty subsector, we have a variety of concerns with the proposals:

- **Legislative drivers**: The proposals go beyond what is required by the EED and we do not believe they are necessary.
- **Defining energy poverty:** While we support a BER rating being included as an additional factor we do not think that only properties below a E1 rating are considered energy poverty homes. Rather than narrowing the definition BGE thinks that the current definition should be broadened to include the elderly and households with special needs or long-term sick dependants.
- **Alleviating energy poverty:** We also disagree with the proposal that energy poverty credits will only be provided where the property is upgraded from E1 or below to a BER B2 rating or higher. Many properties cannot be upgraded to a B2 standard in one 'big bang' approach for a variety of reasons. Flexibility is required to retrofit the property in a piecemeal fashion and credits should be allowed for individual, incremental measures.

We elaborate further on each of these points below.

Legislative drivers

We do not agree with DECC's proposed new definition for energy poverty as it goes beyond what is required by EED and the new definition could undermine the EED targets being achieved.

DECC says that the energy poverty proposals must be implemented because of requirements in the Clean Energy Package (CEP) Governance Regulation. However, the original legal basis for EEOS is the EED and Article 7(11) simply requires Member States to:

"*take into account the need to alleviate energy poverty……….by requiring, to the extent appropriate, a share of energy efficiency measures under their national energy efficiency obligation schemes, alternative policy measures, or programmes or measures financed under an Energy Efficiency National Fund, to be implemented as a priority among vulnerable households, including those affected by energy poverty and, where appropriate, in social housing."*

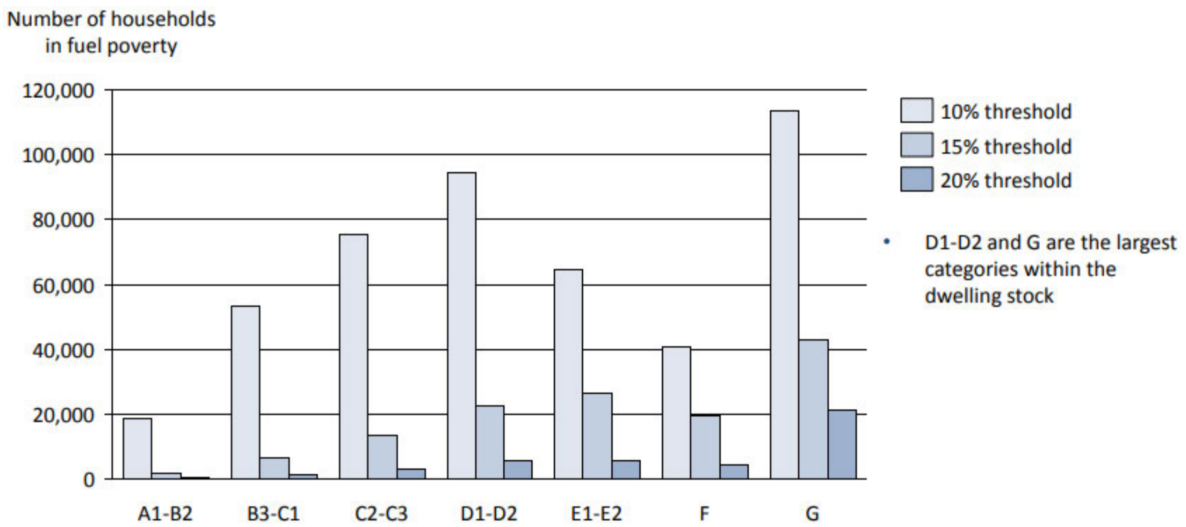
There is a proposal within the consultation for a proportion of EEOS savings to come from the energy poverty subsector and if implemented the requirements of EED will be satisfied. There is no driver within EED 2018 to change the definition of energy poverty or to reduce the overall number of households in energy poverty, rather the requirement is to alleviate energy poverty. While we believe that EED should be implemented in a way that aligns to other existing/ new government energy policies, we do not believe there is an adequate legal basis to support the proposed changes to EEOS and we think the focus must remain designing a scheme that can deliver the EED targets.

Defining Energy Poverty

We do not agree with DECC's proposed definition for EEOS as it excludes many customers who are genuinely living in energy poverty. A single energy poverty definition must be applied consistently across all government policies to ensure energy poverty is monitored and addressed appropriately. If the proposed definition is applied to EEOS and more broadly it may prevent numerous consumers who are in energy poverty from accessing supports.

The Department provides the following definition of energy poverty in the Strategy to Combat Energy Poverty 2016-2019 as "*an inability to heat or power a home to an adequate degree………. It is quantified in Ireland using what is known as the expenditure method of measuring energy poverty, whereby a household that spends more than 10% of their income on energy is considered to be in energy poverty."*

Although DECC has adopted a broad definition of energy poverty, currently the EEOS energy poverty subsector covers only those who are in receipt of eligible income supports. European Commission guidance[5] suggests that several indicators must be used to identify those in energy poverty. While introducing BER ratings as an additional factor might be helpful, we do not agree that energy poverty households are only those that are both in receipt of income supports <u>and</u> in properties with a BER rating of E1 or lower. There is no evidence to suggest that only consumers in households rated E1 or lower are in energy poverty. As show in the figure below, a study commissioned by SEAI in 2015[6] using DECC's 10% income definition shows that consumers in all BER categories can experience energy poverty.



Based on the data in the figure above it appears that there are about 230,000 homes that are categorised as energy poverty households under the government's energy poverty strategy but may not be considered as energy poverty homes under the EEOS energy

[5]European Commission EU Guidance on Energy Poverty- https://ec.europa.eu/transparency/regdoc/rep/10102/2020/EN/SWD-2020-960-F1-EN-MAIN-PART-1.PDF

[6] Element Energy- Bottom Up Analysis of Fuel Poverty in Ireland- https://www.gov.ie/en/publication/14e2b-strategy-to-combat-energy-poverty/

poverty subsector. If DECC retained the energy poverty definition in EEOS as it currently stands then these 230,000 customers could avail of higher financial contributions from obligated parties under the energy poverty subsector. The Strategy to Combat Energy Poverty 2016-2019 notes “that social housing has a very high prevalence of fuel poverty” and that “more than 60% of tenants in the local authority sector are either unemployed or retired, suggesting that these occupants are likely to have limited financial resources.” These homes are likely to experience ‘ability to pay’ challenges which can be alleviated with a broader definition.

The proposed definition of ‘E1 or lower and in receipt of income support’ may also limit access to government retrofit schemes aimed at addressing energy poverty. DECC has said that the proposed changes are a result of requirements within the Governance Regulation. As the Governance Regulation applies more broadly than EEOS, the chosen definition would apply to a variety of government policies. If the proposed energy poverty definition is implemented there would be a restriction in access to other government schemes for those living in energy poverty. For example, the Warmer Homes Scheme is currently open to applicants in receipt of income supports, the BER rating of the home is not taken into consideration.

At a minimum, it would be best to retain the current energy poverty definition. However, we suggest that rather than narrowing the energy poverty definition, the definition should be broadened so it is more inclusive. The definition could be expanded to include, for example, those who are in local authority or social housing, elderly, with special needs or long-term sick dependants.

We do not believe ECA robustly identified the number of properties under the proposed new energy poverty definition. ECA’s assessed only those in receipt of fuel allowance and then assumed that there is a uniform share of houses in receipt of fuel allowance across all BER rating which identified approximately 186,000 homes under the new definition. A more detailed and thorough analysis is needed to establish the actual number of homes in the new definition to clarify if the proposed targets are feasible.

We currently experience challenges identifying and accessing customers in energy poverty and we envisage that this challenge will increase given the narrower definition. We ask DECC to consider whether a data sharing initiative can be set up for DECC/ SEAI to look at ways to provide obligated parties with information to identify access these households. We understand this initiative must comply with data protection law therefore, we suggest data sharing is on a ‘cluster of households’ basis.

Alleviating energy poverty:

We disagree with DECC’s proposal that energy poverty credits will only be provided where households are upgraded to a B2 rating or higher. We do not agree with DECC’s interpretation of the legislation that underpins this requirement and we think there are financial barriers to this proposed approach. We suggest an alternative approach where the number of households in energy poverty is alleviated on an incremental basis and energy credits are available for individual measures.

DECC says that the energy poverty proposals must be implemented because of requirements in the CEP Governance Regulation. This Regulation says Member States must assess the number of households in energy poverty and where there is a significant number Member States must report “information on progress towards the national indicative objective to reduce the number of households in energy poverty” in National Energy and Climate Plans. We do not believe that such a stringent approach is needed where all energy measures must be completed in a single retrofit. A reduction in the number of households in energy poverty can be achieved over time by incrementally introducing energy efficiency measures, this approach would still meet the CEP Governance Regulation requirements. Improving the energy efficiency of a home alone does not necessarily mean the number of households in energy poverty is reduced. DECC's Energy Poverty Strategy recognises that energy poverty is related to a broader number of factors, improving one factor does not mean that energy poverty households will no longer experience energy poverty. To fully remove households from energy poverty a more comprehensive approach is needed where a variety of factors are addressed.

We are concerned about the financial support that is needed to deliver the proposals, there are various aspects to this:

- It is concerning that obligated parties' budgets may increase by more than 30% to meet the current proposals, according to ECA analysis. Obligated parties' budgets may not be able to tolerate large increases in the cost of delivering energy poverty credits.
- Local authority and social housing budgets may not be able to facilitate a 'big bang' approach to retrofitting in each project. Projects will be governed by budgets and resources which will likely result in many projects in energy poor homes moving homes along a pathway to B2 rather than a single upgrade to B2 or higher. We feel these homes should not cease to be considered energy poor and savings should be counted un the energy poverty subsector.
- If obligated parties' and local authorities' budgets do allow for support for the proposed type of project, the householder may not be able to engage. Despite the availability of grant funding and contributions from obligated parties, adequate cash may not be available to carry out deep retrofits in a single step and a more flexible approach is needed. We propose that energy poverty credits can be obtained in the same way as residential credits i.e., obligated parties have the option to deliver savings under the proposed BER model or the deemed credits table with a 'top up' for multiple measures.

Any requirement for alleviating/ reducing energy poverty must be applied consistently across all government policies. A study of SEAI Programmes Targeting Energy Poverty[7] showed that approximately 8% of homes upgraded under the Warmer Homes Scheme from 2015-2019 were upgraded to a B2 standard or better meaning the 92% of these homes may not be eligible for support in future if DECC imposes these new requirements.

Question 7.1: Do you agree with our proposal to implement annual additive targets up to 2030, which obligated parties will be required to meet every year?

Yes.

We agree with annual additive targets provided that DECC retains the facility for obligated parties to carry over excess credits from one year of the scheme to the following year. This facility is already in place currently and should continue in order to encourage early action. This flexibility to 'act early' within a new phase of the scheme has become increasingly important so that suppliers can generate as many credits as possible to prepare for any unforeseen events that may curtail future activity. For example, obligated parties faced

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[7] Social Impact Assessment on SEAI Programmes Targeting Energy Poverty- http://budget.gov.ie/Budgets/2021/Documents/Budget/Social%20Impact%20Assessment%20%E2%80%93%20SEAI%20Programmes%20Targeting%20Energy%20Poverty.pdf

significant challenges with securing credits towards the end of the last phase due to the COVID 19 pandemic.

Question 7.2: Do you agree that each obligated party's 2021 delivery, rather than their 2021 targets, should be considered in the calculation of targets for the remaining nine years of the obligation period?

Yes.

However, if any shortfall in delivering 2021 targets will be applied over the 2022- 2030 period DECC should consider waiving penalties for not reaching 95% of the target in 2021. We feel this would be a pragmatic approach considering the difficulties in obtaining credits due to the COVID 19 pandemic as well as the fact that smearing any shortfall over the 2022-2030 period will not undermine Ireland's ability to meet the 2030 targets.

Question 7.3: Do you agree that obligated parties should be allowed to count savings achieved on their behalf by third parties towards their targets?

Yes.

Obligated parties have successfully worked with various third parties to deliver energy savings, this has been a very important factor in achieving targets in a cost-effective manner. We strongly believe third party partnerships should continue to be permitted in the scheme.

Question 7.4: Do you wish to provide any suggestions or comments in relation to this flexibility mechanism?

No.

Question 7.5: Do you agree that a minimum achievement requirement should be put in place, which would mean that if an obligated party achieves at least 95% of its annual additive target, with the exception of the final year of the obligation period, they are deemed compliant?

Yes

We are mindful that 2020 and 2021 have been a very challenging years for obligated parties to deliver energy savings. Continuous COVID-19 lockdowns have prevented obligated parties from making meaningful progress on achieving targets. We ask for DECC and SEAI to work with obligated parties where future potential issues outside of their control prevent targets being achieved. If issues outside of obligated parties' control occur, we suggest that flexible mechanisms are put in place. For example, under achievement in one year can be applied to the remaining years of the phase (similar to what has been suggested by DECC for 2021- see response to question 7.2 for further information).

Question 7.6: Do you wish to provide any suggestions or comments in relation to this flexibility mechanism?

No.

Question 7.7: Do you agree that obligated parties should be allowed to exchange validated credits bilaterally?

Yes.

Exchanging credits provides flexibility for obligated parties to secure credits within each of the required subsectors without having to rely on the buyout facility.

Question 7.8: Do you wish to provide any suggestions or comments in relation to this flexibility mechanism?

No.

Question 7.9: Do you think it could be beneficial to allow obligated parties to bilaterally trade all or part of their targets?

Yes.

Increased flexibility to deliver EEOS targets would be welcome. If this proposal is implemented, it would also allow smaller obligated parties to avoid many fixed costs and comply with the EEOS targets in a cost- effective way.

Question 7.10: Do you wish to provide any suggestions or comments in relation to this flexibility mechanism?

No.

Question 7.11: Do you think there should be a buy-out mechanism in place for the 2021-30 EEOS, which would allow obligated parties to buy out a proportion of their EEOS targets by contributing to an Energy Efficiency National Fund?

Yes.

If an obligated party cannot deliver the required targets for any reason, it is helpful to have the option to avail of the buy-out option to avoid non-compliance. Also, the buy-out mechanism facilitates ease of compliance for smaller suppliers who choose to avoid the fixed costs of setting up teams, processes etc. to meet the proposed EEOS targets.

Question 7.12: Do you think that the buy-out cap should be set at a maximum of 30% of targets?

No.

If an obligated party does not fulfil the targets the buyout mechanism allows it to pay a fee for the target to be delivered by the National Energy Efficiency Fund administered by SEAI. Ireland should comply with the EED on a lowest cost’ basis so the buyout rate should not be capped at 30% rather it should be 100%. If SEAI can deliver the targets at a lower cost than an obligated party the obligated party should have the facility to incur the buyout rate for all of its target. Our understanding is that the buyout rates were calculated circa 2014 so we feel they should be reviewed.

Question 7.13: Do you wish to make any suggestions on how buy-out prices are set, which would ensure the State is not financially disadvantaged and the relevant requirements of the EED are taken into account?

An independent third party should be appointed to calculate the possible buyout rates which should later by issued to all obligated parties. An assessment of the buyout rates should take into account that SEAI is now the designated Retrofit Body under the CAP.

Question 7.14: Do you wish to provide any suggestions or comments in relation to this flexibility mechanism?

No.

Question 7.15: Do you agree with all, or part of, our proposed approach to non-compliance and penalties?

We agree with the proposal to have a maximum penalty. However, we strongly disagree with the proposal that the obligated party would be required to deliver the shortfall in credits as well as being subjected to a penalty. The obligated party would incur the cost of compliance twice because the shortfall in targets must still be delivered as well as the penalty. We feel this is unnecessarily punitive. As the penalty price exceeds the buyout price SEAI should have adequate funding to deliver the shortfall in credits via the National Energy Efficiency Fund so DECC's proposed approach is not necessary.

Question 7.16: In your opinion, how should penalties for non-compliance be determined, i.e. what factors should be considered as part of any calculation framework?

While a reasonable and proportionate standard penalty rate should be set, DECC/ SEAI should have the facility to lower the penalty based on mitigating factors which should include- to what extent efforts have been made by the obligated party to secure credits, whether the obligated party notified DECC/ SEAI about challenges being experienced, whether the challenges were outside of the control of the obligated party or not, whether the obligated party has experienced non-compliance issues in the past or not.

Question 7.17: Do you wish to provide any suggestions or comments in relation to any aspect of this proposal?

No.

Question 8.1: Do you wish to raise any issues or make any suggestions on improvements that could potentially be made, in relation to the redesigned EEOS, beyond those discussed in this document?

Yes.

Under the current scheme obligated parties' targets are provided for 3–4-year periods and will not be recalculated unless there is a 10% change (or higher) in final sales volumes. We agree with DECC's proposal to retain this 10% rule from 2022-2030. However, the size of the obligation should accurately reflect market share so a more frequent calculation may be appropriate for example, every year.

Question 8.2: In your opinion, how often should the scheme be reviewed, e.g. after three years; after four years; after five years?

A review every three years would be appropriate to allow obligated enough certainty for future planning but equally it allows amendments to be made to the scheme to address changing factors e.g. market conditions, new entrants/ obligated parties etc.

Question 8.3: Do you agree with our proposal to require obligated parties to report their EEOS cost data to SEAI?

Yes.

Question 8.4: Do you wish to make any suggestions on how such data is reported, e.g. the level of detail, format and frequency of reporting?

Yes.

Reporting guidelines should be provided to obligated parties so that a standard approach is taken by all. Reporting requirements should be kept to a minimum to limit resource needs.

We would suggest avoiding cumbersome reporting of costs and instead suppliers could provide average cost of credit

Question 8.5: Do you agree that cost data should be published, provided all commercial confidentiality concerns are addressed?

No.

We are concerned that publishing data may set an expected cost of EEOS credits which could increase prices unnecessarily.

Question 8.6: Do you wish to make any suggestions on how such data is published, e.g. the level of detail, format and frequency of publishing?

Yes.

If publication must take place any publication should avoid setting expectations amongst vendors of credit pricing to prevent any unnecessary increases in the cost of compliance for EEOS. At a minimum, we think compliance costs should not be published on a 'per supplier' basis to ensure anonymity. If more detail on costs variations between suppliers must be published, additional measures must be taken to ensure anonymity e.g. if costs are displayed by obligated party, they should be by a cost per 10,000 customer rather than total costs.

Question 9.1: Do you think there is a case for the provision of additional information to all consumers, via bills or otherwise, on their consumption and/or on potential energy savings?

No.

Non-transport suppliers are already required to provide standard information on energy efficiency. In addition, customers with smart meters must receive sample energy savings measures on their bills. There is very limited space to add information to energy bills as suppliers must include contact details, price/rate information, meter information, read type, fuel mix details, complaint information, supplier contact details, payment method material, PSO facts etc. Given existing constraints we do not think it would be viable or helpful for further information to be placed on bills.

Question 9.2: How could the provision of such information be implemented cost effectively and in a way that benefits all consumers, whether on bills or otherwise?

Increased customer engagement may be better through separate channels that have more positive/ engaging connotations. We recommend that SEAI and DECC explore ways to increase customer awareness of energy efficiency through alternative channels such as social media campaigns, advertising campaigns etc.