ELECTRICITY ASSOCIATION OF IRELAND

Response to Consultation by

the Department of the Environment, Climate and Communications

Consultation on the redesign of Ireland's Energy Efficiency Obligation Scheme

Electricity Association of Ireland

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A decarbonised future powered by electricity

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The Electricity Association of Ireland (EAI) is the representative body for the electricity industry and gas retail sector operating within the Single Electricity Market (SEM) on the island of Ireland.

Our membership comprises utilities that represent 90% of generation and retail business activities and 100% of distribution within the market. Our members range in size from single plant operators and independent suppliers to international power utilities. Our members have a significant presence in NI, ROI and the UK across the sector value chain. We represent the interest of the all-island market in all relevant jurisdictions, including the EU via our membership of the European electricity representative body Eurelectric.

We believe that electricity has a fundamental role in providing energy services in a decarbonised, sustainable future, in particular through the progressive electrification of transport and heating. We believe that this can be achieved, in the overall interest of society, through competitive markets that foster investment and innovation.

We promote this vision through constructive engagement with key policy, regulatory, technology and academic stakeholders both at domestic and EU levels.

Our ambition is to contribute to the realisation of a net-zero GHG emissions economy by 2050 or sooner, in order to limit the impact of rising temperatures. Electricity offers opportunities to decarbonise the Irish economy in a cost-effective manner.

Introduction

EAI welcomes the opportunity to respond to the consultation on the redesign of Ireland's Energy Efficiency Obligation Scheme. Energy Efficiency remains and will continue to remain one of the key instruments in achieving ambitious national and European climate targets between now and 2030.

EAI supports Ireland's ambition to reach net-zero emissions by 2050 and the Programme for Government commitment for 2030 to reduce emissions by 51% compared to 2018 levels. EAI believes energy efficiency to be one of the key drivers of Ireland's policy objective of carbon neutrality by 2050 and for achieving ambitious interim climate targets before 2050.

To date, the EEOS has been relatively successful in achieving energy savings, but a significant challenge remains to achieve the long-term targets. We believe that the pursuit of energy efficiency must be a shared goal by society as a whole - citizens, businesses/industry and institutions. **This is reflected in our priority points and key concerns which relate to the delivery requirements of energy efficiency upgrades, the delivery sub-targets and the split between different parties to deliver Article 7 obligations.**

Summary of Key Points

Delivery Requirements

- **We would caution that the BER model introduces a risk that EEOS credits would not be available for some energy efficiency works.**
- Obligated Parties should have a choice between obtaining credits under the deemed credits table and the proposed BER model.
- **We believe an increased amount of flexibility is needed in how EEOS credits will be delivered from 2022-2030 to better align with current challenges i.e., access to resources and skills, consumer spending appetite and consumer preferences for retrofitting.**
- **We are not supportive of narrowing the definition of 'energy poverty' within EEOS and we suggest fuel poor homes with a BER of C or worse should be eligible for upgrades under the scheme**.

EEOS Delivery Sub-targets

- The EAI strongly disagrees with the proposal in relation to sub-targets and we do not believe it is fair or equitable.
- **To ensure fairness across Obligated Parties, the Transport Sales portion of the EEOS target should be disaggregated and subject to sectoral sub-targets** (similar to the residential and energy poor sub-targets which apply to energy suppliers under the Non-Transport Sales Target). **Further work should be carried out to examine the feasibility of a sectoral specific sub-target for the transport sector.**
- We believe that energy suppliers that provide electricity for Electric Vehicles should be exempt from any transport sector sub-targets as the energy efficiency improvement will have already taken place.
- **We appreciate that the costs and practicalities may make a transport measures sub-target infeasible at this time, in which case we believe residential and energy poverty sub-targets should be implemented to address this unfairness and ensure responsibility is shouldered equally and challenging Climate Action Plan targets can be met.**

The 2021-30 EEOS Target

- We do not agree with that 60% of Ireland's Article 7 obligation for 2021-30 should be met by the Obligation Scheme, especially now that savings are to be met in final energy.
- **We believe the previous 50:50 split is fairer and that there is no strong basis in the ECA report for giving the EEOS 60% and Alternative Measures 40%.**
- The potential for additional Alternative Measures should be looked at between now and the start of the scheme.
- **We welcome the inclusion of Transport suppliers in delivery of the EEOS however we would like to see the Transport Sales Target and Non-transport Sales Target allocated fairly, i.e., a 42%/58% split.**

Obligated Parties

- We agree that the EEOS should cover entities across all the main energy markets. This ensures an equitable and transparent scheme with the burden spread across all energy suppliers.

- We believe the scheme will need to be cognisant of the market changes that may occur over the next few years. This may require that the scheme flexes to react to significant market changes as and when they occur.

Nature of Targets and Compliance

- Energy providers should be given the choice between cumulative targets or additive targets.
- We feel that any overachievement of targets should be rewarded by allowing a carry-over of credits to the following year.
- We would ask for transparency on how penalties are set and for the SEAI to publish data on the cost of their schemes. We believe this should be the basis for penalties.

New Scheme Opportunities and Cost Information

- We think there should be a review carried out in 2023 to determine how the scheme performed in 2022 with subsequent reviews every two years.
- We would ask for clarity about what cost data would be used for and we suggest avoiding cumbersome reporting of costs. Granular cost information could result in competition being undermined, therefore we would emphasise that cost data must not be published.

Information on Bills

- We do not think there is a case for the provision of additional information on consumers bills. Given suppliers already issue a very 'busy' bill with energy efficiency information we do not think it would be viable or helpful for further information to be placed on bills.
- We think this proposal will become irrelevant as the smart meter programme is rolled out as suppliers will continue to develop other means of communicating with customers e.g., through the use of apps.
- 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.

Section 3: Obligated Parties

Question 3.1

The EAI agrees with the proposal that the EEOS should cover entities across all the main energy markets. This ensures an equitable and transparent scheme with the burden spread across all energy suppliers and this approach allows the EED target to be applied across a number of different sectors that contribute to final energy consumption.

Question 3.2 (c)

The EAI agrees with the proposal to obligate the retail energy supply companies operating in the electricity and gas market in Ireland.

Question 3.3

The EAI agrees with the proposal to set the obligation threshold in terms of annual final energy sales volume (GWh) but we would caveat that this is continually reviewed to ensure that multiple market entrants don't dilute down the GWh volume of larger suppliers yet still leave the large suppliers with the bulk of the targets, as this would not be equitable.

Question 3.4

We agree with the proposal to set the obligation threshold level at final energy sales of 400 GWh per annum, combined with the introduction of a free allowance structure.

Question 3.5

In relation to the target setting approach for obligated parties, the EAI recognises that the market may undergo a significant transformation over the course of the duration of the scheme. We believe the scheme will need to be cognisant of the market changes as they happen. This may require that the scheme flexes to react to significant market changes as and when they occur. The consultation document outlines the proposed approach to 'market share changes'. There are a number of scenarios where this may arise e.g., a new entrant to the market or when a supplier loses/gains customer(s) to another supplier(s).

Generally speaking, we believe a 10% change in an individual suppliers market share continues to be an appropriate benchmark to trigger a review of the affected suppliers' obligation though a pragmatic and fair approach is needed particularly in relation to the LEU market.

Particular consideration needs to be given to changes in the LEU market where just one customer switching supplier could have a significant impact on the market share of the suppliers concerned. Changes such as this need to be dealt with in a timely manner using best available data as evidence to ensure the responsibility for delivering the energy savings associated with the market change is allocated to the appropriately. LEUs regularly procure for energy competitively with suppliers. With the growth in large users, as noted by EirGrid in its Ten-Year Network Development Statements, these gains and losses for Obligated Parties could result in significant inequitable burden if not dealt with promptly.

Section 4: The 2021-30 EEOS Target

Question 4.1

The EAI does not agree with the proposal that 60% of Ireland's Article 7 obligation for 2021-30, should be met by the Obligation Scheme, especially now that savings are to be met in final energy.

We believe the previous 50:50 split is fairer and that there is no strong basis in the ECA report for giving the EEOS 60% and Alternative Measures 40%. The switch from primary to final energy has exacerbated the increase in the obligations. As a result, suppliers are reviewing and adjusting their methodology in delivering savings via new delivery models to take account of this new final energy target. It will take time to put these new delivery models on a firm basis. The covid pandemic also continues to present challenges. The burden is therefore considerably higher now and we believe a 60/40 split is an onerous allocation.

While we acknowledge that Obligated Parties can draw on co-funded Alternative Measures, it will be substantially more challenging to achieve energy savings over the coming years with stricter additionality requirements, alignment to the Climate Action Plan and the uncertainty in the commercial sector in regard to credits. We believe opportunities to enhance Alternative Measures should be taken and the matter should be given further consideration so that 1) Alternative Measures can assume an equal share of the obligation and 2) to safeguard against the possibility that Alternative Measures do not perform as anticipated. There is considerable uncertainty in relation to the performance of Alternative Measures as highlighted in the ECA report particularly in relation to the contribution that may be made by carbon tax. In light of this uncertainty, we also believe there should be a ceiling on the EEOS target, i.e., the EEOS target should not be increased in the case that Alternative Measures do not deliver on their own target.

While ECA reviews measures in the Climate Action Plan (CAP), it does not look at Alternative Measures options beyond this to any great extent. We believe the potential for additional Alternative Measures should be looked at between now and the start of the scheme. Options for additional Alternative Measures include:

- A "Green Renovation Incentive" aligned with the objectives of the Climate Action Plan and net zero which could help unlock investment in energy efficiency measures. This could build on the Home Renovation Incentive that was in place a number of years ago.
- Agriculture - Energy efficiency measures to support farmers should be looked at to build on the TAMS scheme and provide additional supports to farmers in regard to climate action.
- Monitoring and Verification (M&V) limitations are highlighted in the ECA report. These need to be addressed. Otherwise, we are at risk of not counting savings which have occurred e.g.,
    - Accelerate Capital Allowance (ACA) – This is a well-known tax incentive. Current data on the ACA scheme lacks details on individual installations, according to the ECA report. A conservative approach is therefore proposed of not including any contribution from the ACA as a stand-alone measure in the Article 7 policy mix. Rather savings are assumed to be captured through the contributions of LIEN and EEOS non-residential credits.

- Data deficits need to be addressed so that the volumes of specific equipment which have taken advantage of the ACA are made visible to SEAI to make sure that savings from ACA are not under-represented.

Question 4.2

We welcome the inclusion of Transport suppliers in delivery of the EEOS however we would like to see the Transport Sales Target and Non-transport Sales Target allocated fairly. In 2019 transport made up 42% of final energy use[1] and this should be reflected in the split between Targets. We would like to see the Transport Sales Target be increased to 42% in line with this.

Given the expected increase in electrification of transport we believe it needs to be determined how the electrification of transport will be dealt with as the scheme progresses.

Section 5: EEOS Delivery Sub-targets

Question 5.1

We do not believe it is fair or equitable that there are sub-targets for Non-Transport Sales energy providers while Transport Sales energy providers are not subject to any sub-targets. We would query why transport can deliver energy savings in any sector and we do not believe there has been any justification for not allocating sub-sectoral targets to Transport. Hence, to ensure a level playing field for Obligated Parties, we would like to see the inclusion of sectoral sub-targets for the Transport Sales Target as well.

There are options available to address this unfairness, ensure equity across the scheme and ensure transport contribute to delivering our more challenging Climate Action Plan targets. The option of a transport measures sub-target should have been looked at in the ECA Report in further detail and should be explored now for inclusion going forward. Only a small number of transport measures were

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

considered as part of ECA's review, such as electric vehicle (EV) incentives, eco-driving training and fuel additive deployment. Other measures, such as modal shift, were discounted due to challenges in estimation and verification of their savings. Further work should be undertaken by experts in this space to test these assumptions and explore alternative options. Work needs to commence to try address the challenges and uncertainties noted in the consultation document. We appreciate that costs and practicalities may prevent the Department from introducing sector specific sub-targets for Transport Sales at this time, in which case we believe residential and energy poor sub-targets should be implemented for the Transport Sales Target on an equitable basis.

The current approach of non-residential, residential and energy poverty targets could be readily extended to the transport portion and build on what is established practice in the EEOS for non-transport suppliers. We believe the subsector targets in non-residential; residential and energy poverty should be applied equally across all obligated parties under the EEOS, hence they should apply to transport also. This approach aligns with Energy Efficiency Directive (EED) and the Clean Energy Package (CEP) Governance Regulation requirements as well as the CAP (i.e., the ambitious retrofit targets). Although the proposal states that the transport sector can obtain credits in any subsector, under current proposals there is no incentive for the transport sector to deliver savings in residential or energy poverty therefore, it is reasonable to assume that savings will predominantly be delivered in the non-residential sector. Such an approach will lead to a significant compliance cost disparity between solid fuel, natural gas, home heating oil and electricity suppliers when compared to liquid fuel importers. This disparity exists due to the fact that savings in residential and energy poverty are more costly than non-residential.

Question 5.2

As noted in the consultation, delivery to energy poor homes is less cost-effective for obligated parties than other delivery options, even when taking account of the co-funding of measures provided through Alternative Measures. DECC also acknowledge that the cost to obligated parties for this delivery is expected to increase further when taking account of the new delivery requirements being proposed for the EEOS. In light of this and if the Department is not in a position to mandate that transport play an active role in its own sector, we believe this increased cost should be spread across all Obligated Parties in a more equitable manner. Per our response to Question 5.1, we recommend consideration be given to disaggregating the transport target so that the responsibility and cost of delivering energy poverty measures is more evenly and equitably spread. Importantly, allocating an energy poverty target to transport fulfils the requirements of the EED that Member States take energy poverty into account when developing measures to meet Article 7 targets.

In addition to earlier comments, we recommend addressing the point that DECC has made that energy poverty is "only 5% of the scheme's targets". It's important to stress that for non-transport obligated parties, the energy poverty target is not the same proportion as it was from 2014-2020. While 5% has been applied to the overall scheme, transport energy is now included in the target. Applying the same percentage to a higher overall energy supply figure generates a bigger energy poverty target overall. In addition, as the target is only being applied to non-transport suppliers, in effect this means the non-transport suppliers energy poverty target has increased from 5% to 8.25% as stated in the consultation paper.

Given the considerable relative cost of complying with the energy poverty targets as well as the potential liability for non-compliance given energy poverty penalties are considerably higher, the proposed increase is substantial. While we are supportive of addressing energy poverty, we believe this should be a shared effort across the scheme. ECA modelled a scenario similar to this proposal and found that there would be a potential cost increase for obligated parties in the region of 30%.

Question 5.3

The EAI acknowledges that a fully ringfenced transport target would substantially increase costs across the whole EEOS and that may not be desirable at this time. We would highlight, however, that the ECA report did not model the impact of a transport measures sub-target for the transport portion. Neither were other sub-targets considered for the Transport Sales Target. The transport portion could be disaggregated in a number of ways and this needs to be done to address the inequity in the current proposal. The ECA modelled a fully ring-fenced transport target but the option of a transport sector sub-target akin to the residential or energy poverty sub-target should have also been looked at in the report and should now be explored for inclusion going forward. Transport needs to plays a more active role in its own sector when it comes to energy efficiency measures. The exploration of this should not be delayed to later in the scheme but rather work should begin now to allow the inclusion of transport measures.

If the Department is not in the position to do this from 2022, then residential sub-targets need to be implemented for the transport portion of the target on an equitable basis. These are already an established part of the EEOS and would be straight forward to implement. Disaggregating the target in this way would also share the responsibility and enhance the scheme's performance.

We do not believe it is fair or equitable that the transport portion of the target can be delivered in any sector. This will inevitably result in those suppliers focussing on lower-cost commercial measures which will mean they are in a position to service their obligation at a much lower cost than networked electricity and gas suppliers. Furthermore, we believe that energy suppliers that provide electricity for Electric Vehicles should be exempt from any transport sector sub-targets as the energy efficiency improvement will have already taken place, i.e., from the shift from an ICE vehicle to an EV and with increasing levels of electricity generated from renewables which further accelerates the decarbonisation of the transport sector.

Question 5.4

A 15% target in the residential sector would equate to a broadly similar target that was imposed on participants in the 2017-2020 phase of the EEOS (albeit with the deemed measures delivering slightly less savings than is now the case with the revised deemed calculations).

Per our response to Question 5.1, to ensure a level playing field for Obligated Parties, in the absence of a transport sector sub-target, we believe the subsector targets in non-residential, residential and energy poverty should be applied equally across all obligated parties under the EEOS, hence they should apply to transport also.

Question 5.5

Per our response to Question 5.2, we recommend consideration be given to disaggregating the transport target so that the responsibility and cost of delivering energy poverty measures is more evenly and equitably spread.

Question 5.6

The EAI strongly disagrees with the proposal in relation to sub-targets and we do not believe it is fair or equitable. The transport portion of the EEOS target needs to be disaggregated and subject to sectoral sub-targets as is the non-transport element. We believe a transport measures sub-target should be introduced. If the Department is not in a position to do this at this time due to cost and M&V challenges, then the allocation of residential and fuel poor targets should be implemented. As we outlined above, this would assist delivery of the CAP targets and would be straight forward to implement given established practice in the EEOS.

Section 6: Delivery Requirements

Question 6.1

We believe there needs to be additional options when it comes to the delivery of the residential sub-target. The EED does not preclude individual measures and it is important that Ireland's EEOS does not do this either to ensure that consumers are able to access the benefits of the scheme and embark on energy efficiency measures at an appropriate pace. We believe:

- Individual measures should be permitted, and the deemed measures table retained for use in both options.
- We suggest that the deemed credits table is retained with a 'top up' value of credits being provided for multiple measures (which would better incentivise deeper retrofits in line with CAP).
- Obligated Parties should have a choice between obtaining credits under the deemed credits table and the proposed BER model. We believe this approach would be suitable given the

challenges that would exist if the BER model alone were to exist as the BER model introduces uncertainty regarding the amount of energy credits that may be available.

- The pre-works BER requirement as it will add costs, is unnecessary in some instances and could become a barrier to works.

We believe there is huge value in BERs. The BER is a useful tool for consumers to understand the energy efficiency performance of their home. Post-works BERs are particularly valuable to consumers in demonstrating the position of the home and the degree of work that may be required to get to a higher rating. We have concerns, however, with the pre-works BER requirement as it will add costs, is unnecessary in some instances and could become a barrier to works.

We also have concerns that unlike the current deemed credits table which provides clarity on the number of available credits prior to commencing works, the BER model introduces a risk that EEOS credits would not be available for some energy efficiency works. The BER model does not allow for behavioural based credits and we would ask for clarity on how these will be accommodated given they can and should form part of a home retrofit.

In addition, due to affordability challenges (according to SuperHomes.ie, the average cost of a deep retrofit prior to any grant funding ranges from €35,000 - €75,000) and logistical challenges of carrying out works, we expect many consumers will continue to undertake energy efficiency on a staged basis perhaps over a number of years. Considering the BER and Technical Assessment requirements that may be in place, consumers may be less likely to invest in energy efficiency measures due to heightened administration costs. With a cost for BERs and Technical Assessments in the region of €1,000 – €1,200 the need for these assessments may undermine the viability of the energy efficiency works as the householder may consider the administrative costs too burdensome.

Overall, we believe an increased amount of flexibility is needed in how EEOS credits will be delivered from 2022-2030 to better align with current challenges i.e., access to resources and skills, consumer spending appetite and consumer preferences for retrofitting.

We also note that there are a limited number of BER Assessors currently, approximately 450 BER assessors in Ireland that carry out approximately 80,000 BER's per year (according to SEAI and ESRI figures). With a target of 500,000 retrofits from 2020-2030 (or approximately 50,000 per year assuming commencement in 2021) and a requirement to complete a 'before' and 'after' BER there may be a need to complete an additional 100,000 BERs per year. Noting that this does not take account of the fact that householders will likely undertake renovations over a number of years potentially, rather than one 'big bang' approach within a year, this could be considered a conservative estimate. The requirement for a pre-works BER would put a considerable strain on this resource thus further pushing up costs. A shortage of Assessors could lead to delays and slow down our ability to meet EEOS targets. Given these policy proposals would more than double the need for this type of resource, we ask that DECC to consider how resources can be made available to fulfil these requirements from 2021 onwards.

In addition, we expect similar challenges with securing the required skillset from the building sector to fulfil these requirements and we request that this problem is examined further. Finally, the absence of suggested proposals to support behavioural change-based credits is also worrying given these measures have been a fundamental and reliable source of credit for EEOS to date. We keenly await any proposals that DECC may have in this area.

We would also like to highlight that electricity providers have been unable to properly benefit from the transition period of 2021 due to Covid-19 restrictions delaying work.

Question 6.2

The EAI supports the reduction of energy poverty in Ireland and we remain committed to delivering savings in this subsector. We are therefore not supportive of narrowing the definition of 'energy poverty' within EEOS and we suggest fuel poor homes with a BER of C or worse should be eligible for upgrades under the scheme. In 2020 the government published "A Strategy to Combat Energy Poverty 2016-2019" and "The Roadmap for Social Inclusion 2020 – 2025". In both of these publications, the government has committed to expanding eligibility criteria for energy efficiency schemes to capture more people living in deprivation and to make greater use of community-led approaches to addressing energy poverty; as recommended by the EU.

The EU's "Solutions to Tackle Energy Poverty" project published its second set of policy recommendations in March 2021. Their recommendations include suggestions to mobilise local authorities to play a key role in tackling energy poverty because tackling energy poverty requires a multi-sectoral, multi-agency approach and local authorities are ideally placed to both help implement national programmes and to mobilise the comprehensive approach required at a local level. In Ireland more than 60% of tenants in local authority homes are either unemployed or retired, these households are not in the "able to pay" sector regardless of how they are placed in a theoretical model. Irish and EU research in this area suggests that the definition of energy poverty should be expanded to include homes with elderly, special needs or long-term sick dependents, unemployed and in receipt of lone-parent payments. Expanding the existing definition and enhancing it by also including homes below a certain BER level would be an improvement on the foregoing. In particular, it is important to note that there have been many beneficial projects have taken place in social housing to assist people who were living in energy poverty that go far beyond shallow measures and we firmly believe that such schemes should continue to exist within EEOS.

Projects will be governed by budgets and not BER levels. We cannot support a definition of energy poverty that is restricted to those living in properties with a BER rating of E1 or worse. The EU does not recommend that member states should focus solely on the energy rating of the home, ignoring all other factors. Such a narrow approach is contrary to EU goals to alleviate energy poverty. We believe that the proposed definition would limit the opportunity to alleviate energy poverty. The suggestion that EP credits would only be provided if the property reaches a B2 rating ignores the reality that the vast majority of energy efficiency measures will be completed on staged basis, dictated by budgets. 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.

Access to the scheme is important for consumers and we would suggest including fuel poor homes with a BER of C or less be included also. As they stand, the proposals exclude homes that have previously participated and gone from an E1 or lower to a D or a C. We would also stress that the % of Sales Targets for networked providers in this sub-target is 8.25% (not 5%) and would encourage the Department to allow as much flexibility for providers to achieve these challenging targets. We feel this target should be a maximum not a minimum.

While we support efforts made to improve energy poverty and remain committed to delivering a proportion of measures in the energy poverty subsector, we are concerned that the mixture of proposed changes to the EEOS are underpinned by a variety of different government policies beyond what is required to be delivered for the EED. The extent of the changes may undermine Ireland's ability to meet EED targets. DECC state that the energy poverty definition must be changed as outlined in the Governance regulation they have a requirement to show how customers are being lifted out of energy poverty. These requirements do not relate to the EED and therefore, it is not necessary for the EEOS to be the vehicle to deliver these new requirements. In our view, it is not necessary for full retrofits to be completed in one step to adhere to the Governance Regulation, gradual energy efficiency improvements meet the Regulation requirements.

The purpose of the EED and the EEOS is to improve energy efficiency in line with the stated targets. While energy poverty must be taken into account, if a separate social policy requirement exists to lift customers out of energy poverty, additional policy measures should be introduced. Restricting the EP definition means that many customers who are genuinely in energy poverty are now being re-categorised. We don't believe we have seen evidence to suggest that it is possible to meet the EEOS EP target with the current proposal. We would ask for calculations to be done to show this.

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.

Section 7: Nature of Targets and Compliance

Question 7.1

The EAI believes energy providers should be given the choice between cumulative targets or additive targets. A choice between cumulative or additive targets does not technically deliver any disadvantage to the State in terms of savings if the obligated parties deliver on their targets. Delivery in an optimal manner should be first and foremost of any scheme. We think cumulative targets should be an option as Ireland's energy savings targets are cumulative. Any overachievement of targets should be rewarded.

If annual additive targets are implemented, we believe it's necessary for obligated parties to have the facility to carryover excess credits between years of the scheme. This facility is already in place currently and should continue to encourage early action and give suppliers the necessary flexibility to carry out as many measures as possible (this flexibility has become increasingly important in light of recent challenges with securing credits during the COVID-19 pandemic).

Question 7.2

The EAI believes if any shortfall in 2021 delivery is 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 added to 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

The EAI agrees that obligated parties should be allowed to count savings achieved on their behalf by third parties. This is vital for a successful scheme and allows flexibility. It is important that suppliers have the correct quality systems in place to ensure the quality of energy credits, but this has been central to the scheme for a number of years now.

Question 7.5

The EAI agrees that a minimum achievement requirement should be put in place, but we would like to stress the challenges of the targets. We believe there is a need to ensure that parties are not left with a significant shortfall in their final year. We would ask for DECC and SEAI to work with obligated parties where issues outside of their control prevent obligated parties from achieving targets e.g., the COVID-19 pandemic.

Question 7.7

The EAI agrees that obligated parties should be allowed to exchange validated credits bilaterally. This mechanism allows parties to deliver savings in the sectors in which they have expertise.

Question 7.9

The EAI agrees that obligated parties should be allowed to bilaterally trade all or part of their targets.

Question 7.11

The EAI agrees that 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.

Question 7.12

The EAI believes the buy-out cap should be set to 100% of targets. The value of the buyout in itself is a disincentive for obligated parties to do nothing. Adding 25% to the value of the buyout does not force compliance but merely increases obligated parties' liabilities on their balance sheets for zero net gain to the state. We believe there should be full flexibility to deliver savings at the lowest cost possible. If the costs of an Obligated Party delivering energy savings is lower than the government delivering them then there should be no reason why the buyout should be at 100% as the right incentives and disincentives will be in place. If the government can deliver the savings at a lower cost than Obligated Parties, that should be allowed as it would result in compliance with the EED at least cost to Ireland in which case, there should be a review as to whether the buyout prices are still appropriate. Given the SEAI is now the designated one stop shop there should be economies of scale for them to deliver measures and given the prices are based on assessments that may be dated, arguably the buyout price should be lowered.

Question 7.13

The EAI would ask for transparency on how penalties are set and for the SEAI to publish data on the cost of their schemes. Perhaps an independent third party should carry out an assessment to determine what the buy-out rate should be based on SEAI’s costs to deliver the savings. We would also like the SEAI's study on shallow measures to be carried out before the new scheme begins in 2022.

Question 7.15

The EAI agrees with the proposal to have a maximum penalty but we strongly disagree with the proposal that in addition to imposing penalties that the obligated party would be required to deliver the shortfall in credits at a later date. This is unnecessarily punitive as the obligated party would incur the cost of compliance (as the shortfall in targets still has to be delivered) as well as the penalty. As the penalty prices exceeds the buyout price, the SEAI should have adequate funding to deliver the shortfall in credits so the proposed approach by DECC is not required and is unnecessarily punitive.

Question 7.16

The EAI believes transparency is key and delivery at scale should be considered in terms of determining costs. Both DECC and the 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

We believe the Government should consider the principles of fairness and proportionally when considering penalties.

Section 8: New Scheme Opportunities and Cost Information

Question 8.2

We think there should be a review carried out in 2023 to determine how the scheme performed in 2022. After that, we believe there should be a review every two years and that there should be a clear Terms of Reference for what is reviewed.

Question 8.3

While we appreciate that certain information may be useful in helping to carry out a Cost-Benefit Analysis, beyond this we would query and ask for clarity around why this is required and what it will be used for. We would prefer to submit information to the SEAI following a Request for Information relating to a dedicated pieces of analysis, as opposed to an ongoing commitment to submit cost data. Any submission of cost data should be for the purposes of a project that the SEAI is working on and we believe many obligated parties would be happy to assist the SEAI where specific projects were being undertaken.

We have significant concerns that this proposal to require obligated parties to submit cost data is loosely proposed and lacks a definitive purpose. Furthermore, we believe that given that each party is obligated to undertake their own commercial procurement to deliver these requirements, publication of such data could, from a competition perspective, undermine the market.

It is the responsibility of Obligated Parties to deliver a stated volume of energy savings in compliance with the Energy Efficiency Directive. A key benefit of Obligation Schemes is that they are designed to create competitive pressure and drive the delivery of savings at least cost. It must be remembered that it is in Obligated Parties interest to deliver the scheme in a way that limits the impact on bills and consumers so that they can remain competitive in the retail market. The consultation document says that "cost transparency helps competition in the market and access for new entrants". We have concerns that cost transparency would have the opposite impact on competition and could run counter to the Competition Act 2002. Transparency around costs could result in setting a price benchmark to which all Parties converge thereby undermining competition. We believe that the publication of cost data may be misaligned with the concept of "competitive neutrality". The proposal to publish cost data may alter the competitive conditions of the market for energy efficiency services. This, in turn, undermines the competitive process and results in decreased consumer welfare.

We also don't believe that cost information is needed to allow new entrants to enter the market. The Obligation Scheme has helped create a buoyant energy services market and supply chain to date. We don't believe that a lack of cost information is a barrier to entry to supply chain companies, but rather onerous delivery requirements and a lack of certainty create greater barriers.

Question 8.4

We would suggest avoiding cumbersome reporting of costs and cost reporting should be kept at a high-level. Granular cost information could result in competition being undermined.

If the SEAI must publish data it is vital that:

i. appropriate reporting guidance should be provided by the SEAI to obligated parties so that a standard approach is taken by all obligated parties,
ii. any publication should avoid setting expectations amongst vendors of credit pricing so as to avoid any unnecessary increases in the cost of compliance for EEOS or price setting (in turn ensuring Ireland complies with EED at lowest costs and consumers do not experience increases in energy and transportation costs).

Question 8.5

The EAI believes compliance costs should not be published on a 'per supplier' basis. While DECC has said the data will be aggregated and anonymised, additional measures must be taken.

Question 8.6

It is critical that this is kept at a high-level so that cost per credit cannot be extrapolated to avoid inadvertently setting the cost per credit.

Section 9: Information on Bills

Question 9.1

We do not think there is a case for the provision of additional information on consumers bills. We think this proposal is another example of additional requirements on networked providers and not on any other obligated parties. Non-transport suppliers are subject to a series of specific regulatory requirements to include various pieces of information on energy bills. Currently energy bills must include: contact info, price/rate info, meter info, read type info, fuel mix info, complaint info, supplier contact info, payment method info, PSO info etc. Suppliers are also required to provide information on energy efficiency already, in fact for customers with smart meters suppliers must provide sample energy savings measures. Given suppliers already issue a very 'busy' bill with energy efficiency information we do not think it would be viable or helpful for further information to be placed on bills given current constraints.

We also think this will proposal will become more irrelevant as the smart meter programme is rolled out further as suppliers will continue to develop other means of communicating with customers e.g., through the use of apps.

Question 9.2

Customer engagement with bills in minimal, typically customers are eager to understand the price that must be paid and the date that it must be paid by. Increased customer engagement may be better sought through separate channels that have more positive 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.

Through our membership with Eurelectric, several of our members signed up to '15 Pledges' an initiative which seeks to empower customers and strive for and affordable and inclusive energy transition[2]. This initiative set out to understand how to unlock customer empowerment in the energy transition, and has delivered 15 major pledges, including facilitating the adoption of energy efficiency services.

Conclusion

The EAI welcomes the opportunity to respond to this consultation on the redesign of the Energy Efficiency Obligation Scheme. Energy Efficiency remains and will continue to be one of the key instruments in achieving ambitious national and European climate targets between now and 2030.

To date, the EEOS has been successful in achieving energy savings but a significant challenge remains to achieve the long-term targets. The scheme will need to evolve over the coming years in line with any market changes that may occur.

The EAI strongly believes that the allocation of targets and responsibilities of obligated parties needs to be fair and equitable. This requires a fair 50:50 split of Article 7 obligations between Alternative Measures and the EEOS. We welcome the inclusion of a target for Transport Sales but believe the transport sector needs to be subject to sub-targets of some description e.g., transport measures or residential and fuel poor. It is not fair or equitable that that the transport sector are not subject to any delivery requirements.

We welcome alignment with the ambition in the Climate Action Plan and we believe energy efficiency will be one of the key drivers of Ireland's policy objective of carbon neutrality by 2050 and for achieving ambitious interim climate targets before 2050. However, we believe residential delivery requirements need to take account of where market is with respect to the number of assessors, skilled labour, consumer preferences for undertaking energy efficiency upgrades in a piecemeal

[2] https://www.eurelectric.org/15-pledges-to-customers/

fashion. Individual measures and deemed credits should be permitted and the role of BER will need to be considered to avoid unnecessary costs and barriers.

We believe delivery requirements need to be carefully considered to ensure sufficient access to the scheme. We think it is important not to narrowly define energy poverty and fuel poor consumers as it risks excluding many customers in need of support. As targets and ambitions increase, the engagement of individuals will be increasingly important if policies are to be successful. From an electricity industry perspective, we are acutely conscious of the ability of customers to engage in the decarbonisation transition – both by having the knowledge th make the right investments and having the finances to invest at the appropriate time.

The Electricity Association of Ireland, April 2021

A decarbonised future powered by electricity

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