



**SSE AIRTRICITY RESPONSE TO DECC CONSULTATION ON ENERGY  
EFFICIENCY OBLIGATION SCHEME**

APRIL 2021

## INTRODUCTION

SSE Airtricity wishes to make the following submission on the consultation on the Energy Efficiency Obligation Scheme (EEOS) for the 2021-2030 compliance period. As an obligated party since the EEOS was established in 2016, we are proud of the contribution we have made to date. We understand the value of energy efficiency, the importance of decarbonising the built environment and support the drive to reach net zero emissions by 2050. It is critical that the EEOS meets the objectives of the Energy Efficiency Directive and aligns with Ireland's Climate Action Plan in a way that supports and provides options for consumers.

We provide a summary of our position and answers to the consultation questions below.

## WHO WE ARE

At SSE Airtricity, we're proud to make a difference. From small beginnings we've grown to become one of Ireland's largest energy providers, supplying green electricity and natural gas to over 700,000 homes and businesses on the island. We're proud to be the largest provider of 100% green energy<sup>1</sup> and are committed to playing our part in supporting customers as Ireland transitions to net-zero. We recently launched our 'one-stop-shop' for home energy upgrades in partnership with An Post to support customers with low-carbon investments. Our aim is to provide a solution that addresses the key barriers to retrofit including complexity, consumer hesitance and access to finance.

Since entering the Irish energy market in 2008 we have invested significantly to grow our business here, with a total economic contribution of €3.8bn to Ireland's economy over the past five years. Through our renewables business we have 890MW of onshore wind capacity across the island. As a leading developer of offshore wind energy in Great Britain, we believe offshore wind has the potential to transform Ireland's response to climate change. We have ambitions to progress the development of projects off the East and South Coast of Ireland including the Arklow Bank project off the coast of County Wicklow.

## EXECUTIVE SUMMARY

Decarbonising the built environment will require a transformation of our residential and commercial housing stock. Reducing energy consumption and transitioning away from fossil fuels is a key plank of Ireland's plan to reach 500,000 retrofits by 2030 and net zero emissions by 2050. Not only is energy efficiency good for the environment, it can also help reduce energy bills and create green jobs with strong economic multiplier effects within local communities. In recognition of this, the revised Energy Efficiency Directive (EED) has set an increased EU wide binding 2030 energy efficiency target of 32.5% to which Member States must contribute. In addition, revisions to Article 7 of the Directive mean Ireland's Energy Efficiency Obligation Scheme (EEOS) for the 2021-2030 period will need to be revised.

SSE Airtricity has been an Obligated Party since the EEOS was established in Ireland and are proud of the work we have undertaken in support of customers. It is important that the next phase of the scheme builds on these successes to date and maintains momentum. The revised EEOS needs to afford as many consumers as possible the opportunity to engage in energy efficiency measures and participate in the transition to net zero. Access to the scheme and

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<sup>1</sup> Largest provider of 100% green energy claim and total TWh supplied to homes and businesses based on Electricity Market Share by MWh published by the Commission for Regulation of Utilities (CRU) in Retail Market Reports for 2019

equity are critical. SSE Airtricity supports the intention to align the EEOS with the Climate Action Plan. In doing this we would stress that there needs to be a sufficient degree of flexibility for customers. Customers who want to embark on a deep retrofit all at once, a few measures or just one measure need to be supported. We support the value and importance of deep retrofit and have established a 'one-stop-shop' to enable this but a balance needs to be struck so that all consumers can participate and engage in climate action in a way that suits their circumstances. It is also critical that all measures eligible under the EED are within the scope of Ireland's EEOS so as to not rule out measures unnecessarily and make it even more difficult to meet our targets.

Delivery requirements also need to be proportionate and not add costs or barriers unnecessarily. In particular, we believe the pre-works BER requirement needs to be reconsidered as it will add costs, is not required in some instances and could become a barrier to works being completed. We also note that there are a limited number of BER Assessors currently. The requirement for a pre-works BER would put additional strain on this already scarce resource and could risk further pushing up the costs of BERs.

The European Green Deal makes it likely that energy efficiency targets under the Energy Efficiency Directive (EED) will increase further from the middle of this decade. It is therefore essential that from the outset all parties carry their fair share of the burden. The allocation of targets and responsibilities to obligated parties needs to be equitably distributed to ensure they can be achieved. SSE Airtricity welcomes the higher target for transport but sub-targets for this sector need to be introduced. We do not believe it is reasonable or equitable that some Obligated Parties are subject to sub-targets but others in the transport sector are not. We also believe that independently acting alternative measures need to take up an equal share of the Article 7 target. Further work on Additional Measures needs to be carried out to enable this.

The ECA Report highlights considerable uncertainty in regard to commercial credits over the next decade which has the potential to further push up costs. Shallow measures that meet the minimum requirements of the EED need to be in scope to safeguard against this in the early years. We look forward to engaging with the Department and SEAI on the study on lighting (and heating controls) which is due later this year.

## Summary of recommendations

- 1) **Article 7 split** – We believe there is greater potential for independently acting Alternative Measures to assume an equal share of the Article 7 target. While we acknowledge that Obligated Parties can draw on co-funded Alternative Measures, it is going to become substantially more challenging to achieve energy savings over the coming years with stricter additionality requirements, alignment to the Climate Action Plan and challenges in the commercial sector. We recommend opportunities to enhance Alternative Measures should be taken and the matter should be given further consideration so that a) independently acting Alternative Measures can assume an equal share of the obligation and b) to safeguard against the possibility that Alternative Measures do not perform as anticipated.
- 2) **Transport** - We welcome the inclusion of a transport energy sales target that reflects its share of energy consumption. This needs to mirror transport's share of energy consumption i.e. 42% currently.
  - To ensure a fair and equitable distribution of responsibilities, we believe the transport sales target should also be disaggregated on a fair and equitable basis. We do not believe it is fair that non-transport Obligated Parties are subject to more stringent delivery requirements.
  - A transport measures sub-target should be introduced so that the transport industry starts playing an active role in its own sector in terms of energy efficiency. If the Department is not in the position to implement this from 2022, residential sub-targets

- should be implemented to address this imbalance, help deliver ambitious retrofit targets in the Climate Action Plan and build on what is already established practice in the EEOS.
- 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.
- 3) **Residential** - We believe there needs to be additional options when it comes to the delivery of the residential sub-target to cater to varying consumer preferences. We also believe that the deemed credit table should be retained. In addition, delivery requirements need to be proportionate and not add cost or barriers un-necessarily. In particular, we believe the pre-works BER requirement needs to be reconsidered as it will add costs, is unnecessary in some instances and could become a barrier to works.
- 4) **Energy poverty** - We have concerns about the proposed definition and delivery requirements for the Energy Poverty sub-target. We believe some amendments to the definition could ensure proper targeting but also ensure there continues to be sufficient access to the scheme. We recommend homes with a BER of C or lower should be eligible.
- 5) **Target** - While we understand the objective to ensure minimum achievement each year, we believe there should be stronger incentives to over-achieve in the early years. Obligated Parties should have the option to choose a cumulative target so that those who may be in the position to front-load their delivery are in the position to do so.
- 6) **Cost information** – While we appreciate that certain information may be useful in helping to carry out a Cost-Benefit Analysis, beyond this we would query why this is required and why this should be published. Ultimately, this would undermine confidence in the EEOS as the ultimate goal should be to deliver the targets at lowest cost. As Obligated Parties we are in a position whereby we regularly procure for a range of services. We have concerns that publishing cost would remove bargaining power of Obligated Parties in driving the best cost on behalf of consumers. Indeed, we are also concerned that the practice of publishing such data could lead to concerted practices amongst tenderers and would in turn be contrary to competition law at an Irish and EU level.

## RESPONSE TO CONSULTATION QUESTIONS

### SECTION 3: OBLIGATED PARTIES

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 – This is an appropriate approach in our view as it spreads the cost impact across providers involved in the sale of energy proportionally. It is important that responsibility is shared for meeting the requirements of Article 7 in a fair and equitable manner.

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?

The Department intends to obligate the same types of entities as under the existing scheme which appears appropriate at this time. We would like to highlight, however, that over the coming years there is likely to be a trend towards a more decentralised energy system with new actors emerging which could alter the retail market for energy. It is important that these trends are monitored and reflected in the design of the EEOS as required.

**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 it is appropriate to continue to use annual final energy sales volume as a metric for the threshold obligation. This is an objective, fair and transparent methodology, and is applicable to all the proposed obligated parties.

**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?**

Yes – We agree with the proposal to reduce the obligation threshold to 400GWh with a free allowance. Reducing the threshold will broaden the coverage of the EEOS and ensure that new entrants to the market are brought into scope sooner. The free allowance structure will help ease the burden of that obligation on smaller Obligated Parties and go towards ensuring the EEOS is not a barrier to growth.

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

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 supplier’s market share continues to be an appropriate benchmark to trigger a review of the obligation of the suppliers impacted by the change though a pragmatic 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 appropriately and in a timely manner.

We believe the following principles should apply in this instance:

- **Timely** – We would stress the need for market share changes of this nature to be addressed in a timely manner using best available data to avoid an uncompetitive advantage emerging. A supplier that gains customer(s) at the expense of another supplier should assume the responsibilities associated with that load at the earliest opportunity. This is particularly significant in the context of the Irish energy market where Large Energy Users (LEU) can have a significant upward or downward impact on overall demand of a Supplier in a given year. 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 reviewed periodically and dealt with promptly.
- **Best available data** – Suppliers should be able to instigate this change through provision of best available and verifiable data e.g. the ESB Networks MRSO (which would give meter specific data), which in turn is collated as overall market data utilised by the CRU’s

monitoring team. Waiting for a full set of annual CRU retail market data would result in a delay of up to two years potentially. We do not believe this would be a fair approach.

- **Adjusted appropriately** – We appreciate it may take a period of time to gather verifiable data and for the SEAI to consider the matter. It is therefore essential that a supplier's obligation is adjusted upwards / downwards and backdated to the point at which the change occurred.

## SECTION 4: THE 2021-30 EEOS TARGET

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?

The ECA report notes that the contribution of the EEOS to Article 7 for the 2014-2020 compliance period is anticipated to be 55%. The original intention was for Article 7 for this period to be split on a 50:50 basis. SSE Airtricity believe this should be the case for the 2021-2030 period. Addressing M&V issues and incorporating some additional Alternative Measures could help balance this.

We would urge the Department to consider allocating the target on a 50:50 basis for the following reasons:

- The ECA report shows independently acting Alternative Measures are capable of delivering 40% of Article 7. This conclusion was based on a bottom up assessment of what it is believed Alternative Measures can achieve. The same exercise was not carried out for the EEOS rather it is concluded that because Alternative Measures can deliver 40%, the EEOS will need to contribute the balance. We do not think this is a sufficient basis to make that determination.
- While we acknowledge that Obligated Parties can draw on co-funded Alternative Measures, it is going to become substantially more challenging to achieve savings over the coming years with stricter additionality requirements, alignment to Climate Action Plan and the uncertainty in the commercial sector. We recommend opportunities to enhance Alternative Measures should be taken and the matter should be given further consideration so that a) independently acting Alternative Measures can assume an equal share of the obligation b) 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 and this needs to be taken account of.
- While ECA reviews measures in the Climate Action Plan, it does not analyse any options for Alternative Measures beyond this. We believe the potential for additional Alternative Measures should be looked at between now and start of the new scheme. Options include:
  - The possible reintroduction of the Home Renovation Incentive is mentioned in the ECA report but not explored. A "Green Renovation Incentive" aligned with the objectives of the Climate Action Plan and net zero could help unlock investment in energy efficiency measures.
  - 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.
- There may be potential for existing Alternative Measures to do more e.g.
  - SME Programme – Savings from the SME Programme amounted to just 1% of Article 7 savings in the 2014-2020 scheme. This programme which serves both commercial and industrial SMEs is under review. Subject to the outcome of the current review of policy interventions in the sector, a conservative estimate is adopted with year on year annual saving of 6 GWh assumed and 50% of this having a material OP contribution. This should be revised upwards if possible.

**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)?**

SSE Airtricity welcomes this proposal. The European Commission is no longer allowing Ireland to discount transport to reduce our overall Article 7 obligation. In addition, Ireland decided not to use any flexibilities in our target calculation approach, and therefore, transport energy consumption has been included in the calculation of our 2021-30 Article 7 obligation. We agree that it is appropriate that suppliers and distributors of energy used in transport should be responsible for achieving a share of the obligation that reflects the proportion of final consumption that transport accounts for.

In 2019 transport made up 42% of final energy according to official data<sup>2</sup>. 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. It is going to be very challenging to reach Article 7 targets for the next phase of the scheme. The European Green Deal also makes it likely that energy efficiency targets under the Energy Efficiency Directive will be increased from the middle of this decade. It is therefore essential that all parties carry their fair share of the burden.

SSE Airtricity also firmly believes it is critical that the transport portion of the Article 7 target be disaggregated into sub-targets. We think that all parts of the EEOS target should be subject to sub-targets as we outline below.

The share of transport held by networked electricity suppliers is likely to increase in the coming decade as electrification and EV deployment gathers pace. 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.

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<sup>2</sup> Source

## SECTION 5: EEOS DELIVERY SUB-TARGETS

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)?

We note it is proposed that residential sub-targets continue to be a part of the scheme. It is intended these will support the Climate Action Plan retrofit ambition which involves a 500,000 deep retrofit target by 2030.

The transport sales target should also be disaggregated in some way e.g. transport measures sub-target or residential sub-targets. While the ECA report modelled a fully ringfenced transport target, it did not look at the option of a transport measures sub-target for the transport portion. This needs to be properly considered and explored to ensure that transport an active role in its own sector.

If the Department is not in the position to consider a transport measures sub-target from 2022, then residential sub-targets would be a beneficial alternative given the ambitious retrofit targets in the Climate Action Plan. Delivering these will require a whole of society effort. We elaborate on this below.

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)?

The Energy Efficiency Directive requires Member States to take account of the needs of fuel poor consumers when developing Article 7 measures.

As noted in the consultation, delivery to energy poor homes can be 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, we believe there is merit in spreading this increased cost across all Obligated Parties. 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. We believe it is important this is done if transport is not going to be mandated to carry out measures in its own sector to ensure fairness and to ensure that all parties are subject to equivalent levels of sub-targets.

In addition, we have concerns that the energy poverty definition is too narrow. We outline our view on this in the next section.

We would also like to note that while we support the focus on energy poverty, we believe there are better ways to fund this policy. Placing the cost of a social policy such as this on electricity bills is a regressive way to impose policy charges. Paying for social policies through bills creates the most difficulties for those in fuel poverty and risks undermining the broader social, health and wellbeing benefits that the activity brings. In SSE's view, social policy costs are more progressively and appropriately recovered through the Exchequer rather than through bills.



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?

It is clear that there is considerable uncertainty in relation to the modelling undertaken for transport as acknowledged by ECA. We note that a fully ringfenced transport target would substantially increase costs across the whole EEOS and that a fully ringfenced transport target may not be desirable at this time. We would highlight, however, that ECA did not model the impact of a transport measures sub-target for the transport portion. Neither were other sub-targets considered. The transport portion could be disaggregated in a number of ways and the potential for this should be looked at and implemented from 2022.

The transport industry needs to start playing a more active role in its own sector. Further work should be undertaken to look at the transport measures options beyond those outlined in the ECA report so that a transport measures sub-target can be introduced. Work needs to commence now to develop a buoyant energy services industry for the transport sector. The issue identified in the ECA Report needs to be looked at in depth by experts in this field. The potential for additional measures and innovative approaches to improve energy efficiency of transport need to be explored. It took time and considerable effort for the built environment energy services industry and supply chain to grow and develop. The same needs to develop in transport.

We do not think it is fair or equitable that the transport portion of the target can be delivered in any sector. This will likely 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. In the absence of a transport measures sub-target, residential and fuel poor targets should therefore be included. These are already an established part of the EEOS and be readily implemented. Disaggregating the target in this way would also share the responsibility and enhance the scheme's performance.

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?

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?

Taking these two questions together, minimum residential sector savings including an energy poor sub-target have been part of the EEOS since 2016. If the transport portion is not disaggregated into sub-targets, then residential targets need to be fairly allocated across all Obligated Parties. It should not be case only non-transport Obligated Parties are subject to sub-targets particularly given the scale of Ireland's climate action ambition.

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. As we have outlined in the above questions, we do not agree with how the target has been allocated.

The transport portion of the EEOS target needs to be disaggregated and subject to sub-targets to ensure a fair and equitable distribution of the responsibility. In the absence of a transport measures sub-target for the transport portion, the allocation of residential and fuel poor targets would address the unfairness of the current proposal and make the greatest sense given the Climate Action Plan retrofit targets and what is already established practice in the EEOS.

## **SECTION 6: DELIVERY REQUIREMENTS**

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)?

We support the intention to align the EEOS with the Climate Action Plan and Ireland's net zero 2050 ambition. There are a number of ways of doing this and it's going to take time to ramp up to the levels envisaged in the Climate Action Plan. We believe the focus should be on encouraging and incentivising consumers to retrofit to B2 standard. Where that is not possible, consumers need to be able to engage in energy efficiency measures in a way that works for them.

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, costs, consumer appetite and consumer preferences for retrofitting.

We propose:

- The "pathway to B2" approach should be amended so that the pre-works BER requirement is removed as this may not be necessary in all instances, will add costs and potential barrier to works.
- Individual measures should be permitted and the deemed measures table retained for use in the EEOS. Additional credits for those who carry out multiple measures should be on offer to encourage homeowners to opt for deeper measures but it should not be mandatory.

### **Pre-works BER requirement**

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 propose this requirement be removed. To avoid pushing up costs unnecessarily, a deemed credit table similar to what is currently used would be a more practical alternative.

We also note that there are a limited number of BER Assessors in Ireland. The requirement for a pre-works BER would put an additional strain on what is already a scarce resource which could risk further pushing up costs. A shortage of Assessors could also lead to delays and slow down our ability to meet EEOS targets if there are not a sufficient number available to carry out the number of BERs that will be required.

### **Individual measures should be permitted.**

It may be more practical for homeowners to embark on energy efficiency measures over a period of years. Resource limitations, personal circumstances and the potential complexity involved in embarking on multiple measures or a deep retrofit may limit the ability of homeowners. Those homeowners who would like to improve their homes in this way should be facilitated. Incentives to encourage multiple measures should be on offer but those who do not wish to do this should not be precluded from participation in the scheme. The Energy Efficiency Directive does not preclude individual measures and it is important that Ireland's EEOS does not either. This will ensure that consumers are able to access the benefits of the scheme and embark on energy efficiency measures at an appropriate pace.

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

We support efforts to reduce energy poverty and we remain committed to delivering energy savings among this cohort. We have concerns, however, regarding the proposed definition and delivery requirements for the Energy Poverty sub-target. We believe some amendments here could ensure proper targeting but also ensure there continues to be sufficient access to the scheme.

### **Definition**

We appreciate that an appropriate definition needs to be put in place to manage the energy poverty portion. We believe the proposed definition of energy poverty for the scheme is, however, far too narrow. 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 in addressing energy poverty; as recommended by the EU. The proposed definition for the EEOS may run counter to this.

We cannot support a definition of energy poverty that is restricted to those living in properties with a BER rating of E1 or worse. We believe that the proposed definition would limit the opportunity to alleviate energy poverty. 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 it stands, the proposals exclude homes that have previously participated in the EEOS and gone from an E1 or lower to a D or a C.

### **Delivery requirements**

- The delivery requirements necessitate the achievement of B2. The suggestion that EP credits would only be provided if the property reaches a B2 rating and precludes the option of undertaking improvements on a staged basis. We believe the pathway to B2 approach should also be available so as not to unduly restrict options for consumers. Those experiencing fuel poverty should also have opportunity to take incremental steps to deep retrofit if that works for their circumstances.
- We would also like to reiterate our points regarding pre-works BERs. See Q6.1.
- 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.

## **SECTION 7: NATURE OF TARGETS AND COMPLIANCE**

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?

While we understand the objective to ensure minimum achievement each year, we believe there should be stronger incentives to over-achieve in the early years. Energy savings achieved in year 1, 2 and 3 of the EEOS are significantly more valuable than those achieved at the end of the scheme.

We believe Obligated Parties should have the option to choose a cumulative target so that those who may be in the position to front-load their delivery are in the position to do so.

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 – though we would note that while the situation with the Covid pandemic continues to improve, there remains considerable uncertainty. Obligated Parties should not be penalised in 2021 for events outside of their control if they can demonstrate best endeavours and have performed consistently up until this point.

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 – this is a useful flexibility which should continue to be part of the EEOS.

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

Yes - We support the continuation of this flexibility mechanism.

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 support the continuation of this flexibility mechanism.

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

We believe 95% is a reasonable achievement level in normal economic circumstances. We always endeavour to exceed our targets and over-perform where possible. We are cognisant, however, of circumstances outside of Obligated Parties' control which could have an impact on the ability to deliver in a given year. Additional flexibility may be required in certain instances as was required in 2020 due to the pandemic and we would encourage that a pragmatic approach continues to be taken. While the outlook has improved considerably in recent weeks, there remains uncertainty over the next 12 months regarding the course of the pandemic. The wider impacts of the pandemic are also a significant unknown.

For the next compliance period, in the event of force-majeure events e.g. pandemic, a fair and pragmatic approach is needed and additional flexibility is provided. Timely action and decision-making are also key.

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

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

Yes – we support the continuation of this flexibility mechanism. It is important that obligated parties continue to be able to exchange validated credits bilaterally.

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

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

Yes – we believe the option outlined in Q7.9 would be a useful option to have though the way in which it may be utilised should be monitored carefully.

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 – we support the continuation of this mechanism.

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

Yes - We believe the buy-out cap has been set at an appropriate level. We have not availed of this flexibility and do not intend to over the course of the next scheme. As with most aspects of the EEOS, we would encourage pragmatism should unforeseen or force-majeure events arise.

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?

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

In answer to these two questions, greater transparency as to how buy prices are set in the first instance would be beneficial.

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

Aspects of this proposal appear punitive. While we agree with the proposal to have a maximum penalty, 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: In your opinion, how should penalties for non-compliance be determined, i.e. what factors should be considered as part of any calculation framework?

We believe 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.

## **SECTION 8: NEW SCHEME OPPORTUNITIES AND COST INFORMATION**

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?

We would like to highlight that the ECA report highlights considerable uncertainty in regard to the trajectory for commercial credits of the next decade and the cost of commercial credits is

likely to rise in the latter half of the decade. It is critical therefore that all measures that can be eligible under the Energy Efficiency Directive are permitted. We welcome the commitment to undertake a study on shallow measures with a focus on lighting and heating controls. Keeping measures such as this in scope will ease the challenge of meeting targets at lower cost to the consumer.

Given the challenges that may be likely particularly later in this decade in regard to commercial credits, we believe consideration should be given to more options. For example, we believe consideration should be given to permitting deemed credits for certain technologies or Energy Conservation Measures for commercial works, such as the introduction of commercial heating controls, installation of Building Management System or Energy Management System.

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

We think the scheme should be reviewed regularly – every two or three years - depending on how the scheme is progressing, wider developments in the Irish economy and the EU. If issues are identified or retail market changes alter the landscape, a review should be initiated. The existence of a review timetable should not prevent this. We believe the Governance Group forum should be used to identify and resolve minor issues where possible.

We believe it would be prudent to carry out a formal review of the scheme in early 2024 following two years of operation to ensure the scheme is progressing in the way it was anticipated. Another review in three years following this would be appropriate in our view.

The Energy Efficiency Directive is currently being reviewed and it is likely to result in an increase in energy efficiency targets and new provisions following the adoption of the European Green Deal and the EU's enhanced 2030 and 2050 climate ambitions. We also note that the Governance Regulation requires National Energy and Climate Plan progress reports to be submitted every two years. It would make sense to align reviews of the EEOS scheme with EU developments.

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

While we appreciate that certain information may be useful in helping to carry out a Cost-Benefit Analysis, beyond this we would query why this is required and particularly why this should be published. We would prefer for the information to be submitted to SEAI as a Request for Information specific to dedicated pieces of analysis rather than as an ongoing commitment. The submission should stand on its own merit for the purposes of a project that the SEAI is working on.

Beyond that we have significant concerns that the proposal 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 the requirements a step towards publication 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 customers so that they can remain competitive in the retail market.

The consultation document states 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 most notably by creating circumstances where market participants may partake in concerted practices. Transparency around costs could result in setting a price benchmark to which all Parties converge thereby undermining competition. We also do not believe that cost information is needed to allow new entrants to enter the market. The Obligation Scheme has helped created a buoyant energy services market and supply chain to date. We do not believe that a lack of cost information is a barrier to entry to supply chain companies.

Notwithstanding any implicit competition law impact which can only be determined after a party or parties have contravened competition law, we believe that the publication may be misaligned with the concept of “competitive neutrality”.

Competitive neutrality is defined as:

*a situation where a State-backed intervention or policy does not alter the conditions of competition between businesses. If the competitive conditions which existed in a particular market prior to your policy intervention remain unchanged, your action can be described as competitively neutral.*

In our view, the proposal to publish may alter the competitive conditions of the market for energy efficiency services. This, in turn, risks undermining the competitive process and results in decreased consumer welfare.

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?

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.

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

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?

As we outline in our response to Question 8.3, we are unsure of the value or purpose of this data collection and proposed publication exercise. If data is to be reported and published, 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: 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?

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?

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 to customers with smart meters. Given suppliers already issue a bill with energy efficiency information we do not think it would be helpful for further information to be placed on bills given current constraints.

We would also highlight that this proposal will become less relevant as the smart meter programme is rolled out further and as suppliers develop other means of communicating with customers e.g. through the use of apps.

## CONCLUSION

We are proud of the work we have undertaken in support of customers as part of the EEOS and look forward to continuing this through our participation in the scheme and our recently established 'One-stop-shop' for energy efficiency. It is important that the next phase of the scheme builds on the successes of the EEOS to date and maintains momentum. The revised EEOS needs to afford as many consumers as possible the opportunity to engage in energy efficiency measures and participate in the low-carbon transition.

We look forward to continuing our engagement with the Department and the SEAI as part of the development of the next phase of the EEOS.