



CONSULTATION ON THE DESIGN AND IMPLEMENTATION OF
THE ENERGY DEMAND AND REDUCTION PROGRAMME
(EDRT)

SSE/AIRTRICITY RESPONSE TO
DEPARTMENT OF COMMUNICATIONS, ENERGY AND
NATURAL RESOURCES

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SSE/AIRTRICITY

Airtricity is Ireland's No.1 supplier of greener energy offering domestic and commercial customers an electricity supply that is not only low-cost (up to 13% cheaper, percentage discount based on ESB kilowatt hour rates) but that also significantly reduces their carbon footprint. Airtricity now supplies over 100,000 electricity customers in Ireland, making it the third largest energy supplier in the country. At Airtricity, 79% of the company's electricity is from renewable sources ensuring its supply is the greenest in the market.

Airtricity's renewable energy division is responsible for the development and construction of the Scottish and Southern Energy (SSE) group's renewable energy projects across Ireland, Great Britain, and Continental Europe, including offshore and onshore wind farms, hydro, marine, biomass, and solar projects. This division, which is headquartered in Dublin and operates in 17 locations across Ireland, Great Britain and Europe, is to be renamed SSE Renewables with effect from 1st January 2010.

In Ireland, Airtricity is the largest renewable energy developer and currently has 19 onshore wind farms in the Republic of Ireland and Northern Ireland generating over 400MW. The company has a total of 694MW of onshore wind farm capacity in Ireland in operation, in construction or with consent, and is actively progressing a significant development pipeline.

SSE is the leading generator of renewable energy in the UK and Ireland, with over 2,200MW of renewable electricity generation capacity (wind, hydro, and biomass), and a portfolio of over 14,000MW of renewable energy projects in construction, with consent or in development.

INTRODUCTION

SSE/Airtricity welcomes the opportunity to comment on the Department of Communications, Energy and Natural Resources' (DCENR) consultation paper on the design and implementation of an Energy Demand Reduction Target (EDRT). Energy efficiency is a fundamental pillar in Ireland's response to delivering secure, competitive and environmentally sustainable energy supply. As energy is critical to economic activity we cannot do without, however, we must learn to use it as efficiently as possible thus reducing quantities consumed. We are committed to working with DCENR in developing an equitable framework that maximises the efficiency of energy consumption.

GENERAL COMMENTS

IMPORTANCE OF ENERGY EFFICIENCY

As highlighted in this consultation Ireland has a number of mandatory EU appointed interdependent targets that must be delivered by 2020. These targets include a 20 percent carbon reduction, 16 percent renewable energy penetration and a 20 percent improvement in efficiency. While the carbon and renewable targets receive much of the focus SSE/Airtricity view the efficiency target as crucial. Success in delivering efficiency will derive substantial environmental benefits including a reduction in fossil fuel demand and carbon intensity. Furthermore, with one of the highest energy costs across Europe investment in energy efficiency will increase the competitiveness of our business sectors, reduce domestic energy bills and offset the need for investments in infrastructure (and ensuing costs) that would otherwise be required.

ENERGY EFFICIENCY AS AN ECONOMIC OPPORTUNITY

SSE/Airtricity recognises the economic opportunity energy efficiency presents in the development of an energy services industry and in particular, the retrofitting of buildings. Building retrofits provide a substantial economic stimulus for our beleaguered construction sector. As highlighted in Forfas' report *Environmental Goods and Services Sector on the Island of Ireland* "Retrofitting buildings for energy efficiency is seen as the most promising area for future opportunities.....Background research has estimated that forecast investment levels to 2020 in retrofitting buildings to comply with Building Energy Rating (BER) standards in Ireland could be worth up to €25 billion." While it is regrettable that the building sector and the legislative provisions of the Building Regulations did not deliver in a timely manner appropriate efficiency standards for the substantial buildings construction undertaken in the last decade, we must now ensure that this oversight is redressed.

The development of an energy services industry (ESCO) will be an important growth segment in energy markets acting as a one-stop-shop for consumers to source energy efficiency solutions. Expanding beyond building retrofits ESCO's have the potential to develop their business models - the scope spans a range of technology solutions including those for specific industry sectors (e.g. efficiency of electrical equipment), district heating schemes, smart metering systems etc.

Public policy must seek to facilitate the growth of this business through clear policy direction on energy efficiency complemented by a regulatory framework that will enable competitively delivered solutions. Competition will encourage increased innovation and optimal investment in the market. The potential of this industry reaches beyond national requirements and can become a significant export market.

SMART METERING AND SMART GRID

Smart metering is an essential tool to improving energy efficiency and its roll out must be a policy priority. Smart metering empowers consumers to make rational energy consumption decisions through clear market signals. Furthermore, it enables system planners and operators to maximise the capability of the energy system, reducing the need for investments and reducing costs. SSE/Airtricity has significant experience in the development of smart meter technology and looks forward to developing learning and innovation in Ireland.

SSE/Airtricity considers that smart meters are the key to unlocking the benefits of active demand participation across a range of generation, distribution, supply and energy efficiency strategies. Their deployment, on a competitive basis, needs to be supported as a core component of our long term energy efficiency strategy.

We particularly commend the Government on its Programme for Government objective to select a "Smart Town" test site of at least 1,000 homes for energy companies to test new smart grid and other energy efficient applications. We look forward to contributing our knowledge and expertise to this welcome project.

TARGETS AND THE NEED FOR A COST ANALYSIS STUDY

While SSE/Airtricity is committed to equitably contributing to efficiency measures and to helping Ireland meet its 8000GWh NEEAP short fall we are concerned by the absence of economic analysis regarding the expected cost of measures to achieve this.

In responding to this consultation we are asked to consider different implementation options including voluntary commitments, consumer levies or a supplier obligation. However, it is difficult to assess the impact of the different implementation options without a robust economic assessment for achieving the 8000 GWh target.

Furthermore, the consultation lacks clarity regarding potential GWh savings from retrofitting for example a domestic dwelling. There is, therefore, no clarity as to how many buildings would require retrofit on an annual basis to achieve, at a

minimum 8000GWh savings by 2020. Accordingly, it is impossible to determine whether the necessary resources are available to implement measures to achieve the target by 2020. Under a mandatory supplier obligation, where penalties apply for failure to meet targets certainty regarding the reasonableness of targets is critical. In advance of agreeing any form of obligation these assessments must be completed.

SSE/AIRTRICITY ENERGY EFFICIENCY EXPERIENCE

SSE/Airtricity's track record to date in Great Britain (GB) in accelerating energy efficiency measures is a practical demonstration of our commitment in this vital area. In the three years from 2005 to 2008, SSE has implemented schemes in GB to enable customers to use energy more efficiently which resulted in an estimated benefit to the community of £85m per annum.

Measures implemented include high impact, lower cost solutions including the delivery of building insulation (cavity wall, attic), lagging jackets, boiler replacements and the distribution of energy efficient light bulbs. Additional measures have also included partnerships with brown and white good manufacturers working toward more energy efficient products and their interoperability with SMART grid technology. Furthermore, we are GB's leading innovator in the development and roll out of smart meter technology with circa 20,000 meters installed.

SSE is presently a participant in GB's Carbon Emission Reduction Target (CERT) obligation programme. CERT places a rolling 3 year (2008-2011) obligation on energy suppliers to meet ambitious household carbon saving targets of 154Mt equivalent to the emissions from 700,000 homes. The cost of achieving the programme is determined by the Department of Energy and Climate Change, which is then recovered across all customers.

PROGRAMME DELIVERY OPTIONS FOR THE DOMESTIC SECTOR

Given the ambitious savings and delivery timelines prescribed in this consultation we do not believe voluntary agreements provide the necessary incentives to achieve the 8000GWh savings. In order to achieve the proposed targets we believe mandatory policy interventions are more likely to achieve the desired results. To this end our commentary is focused on the "levy/fund" and "supplier obligation" options.

Levy/ Fund

As a fully transparent price signal, consistent with the energy efficiency mechanism of Northern Ireland, SSE/Airtricity is minded to pursue a levy/fund approach. A customer levy, applied across all customers, provides a transparent price signal to the market of the need to adopt energy efficiency measures. The resulting fund provides the financial resource from which consumers through energy service providers can fund delivery programmes.

Fund application criteria may be used to incentivise applicants in seeking funding for high impact, lower cost efficiency measures, thus maximising the value of the fund, carbon savings and delivering cost competitively to the customer. Furthermore the adoption of the fund may be supplemented by recycled revenue from the proposed carbon tax to be introduced in the forthcoming budget. It is SSE/Airtricity's view that a carbon tax should be a revenue neutral fiscal measure with funds targeted at energy efficiency initiatives.

A customer levy has applied in Northern Ireland (NI) for the last 12 years. It is charged per kWh on all electricity supplied and was originally set at a level corresponding to £1 per year per customer. The amount has since increased to its current level corresponding to more than £7 per year per customer. This adds approximately £2.70 to the average annual domestic electricity bill, with the balance of costs being paid by nondomestic demand.

Over the twelve years it has been in place, suppliers have employed a total of £35m of levy funding and have commissioned measures that will have given rise to total lifetime savings of over 4000GWh, nearly one million tonnes carbon and estimated financial savings to customers of over £250m. In light of its proven success in NI, we would recommend the adoption of a levy in Ireland. Furthermore, the adoption of a levy mechanism is consistent with the NI efficiency mechanism engendering additional complementarity with the SEM electricity market and the forthcoming gas CAG market.

Market orientated obligation scheme

With the information available in this consultation SSE/Airtricity have grave concerns regarding the viability of a market orientated supplier obligation, both in terms of financing and resources to practically deliver the scale of ambition.

We have already highlighted our concerns regarding the implications of an uncosted supplier obligation. These concerns are further heightened by the proposal that suppliers would compete away some of the obligation costs. In a fully liberalised market economies of scale combined with full market competition ensures services are delivered at the best price to the customer.

In terms of market liberalisation, competition in the Irish domestic electricity market remains poor with the dominant incumbent holding circa 85 percent of the domestic market share. In this scenario, the costs of mandatory policy interventions such as a supplier obligations, must be fully cost recoverable, otherwise the Industry may not recover costs, undermining the cost reflective principles of the market and consequently the development of competition. With regard to this consultation we would, therefore, welcome the opportunity to explore with DCENR what is intended by suppliers absorbing some efficiency investment costs as we are uncertain of what is envisaged and the impact this will have on competition and the underlying principles of the market.

SSE/Airtricity recognise the important roll our company can play in supporting the delivery of energy efficiency, however, we stress the danger of non cost-reflective pricing. A recent energy efficiency paper produced by the Irish Institute of European

Affairs, *Greenprint for a National Energy Efficiency Retrofit Programme* has indicated a cost of €14bn to retrofit Ireland's building stock by 2020. If the burden of efficiency was solely foisted on suppliers in the market this would imply an unsustainable additional cost of €1.4bn per annum on energy supply companies to achieve the target. We would also question the merits and costs of total building solutions as suggested in the Greenprint document. SSE experience in GB has shown the significant efficiency, carbon savings, and cost savings that can be achieved by allowing service providers the flexibility to innovate and deliver high impact, lower cost energy efficiency solutions.

Following our experiences of a market orientated obligation in GB we recognise the merits of a supplier lead programme, utilising the skill-sets of utilities and development of ESCO's to deliver competitive efficiency investment and a longer-term energy services based utilities model. The supplier obligation in GB has proven a successful means of linear delivery of improvements in the housing stock. This pay as you save approach provides householders with the finance to make the investment while the cost is recovered across consumer tariffs. SSE/Airtricity is open to discussions on the potential of such a scheme in Ireland. However, as in GB, annual scheme costs must be fully recoverable through tariffs supporting the cost reflective principles of the market.

Additional fiscal measures

Given the scale of investments required to achieve 2020 efficiency targets additional financing measures will likely be required. While the rising price of energy is a powerful market signal to incentivise energy efficiency investment the upfront capital costs associated with investments and long payback periods can act as a disincentive to delivery. Reducing payback periods, accelerating deployment should be facilitated through expanded capital grant aid and/or through the establishment of a green bank, offering lower cost of capital. Monies from the forthcoming carbon tax may be used to fund such initiatives.

CONCLUSION

Investing in energy efficiency supports Ireland's move to a low carbon, low import dependent economy. Simultaneously, Ireland can look forward to not only lowering the cost burden on householders and business, but also in benefiting from efficiency lead job creation across a range of skill-sets and economic stimulus encouraging inward investment and services for export.

The upfront cost of efficiency investment and resulting long payback period is a leading barrier for householders and business alike. While SSE/Airtricity recognise the role we can play in accelerating the uptake and deployment of efficiency measures we have grave concerns regarding the reasonableness of introducing an uncosted mandatory supplier obligation where suppliers are further expected to absorb some costs. Uncertainty also arises regarding the availability of resources to meet 8000GWh energy demand reduction.

Accordingly, SSE/Airtricity believe a levy/fund mechanism is the most appropriate approach, providing a clear market signal of the need for efficiency investment; delivering price transparency to the customer; supporting the cost-reflective principles of the market; and providing adequate financing to stimulate an energy services sector. The adoption of a levy/fund also ensures consistency with Northern Ireland with complementary efficiency mechanisms existing in both jurisdictions. This further engenders the benefits of energy harmonisation between Ireland and Northern Ireland as evidenced by the SEM and forthcoming Common Arrangements for Gas (CAG).

SSE/Airtricity, fully support the ambitions of the Government's EDRT programme. We look forward to working with DCENR to deliver an equitable EDRT mechanism that will achieve targets while maintaining the cost reflective principles of the energy market.

QUESTIONS

QUESTION 1 – EDRT PROGRAMME IMPACT AND BENEFICIARIES

1(A) PLEASE INDICATE HERE YOUR THOUGHTS ON THE POTENTIAL OF THE EDRT PROGRAMME TO CREATE NEW EMPLOYMENT AND, WHERE POSSIBLE, INDICATE THE SCALE OF SAME

SSE/Airtricity believes that the EDRT programme has the potential to create significant new employment, particular for the construction sector through the retrofit of buildings. It has been suggested that the value of investment for the purpose of buildings efficiency improvement may range between €14 billion and €25 billion¹.

Further employment opportunities exist in the evolution of energy service companies as standalone business units or as divisions of existing energy utilities. In Scotland, SSE is actively involved in supporting the training and up-skilling of individuals in all aspects of energy efficiency and energy use in the home. Presently, more than 100 individuals are being offered a place in a new Home Energy Apprenticeship Programme. The Scottish Government is supporting SSE with this Programme which will build a framework of energy professionals to support the company's long term ability to contribute to energy efficiency goals. Some of the skills will include being able to: identify customers' energy efficiency requirements, identify technological solutions and provide energy efficiency advice.

Innovation will be a cornerstone of energy efficiency advancement spanning a diverse range of sectors. In order to realise the full environment and economic opportunity inherent in energy efficiency innovation collaboration between industry and academia should be stimulated and supported.

1(B) PLEASE INDICATE HERE YOUR THOUGHTS ON THE POTENTIAL OF THE EDRT PROGRAMME TO IMPROVE THE ENERGY AFFORDABILITY FOR VULNERABLE SECTIONS OF SOCIETY AND, WHERE POSSIBLE, INDICATE THE SCALE OF SAME

Greater levels of energy efficiency will decrease the quantity of energy required by a household and accordingly annual energy costs. However, we must not confuse savings through energy efficiency and the issue of fuel poverty which is a consequence of many interacting circumstances.

In order to maximise the effectiveness of the EDRT of vulnerable sectors SSE/Airtricity recommends the establishment of a National Fuel Poverty Agency to co-ordinate and target appropriate and effective remedies for fuel poverty.

¹ IIEA (2009), *Greenprint for a National Energy Efficiency Retrofit Programme* and Forfas (2008), *Environmental Goods and Services Sector on the Island of Ireland*

This independent Agency would coordinate the Government's fight against fuel poverty centrally. This joined-up approach would focus on information sharing, and co-ordinating energy efficiency measures to the most vulnerable in our society.

A significant barrier to addressing fuel poverty is identifying those who are most vulnerable. A central agency could access available data from the various agencies, amalgamating it to present a clear picture of vulnerable households. Data arising can then support targeted EDRT efforts. Supporting the identification process SSE in Great Britain (GB) use “data-mining” exercises, partnerships with local charities, as well as relying on its call centre staff, to assist in identifying the fuel poor.

1(C) PLEASE INDICATE HERE YOUR THOUGHTS ON THE POTENTIAL OF THE EDRT PROGRAMME TO CONTRIBUTE TO IRELAND’S GHG EMISSIONS TARGETS AND, WHERE POSSIBLE, INDICATE THE SCALE OF SAME

As identified in this consultation 8000GWh has the potential to deliver 550kTC. In order to achieve both efficiency and carbon targets in a timely, cost effective manner it will be important to focus efforts on high impact, least cost initiatives.

1(D) PLEASE INDICATE HERE YOUR THOUGHTS ON THE POTENTIAL FOR THE EDRT PROGRAMME TO ENCOURAGE INNOVATION AND, WHERE POSSIBLE, REFER TO ANY INTERNATIONAL EXAMPLES WITH WHICH YOU ARE FAMILIAR

Energy efficiency measures must avoid being too prescriptive regarding potential solutions allowing energy service providers the freedom to adopt high impact, cost effective solutions. This in turn will spark innovation in energy services, job creation, and overall market transformation.

At the micro level, SSE has had significant success in partnering with brown and white good manufacturers to increase the efficiency of products. This effort also converges with work streams on electrical equipment inter-operability with smart networks and grids.

At the macro level, flattening the peak demand curve by reducing the load arising from electrical equipment running unnecessarily at system peaks (e.g. a washing machine), negates the need for less efficient peaking infrastructure, therefore, improving overall system efficiency.

1(E) PLEASE INDICATE HERE YOUR VIEWS ON THE BENEFITS OF THE EDRT PROGRAMME FOR ENERGY COMPANIES

The key benefit of the EDRT programme for utilities is its capacity to act as a competitive differentiator. The energy supply model here in Ireland, like that in GB, is evolving to include the provision of a wide range of energy related services. The EDRT programme has the potential to further stimulate and grow the energy services sector in Ireland. SSE/Airtricity stresses, however, that in order for ESCO’s to grow in Ireland, delivering efficiency benefits and utilising competitive market forces, the EDRT programme must deliver the full cost recovery of delivering efficiency investments.

1(F) PLEASE INDICATE HERE YOUR VIEWS ON THE BENEFITS OF THE EDRT PROGRAMME FOR ENERGY SERVICE COMPANIES AND IF YOU THINK THE EDRT CAN HELP DEVELOP THE MARKET FOR ESCOS?

Many factors have delayed the development of ESCO's in Ireland including weak market signals to incentivise efficiency investments, market prices for small scale electricity exports particularly CHP and continued monopoly control of the distribution network.

The development of the EDRT will help to stimulate the uptake of energy efficiency investment and encourage utilities to diversify core business activity to include a broader suite of energy services. However, we would recommend that DCENR address additional market barriers in particular the need for competition at electricity distribution level. Increased levels of competition here will ensure ESCO's deliver increasingly innovate efficiency solutions including the integration of sophisticated smart meter systems.

1(G) PLEASE INDICATE HERE YOUR VIEWS ON THE BENEFITS OF THE EDRT PROGRAMME FOR ENERGY SERVICE PROVIDERS

With potential investments ranging from €14-25 billion there is significant opportunity for energy service providers to meet increasing demand for efficiency investment.

1(H) PLEASE INDICATE HERE YOUR VIEWS ON THE BENEFITS OF THE EDRT PROGRAMME FOR ENERGY-SAVING PRODUCT RETAILERS

An EDRT programme will create and increase demand for energy-saving products signalling to retailers the need to stock products with high energy efficiency ratings. Retailers who make this move early will enjoy competitive advantage over those who are slow to move to higher efficiency products.

However, we do foresee a challenge where energy efficient products, despite longer life cycles and lower running costs do not sell due to high upfront costs compared to cheaper, less efficient comparable products. Incentives may be required to overcome this challenge combined with an adequate consumer education campaign.

1(I) PLEASE INDICATE HERE YOUR VIEWS ON ANY OTHER BENEFITS OF THE EDRT PROGRAMME

Those involved in the manufacture of energy efficient products ranging from insulation materials to brown and white goods can quickly differentiate themselves from competitors supplying less efficient products. Suppliers of efficient goods will be positioned to benefit from increasing demand arising from the adoption of mechanisms including the EDRT and the introduction of a carbon tax, among others.

QUESTION 2 – PROGRAMME DESIGN AND DELIVERY OPTIONS FOR IRELAND

2(A) PLEASE INDICATE HERE YOUR PREFERRED DELIVERY OPTION AND REASONS WHY YOU THINK IT IS MORE APPROPRIATE THAN THE OTHER OPTIONS

With 8000GWh of savings to be achieved by 2020 we do not consider voluntary measures an effective means of achieving the target in a timely manner.

While we see the role that a market orientated obligation could play in a competitive market, we do not believe there is sufficient competition in the Irish market with the incumbent retaining 85 percent of domestic customers. Furthermore, we are concerned by suggestions that suppliers would absorb some of the cost of an obligation. This suggestion undermines the cost reflective principles of the market and would have a significant detrimental impact on competition development. Finally, in the absence of any robust economic analysis regarding the cost of an obligation, or assessment of the achievability of targets we would have grave concerns regarding the impact of suggested penalties for missed targets.

In light of the above SSE/Airtricity believe a levy/fund mechanism is the most appropriate approach, providing a clear market signal of the need for efficiency investment; delivering price transparency to the customer; supporting the cost-reflective principles of the market; and providing adequate financing to stimulate an energy services sector. The adoption of a levy/fund also ensures consistency with Northern Ireland (NI) with complementary efficiency mechanisms existing in both jurisdictions. This further engenders the benefits of energy harmonisation between Ireland and Northern Ireland as evidenced by the SEM and forthcoming Common Arrangements for Gas (CAG).

2(B) IS THERE ANOTHER APPROACH THAT COULD REALISE SIMILAR BENEFITS?

Based on international experience, both the fund/levy and market oriented supplier obligation models are proven to be effective mechanisms in delivering carbon reduction/energy efficiency targets.

As a long-term participant in energy efficiency schemes in GB SSE would commend the present CERT initiative which seeks to deliver 154MTC savings over a three year period. Under this scheme the Department of Energy and Climate Change ex-ante estimate the cost of achieving the target, the full cost of which is recovered across all customers. Based on market share, suppliers must achieve the target and are incentivised to do so by the most cost effective means and at a high quality of customer service.

2(C) ARE THERE ANY BARRIERS ASSOCIATED WITH ANY OF THE DELIVERY OPTIONS?

SSE/Airtricity would highlight 3 principal barriers:

Robust economic analysis

The absence of a robust economic analysis of the cost of achieving 8000MWh creates great uncertainty in the achievement of the target. Where obligated suppliers face penalties for failing to achieve mandated targets, the absence of economic analysis to evaluate the extent of the challenge acts as a substantial barrier to the acceptance of an effective programme. With estimates suggested by IIEA and Forfas ranging from €14 billion to €24 billion it is unreasonable to suggest and impossible to see how this cost burden could be carried by energy supply companies.

Cost reflectivity

In addition to the cost of delivering the proposed target suggestions that suppliers may compete away some of the costs seriously undermines the cost reflective principles of the energy market. Considering the limited levels of competition in the existing domestic market, competitive forces and economies of scale are not sufficiently established. This proposal would undermine the early stage development of competition in the domestic market.

Prescriptive energy efficiency solutions

Adopted mechanisms must seek to stimulate innovation by the energy efficiency services industry allowing the market to deliver high impact, lower cost energy efficiency savings. Prescriptive energy efficiency solutions should therefore be avoided.

2(D) INDICATE HERE WHICH ENERGY COMPANIES YOU CONSIDER SHOULD DELIVER THE PROGRAMME

Based on experience in other jurisdictions network-connected energy supply companies, with the primary customer interface would best meet the objectives of the EDRT. These companies will likely have the necessary scale, skills, resources to form fruitful partnerships with emerging ESCO's to meet the ambitions of the EDRT.

However, further assessment is required to identify the energy share relating to smaller scale suppliers (e.g. oil, LPG heating) and the role that these suppliers may be required to play in delivering efficiency measures.

2(E) WITH REFERENCE TO THE 8,000 GWH NEEAP AND TABLE 3, INCLUDE DETAILS HERE ON THE ENERGY SAVINGS YOU THINK THE EDRT PROGRAMME CAN DELIVER AND WHETHER OR NOT THE PROGRAMME SHOULD ALSO INCLUDE A GHG TARGET

We would again refer here to the need for a detailed cost analysis on delivering the EDRT programme to be carried out. In the absence of such information, it is difficult to identify what is reasonably achievable.

2(F) THE ESD ALLOWS MEMBER STATES TO EXCLUDE FROM THE APPLICATION OF THE DIRECTIVE THOSE ENERGY COMPANIES THAT SELL <75GWH ENERGY PER YEAR, OR EMPLOY FEWER THAN 10 PEOPLE, OR WHOSE TURNOVER DOES NOT EXCEED €2 MILLION PER ANNUM. DO YOU FEEL THAT IT IS APPROPRIATE FOR IRELAND TO DO SO?

Generally, yes but we would like to see an assessment of the cumulative energy consumption represented by those beneath the suggested thresholds. This would indicate, whether additional measures may be required within this grouping.

2(G) PLEASE INDICATE THE SECTORS THAT SHOULD BENEFIT FROM THE EDRT PROGRAMME.

Initial efforts should focus on efficiency delivery in the residential, business and public sectors. The value of EDRT funding should also be supplemented by recycled revenue from the forthcoming carbon tax. Special provision should also be made from this fund for special measures targeted to benefit the fuel poor.

2(H) DO YOU THINK THAT FUNDS SHOULD BE RING-FENCED FOR THE FUEL POVERTY SECTOR? IF SO WHAT IS AN APPROPRIATE PERCENTAGE?

SSE/Airtricity believes monies should be ring-fenced for the fuel poor. We do not feel an appropriate percentage can be identified until a robust economic assessment of efficiency investment costs is completed. Furthermore, as identified in 1(b) we invite the Government to consider establishing an independent agency which would centrally coordinate efforts to address fuel poverty.

2(I) COMMENT ON THE LIST OF POTENTIAL MEASURES AND INCLUDE ANY OTHERS THAT YOU FEEL ARE APPROPRIATE

SSE/Airtricity considers the energy saving potential and economic opportunity of the EDRT will best be served by a non-prescriptive approach to eligible technologies where the energy services sector is free to utilise the most cost effective measures to achieve the target. This in turn will stimulate innovation in ESCO solutions delivering high impact, lower cost solutions for the customer. This will also facilitate opportunities for partnerships between utilities, ESCO's, energy service provider's appliance manufacturers, retailers and community groups among others.

2(J) WHICH METHOD OF MONITORING AND VERIFICATION IS MOST APPROPRIATE TO IRELAND AND WHY?

Ex-post monitoring is the preferred and most accurate method of monitoring and verification, however, in the absence of smart metering ex-ante monitoring is the only available option. SSE/Airtricity however, strongly endorses the accelerated roll out of smart metering as an essential tool to improving energy efficiency. Its roll out must be a policy priority.

2(K) COMMENT HERE ON THE POTENTIAL THE EDRT PROGRAMME HAS TO OFFER ADDITIONAL SAVINGS OVER AND ABOVE THOSE ALREADY INCLUDED IN THE NEEAP

In SSE/Airtricity's view, the EDRT programme will provide greater focus and momentum together with more resources and a more coordinated response to delivering energy efficiency. Stimulating the growth of an energy services sector will further encourage innovative solutions to deliver cost competitive energy efficiency investment.

2(L) GIVE DETAILS ON HOW YOU THINK THE EDRT PROGRAMME SHOULD BE FINANCED, BEARING IN MIND THAT THE LIST HERE IS NOT EXHAUSTIVE AND THAT FUNDS FOR THE PROGRAMME MAY BE PROVIDED BY A NUMBER OF SOURCES (SEE 3.4.8)

SSE/Airtricity consider that given the scale and cost of efficiency investments required to achieve national targets multiple financing routes will be required. It is critical that in structuring financing mechanisms cost reflectivity is maintained. This will ensure that customers receive clear market signals of the need for investment in energy efficiency and that competition is not undermined. A combination of the following mechanisms should be further considered:

Implementation of a transparent consumer levy /fund – this approach ensures consistency with All-Island market harmonisation through the SEM and forthcoming CAG markets. Customers receive clear price signals while the necessary financing is available to fund energy efficiency measures. This is also an equitable means of financing efficiency measures whereby contributors to the fund are eligible to source funding for measures directly benefiting them.

Carbon Tax – revenue arising from the forthcoming carbon tax should be recycled through the above mentioned levy fund. A percentage of the fund should be identified for measures specific to the fuel poor.

Green Bank – a leading deterrent to investment in energy efficiency is the long pay back periods associated with such investments. Lower cost of capital provided through an exchequer financed (carbon tax) green bank would help to shorten payback periods and the attractiveness of such investments.

2(M) IF YOU THINK THAT A LEVY FUND IS THE BEST OPTION, PLEASE INDICATE WHAT YOU FEEL IS AN APPROPRIATE CHARGE ON EACH SECTOR

A robust economic analysis, evaluating the investment required to achieve 8000GWh will best inform an appropriate charge.