firmus energy briefing document - EXECUTIVE SUMMARY

DETI Committee
22nd May 2008

1. **Background**
   firmus energy was awarded two licences for the conveyance (network distribution) and supply of gas outside Belfast in March 2005.

   These two licences cover 12 towns outside of Greater Belfast, feeding off the recently constructed North West pipeline (completed in 2005) and the South North pipeline (completed in early 2007). The 12 towns are: Londonderry, Limavady, Coleraine, Ballymena, Ballymoney (fed from the NW pipeline) and Antrim, Lurgan, Craigavon, Portadown, Banbridge, Newry and Armagh (fed from the SN pipeline).

2. **Progress to date**
   As at the end of March 2008, firmus energy has laid over 310km of new gas mains in 11 of the 12 towns. The agreed firmus energy regulatory model is the development of the network to facilitate the connection of 'known loads' only, i.e. no speculative mains will be laid. To date over 3,200 customers have connected to the new gas network and over 80% of targeted industrial sites have now contracted for natural gas and have/are in the process of being converted.

3. **Customer benefits realised**
   Cost
   Natural gas continues to offer customers the lowest cost fuel alternative, both in terms of installation costs and on-going running costs, for heating and process loads. Over the last 12 months, industrial and commercial users who have switched to natural gas have saved around £3m on fuel costs. From January 2006 to January 2009, firmus energy has capped its prices for domestic and small commercial customers. This cap has insulated customers from recent wholesale gas and oil market fluctuations and delivers a discount of over 32% against home heating oil (April 08 prices).

   Energy efficiency
   Natural gas emits over 30% less CO_2 compared to oil and over 50% compared to coal. It also delivers greater efficiencies in terms of combustion, ensuring that gas boilers generally operate at +15% efficiency compared to oil-fired boilers.

4. **Key issues effecting volume and connection growth**

   4.1. ***Connections within the Public Sector estate***:
   Connections within the Council and Hospital estates are critical for the long term economic viability of the gas network. Not only that, but given current escalation in oil and coal prices, these delays are costing

the Health Service significantly in terms of fuel costs.

Question: given the existing government investment in the new gas network, the requirement to keep customer costs low in the longer term and the 2025 target for 25% CO_2 reduction should there not be a policy for local Councils and other public sector entities to connect for natural gas where it is available?

4.2. ***Housing Executive homes***

The NIHE Heating Replacement Scheme not only has the effect of directly replacing inefficient, costly heating systems within the NIHE estate but acts as a gateway for firmus energy to facilitate the connection of owner-occupied properties, allows for the marketing of the Warm Homes Plus scheme within these estates and enables firmus energy economically to connect small and medium-sized businesses around these estates (schools, churches, small enterprise units, shops etc.)

Question:
Should the NIHE prioritise gas schemes in 2008/9 which can ensure that more tenants can avail of efficient heating schemes for the same budget?

4.3. ***Owner occupied homes***

Based on average conversion costs and the 'allowable' grant from firmus energy, a householder looking to install a new natural gas central heating system will need to pay around net £2,400. Clearly this means that conversions tend to be skewed towards 'those who can pay'.

Question:
Given the *improved energy efficiency* of natural gas heating systems (94% efficient compared to 60% average for older oil-fired boilers), the *cost benefits* to users (around 20%+) and the elimination of over *30% carbon emissions* through a switch from oil, what funding could be made available to domestic households?

[N.B. 2000 homes switching to natural gas will save around 1,700 tonnes of CO_2 per annum – a budget of £3m p.a. will pay for '50% conversion grants' in 2000 homes].

5. **Energy mix within Northern Ireland**

5.1. Northern Ireland is largely a heavy carbon based economy (oil based) and the switch from oil to gas could help deliver against the 25% CO_2 target within the Programme for Government.

5.2. While gas may not be the complete or final solution to Northern Ireland's energy mix, it does offer the Assembly a 'quick win', low investment cost opportunity to eliminate a significant proportion of our oil and coal consumption.

5.3. firmus energy would welcome a rounded debate on the future energy mix within Northern Ireland and a view on how natural gas can contribute towards the environmental goals of the Assembly.