

North Tyneside Council Report to Cabinet 7 April 2014

ITEM 6(g) Collective Energy Switching
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Portfolio(s): **Housing and Environment
Sustainable Development**

Cabinet Member(s): **Cllr John Harrison
Cllr John Stirling**

**Report from
Service Area:** **Environment and Leisure**

Report Author: **Phil Scott, Head of Environment and
Leisure** **(Tel: 0191 643 7295)**

Wards affected: **All**

PART 1

1.1 Purpose:

This report seeks Cabinet's approval to register the Authority as a participant in the Local Government Association (**LGA**) procured Collective Energy Switching Scheme (the **Scheme**) and to promote the Scheme to households in the Borough.

1.2 Recommendation(s):

It is recommended that Cabinet:

- (1) agrees to register the Authority as a participant in the LGA procured Collective Energy Switching Scheme and to promote the scheme to households in the Borough to help reduce fuel bills and associated levels of fuel poverty;
- (2) delegates authority to the Head of Environment and Leisure in consultation with the Cabinet Member for Housing and Environment and the Cabinet Member for Sustainable Development to manage the Authority's participation in the Scheme and to review the outcomes of the Scheme and agree a frequency of participation in future schemes.

1.3 Forward Plan:

28 days notice of this report has been given and it first appeared on the Forward Plan that was published on 3 March 2014

1.4 Council Plan and Policy Framework:

This report relates to the following priorities in the 2013-17 Our North Tyneside Plan:

Our Places will:

- Be places that people like living in and will attract others to either visit or live

1.5 Information:

1.5.1 Background

The *Framework for Collective Energy Switching Schemes* was issued by the North East Procurement Organisation (NEPO), acting on behalf of the LGA. NEPO has established the framework with iChoosr to provide collective energy switching schemes for public sector organisations on behalf of their residents. An open tender process was conducted and the framework commenced on 16 December 2013 for a period of two years, with an option for a two year extension.

The contractor, iChoosr, has already helped 450,000 households to switch energy suppliers in three different countries.

The aim of the scheme is to “sign up” households within Local Authority areas in order to present a large number of potential customers to energy suppliers. The suppliers take part in an auction to determine the best deal available to households who opt in to the scheme.

The principle is that through presenting a large customer base collectively, the suppliers will offer unit rates that are cheaper than those available to households on the open market.

1.5.2 Why the project is needed

Average energy price increases of 9% in the Autumn of 2013 once again highlighted concerns over not only the cost of energy but the competitiveness of the market and in particular the “big six” suppliers.

Government estimates show that circa 10,000 households in North Tyneside suffer fuel poverty. The Excess Winter Death (EWD) statistics for England & Wales for the winter of 2012-13 were published in November 2013 and highlighted a 29% increase from the previous year: up from 24,100 to 31,100.

The increase was much more dramatic in the North East, with a 98% increase from 860 in 2011-12 to 1,700 in 2012-13.

The Prime Minister, the Energy Secretary and the Leader of the Opposition have all cited the switching of energy companies as a means for householders to secure better tariffs and ultimately cheaper bills. However, 60% of UK households (57,000 homes if applied to North Tyneside) have never switched supplier (Ofgem Consumer Engagement Survey, Jan 2011) and have potentially missed out on hundreds of pounds of savings as a result.

Although the Government aims to make it easier for individual households to switch energy suppliers in as little as 24 hours, a recent trend has emerged for collective energy switching, both within and across Local Authority boundaries.

This project should be considered as part of a package of measures to help North Tyneside households out of fuel poverty, including the physical installation of energy efficiency measures through our North Tyneside Warm Zone scheme and work being carried out by the Authority to consider the creation of an energy services company.

1.5.3 Benefits

Previous schemes have produced an average saving per household of **£122 a year**, although no guarantees are given. There could also be additional health and well being benefits to households that cannot currently afford to adequately heat their home.

iChoosr will provide a switching payment to the Authority. The payment is paid per switched customer at the following rates:

- £5.50 per switch for gas
- £5.50 per switch for electricity
- £11.00 will be paid for all dual fuel switches

iChoosr states that on average one third of registered households will actually switch energy supplier. Using a neighbouring authority's switching project as a benchmark, we would expect 5% of households (nearly 5,000) to register and an estimated 1,600 to eventually switch energy suppliers.

Assuming that each household is on a dual fuel contract, this would bring an income to the Authority of £17.6k.

1.5.4 Costs and timescales

Pending Cabinet approval, the Authority will participate in the planned auction in late Autumn (anticipated to be October).

The Authority is responsible for promoting the scheme to households in the Borough. iChoosr recommends at least 4-6 weeks of marketing and promotion prior to a registration window opening.

The communications and marketing plan will be based around the following no cost initiatives:

- Residents' magazine.
- A number of press releases.
- A letter from the Cabinet Member(s) to the letters page of the three main papers encouraging residents to sign up.
- Website – the Authority receives an average of 62,369 unique visitors to our website each month.
- Twitter – the Authority has 4,500 followers and this figure increases daily.
- Internal staff communications – a feature in the weekly newsletter and full page in Teamwork. A reminder will also be placed on the staff intranet homepage.
- Elected Members briefing.
- Housing Matters magazine.
- Referrals from the North Tyneside Warm Zone Scheme.

These promotions will be planned for June 2014 onwards and reviewed to measure their success.

The only fees to be paid directly to iChoosr for the implementation and running of the scheme are to cover postage and administration costs when dealing with "offline residents" – residents who do not have access to internet and will be sent an "auction result letter". This is not an up front payment as it is deducted from the Switching Contribution income. The charge is £1.50 per offline resident.

To support offline residents, local authorities are asked to have a telephone support function in place (Envirolink) and iChoosr will train staff in answering relevant questions. The one off cost to the Authority for this service request from our partner Cofely is less than £1.3k.

1.6 Decision options:

The following decision options are available for consideration by Cabinet

Option 1

Agree the recommendations detailed at paragraph 1.2 of this report

Option 2

Reject the recommendations detailed at paragraph 1.2 of this report

Option 1 is the recommended option.

1.7 Reasons for recommended option:

Option 1 is recommended for the following reasons:

- The project will support households in reducing their energy bills and has the potential to generate income for the Authority.

1.8 Appendices:

None

1.9 Contact officers:

Phil Scott, Head of Environment and Leisure tel. (0191) 643 7295

Paul Nelson, Environmental Sustainability Manager tel. (0191) 643 6467

Alison Campbell, Finance Business Manager, tel (0191) 643 7038

1.10 Background information:

The following background papers/information have been used in the compilation of this report and are available at the office of the author:

- (1) Collective Energy Switching Business Case [a hyperlink needs to be added in respect of this document]

PART 2 – COMPLIANCE WITH PRINCIPLES OF DECISION MAKING

2.1 Finance and other resources

All costs will be covered by the income generated through the switching fee which will be paid to the Authority when residents sign up to switch energy suppliers, as detailed in sections 1.5.3 and 1.5.4.

The marketing of the Scheme will be done through existing means at no additional cost to the council. A £1.50 deduction from the switching fee will be taken by iChoosr for each “offline resident” (resident who does not have access to internet) to cover the costs of administration of an auction result letter, which will, for these residents, be sent through the post. The telephone support function (Envirolink) will be trained by iChoosr to answer relevant questions and Cofely will charge the authority less than £1.3k to provide this one off telephone support.

2.2 Legal

The Framework for Collective Energy Switching Schemes was issued by the North East Procurement Organisation (**NEPO**), acting on behalf of LGA. NEPO has established the framework with iChoosr to provide collective energy switching schemes for public sector organisations on behalf of their residents. An open tender process was conducted and the framework commenced on 16 December 2013 for a period of two years, with an option for a two year extension.

The Framework Agreement has been established in accordance with the Public Contracts Regulations 2006. A Framework Agreement allows Contracting Authorities to order works or services under the terms and conditions specified in that Framework Agreement (i.e. it provides a mechanism for calling off orders as and when required).

This framework has been established for public sector organisations to call off directly from the contract on the basis of the switching fees that have been established with the Contractor.

In accordance with the Local Government Act 2000 and the regulations made under that Act in relation to responsibility for functions, Cabinet is responsible for determining this matter.

2.3 Consultation

The Cabinet Member for Housing and Environment and the Cabinet Member for Sustainable Development have been consulted throughout the development of the business case for the Authority's participation in a collective energy switching scheme and will be consulted throughout the delivery of the project.

2.4 Human rights

There are no human rights issues directly arising from this report.

2.5 Equalities and diversity

There are positive implications of helping residents to switch energy suppliers. For example, households most likely to be in fuel poverty could be helped to switch energy suppliers and secure a cheaper tariff and lower bills.

A phone line will be made available to households who do not have internet access.

2.6 Risk management

There is a potential reputational risk to the Authority if householders switch to a new energy company and their service and / or price expectations are not met. To mitigate against this risk the Authority will stress in its communications and marketing that it is promoting the scheme, rather than any one energy supplier and that the final switching decision must be made by the household.

Risks identified as the project is taken forward will be addressed and monitored in compliance with the Authority's risk management process.

2.7 Crime and disorder

There are no specific issues relating to crime and disorder directly arising from this report.

2.8 Environment and sustainability

There are no specific issues relating to the environment and sustainability directly arising from this report.

PART 3 - SIGN OFF

- Chief Executive X
- Deputy Chief Executive X
- Head of Service X
- Mayor/Cabinet Member(s) X
- Chief Finance Officer X
- Monitoring Officer X
- Strategic Manager Policy, Partnerships, Performance and Communication X