

## ROTHERHAM BOROUGH COUNCIL – REPORT TO MEMBERS

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| <b>1. Meeting:</b>     | <b>Improving Places Committee</b>                   |
| <b>2. Date:</b>        | <b>Wednesday 23<sup>rd</sup> July 2014</b>          |
| <b>3. Title:</b>       | <b>Collective Switching Scheme (The Big Switch)</b> |
| <b>4. Directorate:</b> | <b>Environment and Development Services</b>         |

### **5. Summary**

The purpose of collective switching is to allow consumers to group together to increase their buying power and to negotiate a better deal from gas and electricity suppliers. The more people who are involved in a switch, the bigger the buying power and the better the deal is likely to be.

An assessment to look at the feasibility of implementing a Rotherham collective switching scheme was carried out by Corporate Environment Team in February 2014. The assessment looked at various schemes; reviewed costs, benefits and potential funding; resource implications and feasibility. Details of the assessment are in paragraph 7.

### **6. Recommendations**

- Due to the resource implications compared with the risk and the small percentage of householders that may benefit, implementing a 'Bigswitch' style scheme is not recommended.
  - Consider the report and focus resources on:
    - Continuing to work with tenants to reduce energy consumption.
    - Housing & Neighbourhood Services assess the feasibility of Neighbourhood Wardens working with residents to secure the best utility prices through price comparison sites.
  - Corporate Environmental Team to continue to monitor the energy markets in case the situation changes.
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## 7. Proposals and Details

Many people are paying too much for their energy and rising fuel bills can be a real concern. Some households are reluctant to switch suppliers because they're not sure how to; do not have confidence in the energy market; do not understand their energy bills and tariffs or they don't have time. National statistics show:

- Nearly two-thirds of UK consumers have never switched energy supplier
- 33% of British consumers are concerned about their energy bills
- 43% don't prioritise shopping around for a better energy deal

Collective switching schemes have been given a lot of press coverage recently, partly on the back of the Government's support for 'The Big Power Switch'. Switching can be beneficial especially for those in fuel poverty.

There is no set model but the most common schemes operate through a 3<sup>rd</sup> party:

1. Communicate and advertise the scheme.
2. Interested consumer register for the scheme.
3. Organiser / nominated service provider negotiates with supplier to secure the best deal. Supplier selected.
4. Consumers receive a no obligation personalised offer and if they decide to switch, they enter into a contract with their new supplier.

Gas and electricity markets are complex and involve a range of factors and variables that any potential scheme organiser will need to consider including the potential legal implications.

Housing & Neighbourhood Services has looked at implementing a collective switching scheme previously but it was dismissed due to a lack of resources. Rotherham MBC, Corporate Environment Team looked at the feasibility of implementing a Rotherham collective switching scheme in February 2014 focussing on Council schemes:

- Barnsley – signed up to the YORswitch scheme (<http://yorswitch.com/>) through the ALMO Berneslai Homes and market the scheme on their website.
- Sheffield Council are winding down their scheme, uptake was poor to moderate.
- Doncaster Council recently set up a partnership with ichoosr to implement a collective switching scheme. A full time officer has been appointed to manage the scheme. When contacted they had ~12,000 interested householders.
- Lancashire (<http://www.peoplepower.co.uk/>) Currently 13,379 participants have registered to the web based scheme but limited information available.
- Kirklees Council partnered with a non profit community organisation, Community Energy (<http://www.communityenergy.info/>) for a 1 off collective switching scheme (7,000 registered; 3,500 received a better offer; 613 switched). They now promote 'Helping Consumers With Energy Bills: Beyond Collective Switching' focussing on reducing energy consumption and providing an energy tariff comparison web resource.
- York City also signed up with Community Energy.

- Hull Council; East Riding Council and Peterborough Council also assessed with limited information available

Nearly all schemes (all the ones looked at) are administered by ichooser (<http://www.ichoosr.com/en/>). A number of questions were raised through their online contact page and as yet no reply.

Some organisations previously arranging collective switching have resorted to tariff switching with no date to continue with collective switching due to market changes and OFGEM tightening up on accreditation schemes.

YORswitch is a brand used by East Riding and Barnsley – ichooser are the company that run the scheme. When speaking to them they did believe that Rotherham was a partner. Councils can be involved at various levels so Rotherham MBC could support the intranet based registration scheme (open nationally), do no marketing at all and have very little to do. This would not allow anybody without IT access to be involved so could be a problem by ignoring those that are the most vulnerable such as the elderly.

LGA has developed a framework contract (with ichooser) for Collective Energy Switching Schemes to assist Local Authorities and other public sector organisations in implementing schemes within their communities. The framework is still active.

The scheme wasn't adopted at this time due a lack of resources and concerns that collective switching didn't always benefit householders.

## **8. Finance**

There is no known external funding that can be applied for to implement a scheme.

In order to facilitate and manage a collective energy scheme 1 FTE would be required to plan; tender and procure; organise and co-ordinate the collective switching process; become a point of contact for registered/interested residents; arrange marketing and monitor / report achievements.

No revenue budget has been identified to cover the costs of such a post and therefore if appointment was made it would result in an overspend.

## **9. Risks and Uncertainties**

Collective switching contracts are usually for 1 year and consumers must be ready to switch again the following year or potentially face a higher tariff than they had originally.

Consumers could be given a tariff that does not benefit them financially and due to the complexities of energy pricing not realise the negative effect. A RMBC colleague signed up to the Doncaster scheme and was offered a tariff that was detrimental financially. He works in the energy market so was able to calculate the mistake and go back to the scheme and explain it was more expensive. They then offered a better tariff; the wrong initial tariff had been used in the calculation.

The Warm Home Discount provides rebates on electricity bills if on 12 July 2014 all of the following apply:

- your supplier was part of the scheme
- your name (or your partner's) was on the bill

- you were getting the Guarantee Credit element of Pension Credit (even if you get Savings Credit as well)

For the winter period each year this amount has been set at £140 and will take the form of a one-off discount on the electricity bill. Some suppliers also offer the discount to a 'broader group' of customers who are vulnerable to falling into fuel poverty, such as low income households. In these cases, each supplier has its own eligibility criteria and a limit on how many discounts it will pay out. Some providers require re-application for the Warm Home Discount after switching. This could result in some consumers losing the discount after switching and potentially be worse off.

Before switching, a check is needed to see whether switching will incur a fee for cancelling the current energy deal. Exit fees are common with fixed rate tariffs if switching early.

Switching energy supplier for individual households is being made simpler and quicker and energy bills will be clearer following new rules and actions taken by DECC and OFGEM.

## **10. Policy and Performance Agenda Implications**

Collective switching does support the Corporate Plan 2013 – 2016 Priority 2: Protecting our most vulnerable people and families, enabling them to maximise their independence.

## **11. Background Papers and Consultation**

<https://www.gov.uk/collective-switching-and-purchasing>

<https://www.ofgem.gov.uk/ofgem-publications/38442/collective-switching-open-letter.pdf>

### **Contact Name:**

David Rhodes, Corporate Environmental Manager, [david.rhodes@rotherham.gov.uk](mailto:david.rhodes@rotherham.gov.uk)

Paul Maplethorpe, Affordable Warmth & Sustainable Energy Coordinator, [paul.maplethorpe@rotherham.gov.uk](mailto:paul.maplethorpe@rotherham.gov.uk)