

## Summary Sheet

### **Name of Committee and Date of Committee Meeting**

Cabinet and Commissioner's Decision Making Meeting – 9 July 2018

### **Report Title**

Community Energy Switching Scheme

### **Is this a Key Decision and has it been included on the Forward Plan?**

No

### **Director Approving Submission of the Report**

Damien Wilson, Strategic Director of Regeneration and Environment

### **Report author(s):**

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### **Wards Affected**

All

## Executive Summary

The purpose of this report is to seek approval to assess the feasibility of developing a community energy switching scheme in Rotherham to reduce the number of people in Rotherham paying high tariffs for gas and electricity.

## Recommendations

1. That a detailed feasibility study be undertaken in order to assess the viability of developing a Community Energy Switching Scheme.
2. That a detailed feasibility report be brought back to Cabinet for consideration.

## List of Appendices Included

Appendix A Development and operating arrangements of Doncaster Council and Robin Hood Energy Community Energy Switching Scheme.

Appendix B Details of Typical Commission Received; Anticipated Revenue and Projected Costs.

## Background Papers

None

**Consideration by any other Council Committee, Scrutiny or Advisory Panel**  
Overview and Scrutiny Management Board – 4 July 2018

**Council Approval Required**

No

**Exempt from the Press and Public**

*An exemption in respect of Appendix B is requested under paragraph 3 (Information relating to the financial or business affairs of any particular person (including the authority holding that information)) of Part I of Schedule 12A of the Local Government Act 1972, as this Appendix contains sensitive commercial information. It is considered that the public interest in maintaining the exemption would outweigh the public interest in disclosing the information, as the Councils commercial interests could be prejudiced by disclosure of this commercial information.*

## **Community Energy Switching Scheme**

### **1. Recommendations**

- 1.1. That a detailed feasibility study be undertaken in order to assess the viability of developing a Community Energy Switching Scheme.
- 1.2 That a detailed feasibility report be brought back to Cabinet for consideration.

### **2 Background**

- 2.1 Previous domestic Council energy programmes across the country have focussed on helping people to insulate their homes, install modern controllable heating and renewable or efficient energy systems to help reduce energy costs.
- 2.2 Ofgem has reported that around 57% of non-prepayment meter consumers remain on poor value standard variable rates, which can be as much as £300 a year more expensive than the cheapest deals on the market. However, more than one in five households across the UK now get their energy from small/medium-sized suppliers, leaving the largest six suppliers with a record-low market share. During 2017, 5.1 million electricity consumers and 4.1 million gas consumers switched supplier, which was the highest number for almost a decade. Many of the customers switched for the first time.
- 2.3 A community energy switching scheme aims to reduce the cost of living for people by getting a fair price on gas and electricity. A number of Local Authorities in the UK have developed community energy switching schemes in partnership with private companies or Council owned licenced energy suppliers. The operation, management, resource requirements and potential revenue of the different schemes vary across the country.
- 2.4 An initial exercise was carried out to assess the development and operating arrangements of different schemes. Meetings were arranged with two different types of scheme / organisations to assess the development, operating and management requirements of the schemes. Details of the two schemes assessed are attached at Appendix A and summarised as follows:
  - Doncaster Council and Robin Hood Energy – a ‘white label’ partnership scheme. A white label provider is an organisation (Doncaster Council) that does not hold a supply licence and instead partners with a licenced supplier (Robin Hood Energy) to offer gas and electricity using its own brand.
  - ichoosr – A private company that signs up participants for quarterly energy auctions, resulting in the offer of energy tariffs.
- 2.5 Other private and public community energy switching schemes are operating in the UK including Leeds Council with ‘White Rose Energy’ (also with Robin Hood Energy); Cornwall Council with ‘Community Energy Switch’; Bristol Council with ‘Bristol Energy Ltd’ and OVO Energy (private company) who

operate a number of schemes in partnership with Local Authorities to name a few.

### **3 Key Issues**

- 3.1 There are numerous organisations operating community energy switching schemes, many with different methods of operation and management. If the Council is to proceed towards developing a community energy switching scheme it is recommended that a detailed feasibility study is carried out. It is important to note that the Council itself is unlikely to derive any financial benefit from such a scheme, the beneficiaries would be residents.
- 3.2 The Council should market and communicate the scheme to residents and offer fair, simple and clear prices and good customer service. The Council should also receive a commission from the partner organisation selected. The revenue received would be used to support the additional resources required to develop, market and support the scheme in Rotherham.
- 3.3 Details of a typical commission offered by Doncaster Council and Robin Hood Energy are included in the exempt Appendix B as an example. An initial budget would be required to set up the scheme as well as for marketing, support and operation. Resource requirements include:
- Community Energy Officer. Responsible for developing, operating, marketing, communication and supporting residents joining the scheme. It is envisaged that one Officer will be required for year 1 and an additional Officer will be required in years 2 and 3 once the scheme expands.
  - Marketing and communication. Promoting the scheme through different media, arranging public marketing events and communicating to all stakeholders.
- 3.4 Revenue and cost projections detailed at Appendix B illustrate that any up-front costs would be repaid through the money received from the partner organisation for each meter signed up for a year. However, this is dependent upon the speed of take-up by residents, so there may be a period when revenue funding is required to support the project. It is anticipated that void Council properties would need to be included in the scheme to make it financially viable.

### **4 Options Considered and the Recommended Proposal**

- 4.1 **Option 1** – Do not develop a community energy switching scheme and let residents manage their own tariff changes through comparison websites such as uswitch, comparethemarket.com or moneysupermarket.com. This option would not require any additional staffing resources.
- 4.2 **Option 2** - Carry out an information campaign for residents to inform them of the potential savings with details on comparison sites, the big 6 energy companies and alternatives. This option could also run specified days at Riverside House (and other Council sites e.g. libraries) to assist residents

wishing to switch but lacking the confidence, IT knowledge or equipment. This would be a short term support programme.

This option would require a marketing budget and use of staff time though could be seen to be endorsing energy companies on the comparison websites without knowing a great deal about them. This could result in residents asking for further support and blaming the Council for any failures of energy companies. The Council would need to be careful that residents in receipt of warm home discount do not lose out by switching.

4.3 **Option 3** – Carry out a detailed feasibility study to assess the viability of developing a Community Energy Switching Scheme and obtain further information about a potential scheme for Rotherham. Option 3 would require staffing time to develop the feasibility and provide a report on future options and next steps. This option would assist residents but there would be no financial benefit to the Council.

4.4 It is therefore recommended that option 3 is progressed as the outcome of the feasibility study and subsequent development of a Community Energy Switching Scheme could reduce the number of people in Rotherham paying high tariffs for gas and electricity.

## 5. Consultation

5.1 Consultation has been carried out with Housing & Neighbourhood Services. A concern was raised about including void Council properties and the benefits of a future scheme compared to current arrangements. The concerns raised by the voids team will be used to develop the criteria for any future scheme including:

- The licenced provider will require a dedicated voids team.
- Debts left by leaving tenants will be cleared by the licenced provider and payment pursued from previous occupants not the Council.
- A commission will be required for each meter.
- Emergency credit is required on each meter and standing charges waived for a set period.

## 6. Timetable and Accountability for Implementing this Decision

6.1 If approval is given to the recommendation as presented, this will be actioned immediately and a community energy switching scheme feasibility study will be carried out to assess the viability of developing a scheme and partnership. The feasibility study can be carried out in-house by Officers and is expected to take two months to complete. It is therefore proposed to bring a further report to Cabinet in late 2018 on the detail of the feasibility study and next steps.

## 7. Financial and Procurement Implications

7.1 There are no financial implications arising from this report, which only seeks approval to undertake the feasibility study, which will be completed in house, using existing staff resources.

## **8. Legal Implications**

- 8.1 OFGEM introduced the Retail Market Review (RMR) reforms late in 2010 to make the retail energy market simpler, clearer and fairer for consumers. The domestic RMR recognised that white label partnerships have the potential to deliver greater consumer choice and competition. White label partnerships must comply with the RMR rules.
- 8.2 Charging for services is only permitted on a pure cost recovery basis, i.e. a surplus that equates to 'profit' cannot be generated without the formation of a trading company.
- 8.3 Other white label arrangements being made by Local Authorities have a minimum 3 – 5 year contract. There are break clauses included in these contracts should one or both partners want to end the project. It is anticipated the Council would make similar arrangements.
- 8.4 The Council would enter into a partnership arrangement with a provider following an EU compliant tender in accordance with Utilities Contract Regulations 2016. The partner supplier will be responsible for the supply of gas and electricity to the customers of the white label partnership and the partner provider will be obligated to comply with the supply license conditions.

## **9. Human Resources Implications**

- 9.1 Additional resources may be required to develop, operate and support the scheme as detailed in Exempt Appendix B, these will be explored more fully as part of the feasibility study.

## **10. Implications for Children and Young People and Vulnerable Adults**

- 10.1 If implemented a Community Energy Switching Scheme could assist in reducing fuel poverty.

## **11. Equalities and Human Rights Implications**

- 11.1 If implemented the energy supply offer will be made available to all households in Rotherham.

## **12. Implications for Partners and Other Directorate**

- 12.1 The implications for Housing Services have been included in the report.

## **13. Risks and Mitigation**

- 13.1 The Council or energy provider cannot guarantee that a given tariff will always be the cheapest. The energy supply market is volatile and the cheapest market price can be superseded the next day by another provider.

- 13.2 The highest risk for the Council would be reputational. Consumer complaints about billing and the Council may receive the criticism for any price increases set by the partner energy company. Customer service and customer retention performance would have to be regularly monitored.
- 13.3 There is a financial risk to the Council if the number of residents that sign up to the scheme is insufficient to cover the marketing and administration costs. The Council would need to consider pulling out of the scheme in order to mitigate on going losses if this was the case.

**14. Accountable Officer(s)**

Paul Smith, Head of Asset Management

Approvals obtained on behalf of:-

	<b>Named Officer</b>	<b>Date</b>
Strategic Director of Finance & Customer Services	Judith Badger	19.06.2018
Assistant Director of Legal Services	Stuart Fletcher	19.06.2018
Head of Procurement (if appropriate)		
Head of Human Resources (if appropriate)		

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<http://moderngov.rotherham.gov.uk/ieDocHome.aspx?Categories=>

# APPENDIX A

## Ichooser

1. ichoosr is a private company that organises quarterly energy auctions with licenced suppliers. The aim is to secure reduced tariffs through group purchasing schemes. Participants sign up for energy auctions following a set process:
  - 1.1 Residents sign up for the scheme free of charge.
  - 1.2 Participants are included in the next quarterly auction.
  - 1.3 A personal offer (tariff) is offered to participants post auction.
  - 1.4 Participants accept or decline the offer/tariff. If accepted 'ichoosr' deals with the switching process
2. The process can take up to 12 weeks to switch following a set process. Partner organisations (e.g. Local Authorities) marketing the scheme in their area receive a small commission for each resident that signs up to the scheme and adopts a new tariff.

## Doncaster Council.

The Doncaster Council scheme development and arrangements are:

1. Doncaster Council has established a 'white label' partnership agreement with Robin Hood Energy and set up their own community energy switching brand and website (<https://www.greatnorthernenergy.co.uk/>). The scheme offers domestic energy tariffs under a 'white label' arrangement with Robin Hood Energy. A white label provider is an organisation (The Council) that does not hold a supply licence and instead partners with a licenced supplier (Robin Hood Energy) to offer gas and electricity using its own brand (Great North Energy).
2. A number of schemes were assessed by Doncaster Council prior to the partnership agreement with Robin Hood Energy including a potential partnership with White Rose Energy (Leeds Council). Doncaster Council previously worked with 'ichoosr' to develop a community switching scheme but found the lengthy switching process (up to 12 weeks) too long, and only had a 25% take up rate on expressions of interest because of this time delay. Other Local Authorities are considering a partnership agreement with Doncaster Council using the Great North Energy label.
3. The majority of the customer facing activity and marketing is undertaken by existing staff (Doncaster has 3 x Neighbourhood Energy Officers who are externally funded and St Leger Homes Tenant Liaison Officers).
4. Doncaster Council is looking at expanding the scheme to include commercial energy for SME's.



## Robin Hood Energy

The Robin Hood Energy scheme arrangements are:

1. Robin Hood Energy are a national not for profit organisation currently employing 160 - 180 staff dealing with customer services; billing; back office functions; wholesale buying; regulatory compliance and metering services associated with energy provision. Robin Hood Energy is owned by Nottingham City Council.
2. Robin Hood Energy continue their relationship with customers and those that are on an 18 month fixed tariff are moved to the cheapest available peak tariff once the contract term expires. This arrangement is not available to customers on the 12 month tariff at the moment.
3. Online account management is available such as a customer helpline with wait times at 2 minutes maximum and within 1 minute for 70% of customers. Return calls are made within 48 hours.
4. Payment arrangements are monthly, quarterly or pre-paid. Pre-paid customers are monitored and offered direct debit when stable.
5. When Robin Hood Energy were asked about recent reports of price increases and financial stability the response was:
  - 5.1 The standard variable tariff hadn't changed for 18 months and increased after the big 6 raised their tariff.
  - 5.2 Company debt report for 2016/17 showed a deficit as expected.
  - 5.3 Now at critical mass of customers to break even (over 100,000) and expected to break even for 2017/18.

The Head of Energy Projects, Commercial, Infrastructure and Energy at Nottingham City Council confirmed the information given by Robin Hood Energy and Doncaster Council. Derby Council has also arranged a white label partnership with Robin Hood Energy and set up their own Community Energy Switching brand and website (<https://www.ramenergy.co.uk/>).