

**Committee Name and Date of Committee Meeting**

Cabinet – 20 July 2020

**Report Title**

Community Energy Switching Scheme

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

No, but it has been included on the Forward Plan

**Strategic Director Approving Submission of the Report**

Paul Woodcock, Strategic Director of Regeneration and Environment

**Report Author(s)**

David Rhodes, Environment, Energy and Data Manager  
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**Ward(s) Affected**

Borough-Wide

**Report Summary**

Following an Official Journal of the European Union (OJEU) procurement process to identify a potential partner to develop a Community Energy Switching Scheme, Cabinet approved the contract award to Robin Hood Energy (RHE) 16<sup>th</sup> September 2019. Since RHE was awarded the contract a new management team has been enlisted and their business model reviewed and changed. As a result, RHE could not agree to the specification under the terms of the procurement process and so the contract could not be awarded.

The recent tender process has provided a valuable insight into market conditions, and this learning has been taken forward into a revised proposal to re-tender the community energy switching scheme contract and to run an internal switching scheme in parallel with the procurement process to support Rotherham residents and gain essential market data. This report therefore covers the proposed activity for 2020/21 which includes:

- a market engagement and tender process for a new community energy switching scheme;
- an internally delivered switching scheme to run during the tender process; and,

- a Smart Meter project funded by National Energy Association (NEA) which will help to support the switching scheme

### **Recommendations**

1. That it be noted that the previous decision to award the community energy switching scheme to Robin Hood Energy has not been able to be progressed.
2. That approval be given to the re-tendering of the community energy switching scheme contract.
3. That approval be given to the development and implementation of an internal independent community energy scheme to run during the tender process.

### **List of Appendices Included**

Appendix 1 Equalities Initial Impact Assessment

### **Background Papers**

None

### **Consideration by any other Council Committee, Scrutiny or Advisory Panel**

None

### **Council Approval Required**

No

### **Exempt from the Press and Public**

No

## **Community Energy Switching Scheme**

### **1. Background**

- 1.1 At its meeting on 17th December 2018 Cabinet approved the OJEU procurement process to identify a potential partner to develop a community energy switching scheme.

The community energy switching scheme would be open to all Rotherham residents and the aim of the scheme is to reduce the number of households paying high tariffs for gas and electricity, and consequently to reduce fuel poverty. Although the scheme would be open to all residents, it should be particularly beneficial in assisting vulnerable tenants to change to a cheaper tariff. Residents could save up to £300 per year in an average 3-bedroom semi-detached house.

- 1.2 At its meeting on 16<sup>th</sup> September 2019 Cabinet approved the development of a community energy switching scheme in partnership with Robin Hood Energy. Since RHE was awarded the contract, a new management team has been enlisted and their business model reviewed and changed. As a result of their review, RHE could not agree to the specification and terms & conditions set out in the procurement process and so the contract could not be awarded.

### **2. Key Issues**

- 2.1 Changes to the contract and terms & conditions to comply with RHE requirements would necessitate a material change, which would not comply with procurement regulations and could result in a legal challenge from other organisations that considered submitting a bid.
- 2.2 However, the challenge of fuel poverty remains, and tendering a community energy switching scheme still represents a key opportunity to offer cheaper tariffs to a higher number of residents.
- 2.3 The recent tender process has provided a valuable insight into market conditions, and this learning has been taken forward into a revised proposal.

### **3. Options considered and recommended proposal**

- 3.1 There are two fundamental options that have been considered to take forward the community energy switching scheme:
- 3.2 **Option 1** – Amend the specification and terms & conditions following a market engagement process to attract bids and re-tender the community energy switching scheme contract.
- 3.3 **Option 2** – Develop and run an internal independent community energy scheme based on assisting residents to change tariffs through comparison website approved by OFGEM.

### 3.4 Recommended proposal and activity for 2020/21

3.4.1 The recommended proposal is to take forward both options, re-tendering a revised contract community energy switching scheme contract for the longer term, and in the shorter term running an internal switching scheme in parallel with the procurement process. This will enable further market testing to see whether a contract which is beneficial for residents is able to be procured and also develop in-house expertise to provide support to residents in the immediacy and which, if further market testing is not successful, could be considered for expansion.

#### 3.4.2 Market engagement and tender process

Re-tendering the contract will provide financial support, marketing support, market expertise and experience, and achieves the aim of securing cheaper utility tariffs for residents.

In preparation for the tender process, a market engagement is underway to ask potential bidders specific market question to ensure the specification is attractive to potential bidders and provides the necessary service to Rotherham residents. The engagement will run for one month and the information gathered will inform further development of the specification.

#### 3.4.3 Internally delivered switching scheme

An internal switching scheme is being developed to run alongside the procurement process. This shorter-term activity will provide immediate support to Rotherham residents and will gain essential market data, networks and reputation in order to inform and test the quality of the tender process.

- 3.4.4 - The scheme would be communicated and promoted through the council's communication channels including staff briefings; Council newsletters; void property information packs; social media and Council website.
- Support would be provided to help households understand their invoice; compare with potential offers and assist in direct switching.
  - Resources used would include comparison sites such as Money Supermarket, U-switch or other comparison tools recommended by Ofgem.
  - Customers would be informed that any contract is between the supplier and the household, not the Council. A record will be maintained on numbers switched, type of house etc. to provide essential market information for a future partnership scheme.
  - Events would be arranged to promote the scheme (subject to Covid-19 guidelines).

#### 3.4.5 Smart Meter Projects

The Council has also secured a National Energy Association (NEA) grant to fund a scheme that communicates the benefits of smart meters to residents aged 65 and over in Rotherham. The project will run 1<sup>st</sup> August to 1<sup>st</sup> December 2020. The data, networks, contacts and reputation from the scheme will also support any future community energy switching scheme.

#### **4. Consultation on proposal**

4.1 No additional consultations have been carried

#### **5. Timetable and Accountability for Implementing this Decision**

5.1 If approval is given to the recommendation as presented above, this will be actioned immediately through:

1. Completion of market analysis in July 2020.
2. Final Amendment of T&Cs, Specification and final consultation with legal, procurement and Finance 31<sup>st</sup> July 2020.
3. Procurement process and contract award 1<sup>st</sup> August 2020 – February 2021.
4. Cabinet report for award approval February 2021.
5. Award of contract February 2021.
6. Initial inception meeting; contract / service development February 2021 – March 2021.
7. Contract commencement and scheme launch April 2021.

All dates are projected and circumstances may accelerate or delay the development of the scheme.

#### **6. Financial and Procurement Advice and Implications**

6.1 In the report presented to Cabinet in September 2019 it was explained that, based on the procurement exercise undertaken, the development of a community energy switching scheme was not financially self-supporting. The analysis at that time demonstrated that the proposal would result in a small financial deficit over a 3 year period (less than £5k, in year one and unlikely to exceed £16k in any one year) if the projected take-up figures were achieved. The deficit would increase if take up is lower and decrease if take up is higher than the projected figures. It was explained that if a small deficit did arise it would be contained within the overall Directorate budget.

6.2 The new proposal means that delivering the scheme will cost £81,000 over a three year period requiring a Community Energy Officer and a small marketing, communication and administration budget. Funding is available from NEA Smart Energy GB grant (£14k), supplier referral income and approved budget within Asset Management. In the intervening period since the original procurement exercise the funding conditions have become less favourable resulting in a potentially higher deficit, changing from £23k net to £39k net (with up to a £18k deficit in year one but unlikely to exceed £11k in any of the other two years). This plan is based on prudent assumptions. Expectations of further NEA style funding is high but any deficit funding will be contained within the overall Directorate budget

6.3 The Procurement Service will support the re-tendering process and the results of the market engagement activity currently underway will be incorporated into a full procurement business case to ensure a robust plan is in place for this project and that all risks have been assessed and routes to

market appraised to ensure the replacement contract will be successful and deliver against expectations. The replacement tender will also include a social value assessment against the Themes, Outcomes and Measures within the Social Value Policy.

- 6.4 All procurement activity will be carried out in accordance with UK Public Contract Regulations 2015 and the applicable EU public procurement law.

## **7. Legal Advice and Implications**

- 7.1 As with the previous exercise, any re-procurement should be conducted as a concession opportunity. If the value to the successful operator is over £5m, then the Council would need to comply with the Concession Contracts Regulations 2016. If the value is below that threshold, those regulations would not apply. However, the procurement procedure would still need to meet normal public procurement requirements of transparency, equal treatment etc. As with the previous procurement exercise, Legal Services should be instructed to prepare a suitable contract for this procurement exercise.

- 7.2 In relation to the temporary internally delivered switching scheme, the Council would have the power to operate this scheme non-commercially under its charging powers under the section 93 of the Local Government Act 2003.

## **8. Human Resources Advice and Implications**

- 8.1 The recruitment of a Community Energy Officer is complete and the revenue gained from the scheme helps to fund the post.

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

- 9.1 The scheme should benefit households to reduce the cost of energy and reduce fuel poverty.

## **10. Equalities and Human Rights Advice and Implications**

- 10.1 An initial Equalities Impact Assessment has been carried out and will be updated as more data, information and actions are obtained.

## **11. Implications for Ward Priorities**

- 11.1 The energy supply offer will be made available to all households in Rotherham.

## **12. Implications for Partners**

- 12.1 The implications for partners are positive with a service for residents and the reduction of fuel poverty.

12.2 The success of the scheme will require support from all relevant Council directorates to communicate and engage with hard to reach and vulnerable tenants, to identify and change to a cheaper tariff.

### 13. Risks and Mitigation

13.1. The Council or supplier cannot guarantee that a given tariff will always be the cheapest. Online comparison sites may (but not always) provide the best saving, however, a community energy switching scheme is aimed at residents that are unable or not confident enough to switch energy providers. The energy supply market is volatile and the cheapest market price can be superseded the next day by another provider.

13.2 There is a reputational risk for the Council if there are complaints about billing and the Council may receive criticism for any price increases set by the supplier. Customer service and customer retention performance would 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 staff, marketing and administration costs. The energy cap introduced by the Government/OFGEM will increase the risk and householders may believe the cap results in the best saving. Marketing and communication will address this.

13.4 This will be a concession contract, so the majority of the risk is with the supplier.

### 14. Accountable Officers

David Rhodes, Environment, Energy and Data Manager  
Jonathon Marriott, Head of Asset Management

Approvals obtained on behalf of Statutory Officers:-

	<b>Named Officer</b>	<b>Date</b>
Chief Executive	Sharon Kemp	29/06/20
Strategic Director of Finance & Customer Services (S.151 Officer)	Judith Badger	29/06/20
Head of Legal Services (Monitoring Officer)	Stuart Fletcher	29/06/20

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