

Committee Name and Date of Committee Meeting

Improving Places Select Commission – 20 October 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)

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Ward(s) Affected

Borough-Wide

Report Summary

Cabinet approved an Official Journal of the European Union (OJEU) procurement process to identify a potential partner to develop a Community Energy Switching scheme on 20th July 2020. The scheme aims to support Rotherham residents to change to cheaper energy tariffs. The tender was launched on 4th September 2020 and bids must be submitted by 9th October 2020. A report will be submitted to Cabinet in January 2021 to obtain award approval following the tender evaluation and moderation process.

Recommendations

1. That Improving Places Select Commission note the progress of the procurement process and development of the Community Energy Switching Scheme.

Background Papers

Cabinet Minutes 17/12/18; Cabinet Minutes 16/09/19; Cabinet Minutes 20/07/20

Consideration by any other Council Committee, Scrutiny or Advisory Panel

Cabinet – 17 December 2018

Cabinet – 16 September 2019

Cabinet – 20 July 2020

Overview and Scrutiny Management Board – 11 September 2019

Council Approval Required

No

Exempt from the Press and Public

No

Community Energy Switching Scheme

1. Background

- 1.1 A 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. Cabinet previously approved:
- 17th December 2018 – OJEU procurement process to identify a potential partner to develop a community energy switching scheme.
 - 16th September 2019 – the development of a community energy switching scheme in partnership with Robin Hood Energy (RHE).
 - 20th July 2020 – Cabinet approved a new OJEU procurement process to identify a potential partner to develop a Community Energy Switching Scheme.
- 1.2 Since RHE was awarded the contract in September 2019, 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 was not awarded.
- 1.3 However, the tender process provided a valuable insight into market conditions, including discussions with Robin Hood Energy, as well as an analysis of feedback from other potential bidders that decided not to submit a bid for the contract.
- 1.4 This resulted in the specifications and terms & conditions being amended and Cabinet approval for the contract to be re-tendered on 20th July 2020.

2. Key Issues

- 2.1 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.
- 2.2 Following the previous tender exercise, RHE were not awarded the contract as they could not agree to the specification and terms & conditions set out in the procurement process.
- 2.3 Any changes to the terms & conditions would have been a material change that would not comply with procurement regulations, and so a new tender exercise was required to identify a scheme partner.

2.4 The tender was launched on 4th September 2020 with a closing date for bids to be submitted by 9th October 2020. A report will be submitted to Cabinet in January 2021 to obtain award approval following the tender evaluation and moderation process.

2.5 Key elements of the new contract specification now include:

- a. Removal of void Council properties due to the difficulties this caused potential partners.
- b. Removal of the requirement of the tariff to be in the top 20 available tariffs on the market. This requirement was deemed unworkable in the volatile energy market.
- c. Inclusion of quality KPIs based on OFGEM compliant reporting requirements for licensed suppliers as detailed below;

Performance Indicator	Reporting Period
Number of customers (meters) switched	Monthly
Number of pre-payment meters	Quarterly
Renewal rates and product breakdown	Quarterly
% below Prepayment Meter Price Cap	Quarterly
d. Complaints received including a % breakdown with: <ul style="list-style-type: none"> • Billing • Customer Services • Payment Issues • Customer Establishment • Metering 	Quarterly
Complaints resolved within: <ul style="list-style-type: none"> • Same day / next day • Within 4 weeks • Within 8 weeks 	Quarterly
Number of smart meters installed	Quarterly
% of invoices that are billed to actual readings	Quarterly
Number of AMR meters / Percentage of Rotherham portfolio	Quarterly
% of invoices billed to schedule	Quarterly

inclusion of a 'rate rollover promise' which renews customers onto the cheapest comparable tariff at the end of their contract term (rather than rolling them onto an expensive standard variable tariff). This will be reviewed following responses from the market analysis.

- e. The requirement to provide a 'green tariff' from renewable energy.

3. Options considered and recommended proposal

- 3.1 At the Cabinet meeting on 20th July 2020, two options were considered to take forward the community energy switching scheme:
- 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.
 - Option 2 – Develop and run an internal independent community energy scheme based on assisting residents to change tariffs through comparison websites approved by OFGEM.
- 3.2 The recommended proposal was 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.
- 3.3 Since the recommended proposals were presented to Cabinet on the 20th July 2020, the primary focus has been on the re-tendering exercise, as this has the potential to impact positively on a greater number of residents.
- 3.4 In the meantime, the team has also commenced internally-led activities, starting with the delivery of outcomes for the National Energy Association (NEA) grant for the Smart Meter Scheme. This scheme communicates the benefits of smart meters to residents aged 65 and over in Rotherham, which runs until the 1st December 2020. The data, networks, contacts and reputation from the scheme will support any future community energy switching scheme.
- 3.5 Work will continue to expand the above activities to encourage and assist residents to change tariffs through approved comparison websites, until a partner has been secured to deliver a Community Energy Switching Scheme, while recognising the challenges of the ongoing pandemic which limits the range of marketing opportunities that are currently available.

4. Consultation on proposal

- 4.1 No additional consultations have been carried.

5. Timetable and Accountability for Implementing this Decision

- 5.1 The timeframe for the procurement process and development of the scheme, including the launch date is:

Tender issued	04/09/2020
Deadline for receipt of tender queries	25/09/2020
Deadline to respond to tender queries	02/10/2020

Tender return date	09/10/2020
Tender Evaluation	14/10/20
Tender Moderation	21/10/20
Governance/ Approvals procedure – including submission to RMBC Cabinet scheduled for 25/01/2021	10/10/2020 – 25/01/2021
Notification of award	26/01/2021
Standstill period	27/01/2021 – 05/02/2021
Contract commencement	01/03/2021

5.2 The contract will be monitored and managed in accordance with the KPIs and management reports detailed in the specification.

6. Financial and Procurement Advice and Implications (to be written by the relevant Head of Finance and the Head of Procurement on behalf of s151 Officer)

6.1 The revenue implications for a community energy switching scheme were considered as part of the Report on the matter to Cabinet in September 2019. The scheme as designed proposed 2 community energy officers be appointed and part funded from the revenue returns obtained from the utility partner. Since the abandonment of the scheme with RHE the financial model has had to be amended and the budget has been reduced to fund 1 community energy officer together with a small marketing, communication and administration budget. The post has already been recruited to and is being funded from within the Service's approved revenue budget.

7. Legal Advice and Implications (to be written by Legal Officer on behalf of Assistant Director Legal Services)

7.1 The comments indicated in the Cabinet Report approved on 20/07/20 are re-iterated here. These were the following:

- 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.

In relation to the temporary internally delivered switching scheme:

- The Council would have the power to operate this scheme non-commercially (i.e. just with a view to covering its internal costs, with no profits) under its charging powers under the section 93 of the Local Government Act 2003.
- If the Council wished to operate this scheme for commercial purposes (undefined legally, but this is generally understood to be 'with a view to a profit') under section 95 of the Local Government Act 2003, the Council would be required to operate the scheme through a company. The Council would not have the power to operate the scheme commercially in its own name. That company's profits would be subject to Corporation Tax like any other similar company. Also, any support provided by the Council to the company (e.g. loans, use of staff etc.) would need to be provided on an arm's length basis to ensure there are no breaches of state aid law. The company could still receive non-arm's length aid from the Council up to €200,000 over a rolling 3-year period without breaching state aid rules.
- The Council or the company (as relevant, depending on which one operates the scheme as discussed above) would need to obtain necessary Ofgem licences.

8. Human Resources Advice and Implications

8.1 There are no HR implications arising from this report.

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 Partners

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

12. Risks and Mitigation

- 12.1 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.
- 12.2 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.

12.3 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.

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

13. Accountable Officer(s)

David Rhodes, Environment, Energy and Data Manager
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Approvals obtained on behalf of:-

	Named Officer	Date
Chief Executive		Click here to enter a date.
Strategic Director of Finance & Customer Services (S.151 Officer)	Richard Young	25/09/20
Assistant Director of Legal Services (Monitoring Officer)	Stuart Fletcher	01/10/20
Assistant Director of Human Resources (if appropriate)	John Crutchley	30/09/20
Head of Human Resources (if appropriate)		Click here to enter a date.

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