
COLLECTIVE ENERGY SWITCHING

**Responsible Cabinet Member - Councillor Chris McEwan,
Economy and Regeneration Portfolio**

**Responsible Director -
Ian Williams, Director of Economic Growth**

SUMMARY REPORT

Purpose of the Report

1. The purpose of the report is to seek Cabinet approval to enter into a contract with iChoosr through the Local Government Association (LGA) Framework Agreement, to deliver Collective Energy Switching up to 31 March 2017.

Summary

2. With a view to tackling rising energy costs and the impact on fuel poverty and economic growth, in September 2013 the Council entered into a contract with iChoosr, a Collective Energy Switching provider, to deliver 'Darlington's Big Community Switch' on a one year trial/pilot basis.
3. The outcome of trial/pilot was positive, with over 300 households switching suppliers and the average annual saving to switchers who could save through the scheme was £201 and a total saving for the Borough collectively of £60,546. For every £1 spent by the Council on the scheme, £3.25 was saved by residents of the Borough.
4. The trial period is now over and options have been considered in respect of how to continue Collective Energy Switching in the future, if at all. It is concluded that the most appropriate way forward is to continue to use iChooser (via an OJEU compliant LGA Framework), for the period up until 31st March 2017.
5. In order to facilitate this arrangement. it is proposed that the Council enter into a temporary arrangement with Darlington Citizens Advice Bureau (DCAB) up to the end of the current Strategic Grant funding period. This provides an opportunity to review and integrate Darlington's collective switching programme into a broader review of all contracted DCAB services post 31 March 2017.

Recommendation

6. It is recommended that Cabinet :-

- (a) Approve the continued delivery of a Collective Energy Switching Scheme for the Borough
- (b) Agree entry into a contract with iChoosr via the LGA Framework Agreement to deliver a Collective Energy Switching Scheme up to 31 March 2017.
- (c) Agree to the direct award of a contract with Darlington Citizens Advice Bureau to facilitate the offline registration element of the next round of the Scheme (24 November 2014 – 31 March 2015)
- (d) Agree that the facilitation of the offline/ paper registration element of the scheme be integrated into future advice arrangements from 1 April 2015 up to 31 March 2017 at the latest, subject to scheme performance and funding.
- (e) Agree that Scheme costs for the next Scheme round (24 November 14 –31 March15), be met through projected underspend on the Council's energy budget. .
- (f) Authorise the Borough Solicitor to complete all the necessary legal agreements and documentation

Reasons

7. The recommendations are supported by the following reasons :-

- (a) To enhance the social and economic well-being of the Borough.
- (b) To support actions arising from the Council's Housing Strategy, Further Report on the Home Energy and Conservation Act (March 2013) and Warm Up North programme looking to address fuel poverty in the Borough.
- (c) To mitigate against the health impacts of fuel poverty and improve thermal comfort.
- (d) To support delivery of the Darlington Partnership's One Darlington and Health and Wellbeing priorities
- (e) To support actions arising from the Economic Strategy – enabling businesses and Voluntary and Community Sector organisations to thrive through minimising operational costs

Ian Williams, Director of Economic Growth

Background Papers

Darlington Borough Council, 03/09/2014. *Cabinet: Collective Energy Switching*. Accessed 09/09/2014:

Elizabeth Goodchild: Extension 6316

S17 Crime and Disorder	The Collective Energy Switching Scheme has no impact on Crime and Disorder.
Health and Well Being	A Collective Energy Switching Scheme contributes to tackling fuel poverty and associated health and wellbeing impacts including psychological stress, worry, social isolation, respiratory and circulatory conditions.
Carbon Impact	There is no direct impact on the Council's Carbon Footprint
Diversity	Diversity issues have been considered, with registration being facilitated for offline and vulnerable residents
Wards Affected	All Wards, particularly those Lower Super Output Areas in the highest fuel poverty areas in the Borough (updated - DECC, 2012): Northgate – East and North (Denes) part Heighington & Coniscliffe- Rural Central North Road – South part Hurworth – Rockcliffe, mid Hurworth on Tees Pierremont – East (Hopetown) part Sadberge & Whessoe Park East – East/ North East part Bank Top – East part
Groups Affected	Those impacted by fuel poverty including: <ul style="list-style-type: none"> • Older people • People with disabilities • People suffering long term illness • Those in receipt of benefits • People with children under 5 • People with a household income below the poverty line • People for whom English is a 2nd language Tenants Local Residents SMEs/ VCS Organisations
Budget and Policy Framework	This report does not recommend changes to the budget and policy framework.

Key Decision	Yes
Urgent Decision	Yes – launch in December 2014 is required to take advantage of the winter auction which is taking place in February 2015
One Darlington: Perfectly Placed	This project meets the ‘One Darlington’ priority to tackle deprivation and support Voluntary and Community Sector Organisations to thrive. This also meets the ‘Perfectly Placed’ priority, helping businesses to grow by reducing operational costs. It also meets the ‘Health and Wellbeing’ priority to improve management of long-term conditions
Efficiency	No direct efficiencies though will tackle poverty and economic decline and support ability to pay rent, Council tax and Non Domestic Rates through reduction of energy costs.

MAIN REPORT

Background

8. With a view to tackling rising energy costs and the impact on fuel poverty and economic growth, which will contribute towards the One Darlington: Perfectly Placed agenda, in September 2013 the Council entered into a contract with iChoosr, a Collective Energy Switching provider, to deliver ‘Darlington’s Big Community Switch’ on a one year trial/pilot basis.
9. Collective Energy Switching allows residents to group together to bulk buy energy, using market power to negotiate lower energy bills. This involves engaging in a ‘reverse auction’ for the best supply cost of energy. This will not necessarily be the cheapest energy supply cost for all but the collective approach leaves a specialist third party provider to deal with the switching, legal and administrative complexities and, for those who have never or rarely switched there are still likely to be worthwhile savings. Switching options for SMEs (Small and Medium-sized Enterprises) and Voluntary and Community Sector (VCS) organisations are also available.

Review of the Trial

10. The Darlington Big Community Switch was available to all households and groups within Darlington, as well as the Voluntary and Community Sector and Small and Medium Sized Enterprises.
11. A total of 1530 households registered and 313 switched through Darlington’s Big Community Switch, which is within expected registration and switch rates per annum. iChooser ranked Darlington as one of top performing regions (seventeenth among 160 participating ‘regions’).

12. The Darlington registration to switch conversion rate (~20%) was also consistently higher than the expected iChoosr switching rate of 10%, and over the national average iChoosr switching rate for these rounds (18%).
13. The average annual saving to switchers who could save through the scheme was £201 with total annual savings to switchers who could save of over £60,546. Approximately 71% of those households who registered and 71% of those who switched through the scheme stated that they had not switched before. This is a higher than the national average (Ofgem/ IPSO MORI, 2013) and suggests that the scheme has had a significant positive impact upon switching behaviour.
14. The Council supplemented the online scheme with a service to enable offline/paper registration and support. Following an assessment of the routes to deliver this, Darlington Citizens Advice Bureau (DCAB) were appointed to meet this need, as well as attending events and providing community outreach to promote the scheme. A higher proportion of registrants than anticipated by iChooser applied via the offline/paper route, and typically these registrants had never switched provider previously.
15. It is considered that Darlington Citizens Advice Bureau provided added value to the scheme, as it was able to provide additional support and information to those who contacted them. Darlington Citizens Advice Bureau has also advised that Darlington's Big Community Switch has provided added value to the work of the Bureau.
16. Darlington's Big Community Switch primarily aimed to support households in fuel poverty, however switching options were also made available for SMEs and Voluntary and Community Sector organisations, free to registrants and at no additional cost to the Council. The take up from the VCS and SME sectors was low, although this pattern was replicated in neighbouring authorities.
17. The costs associated with delivering and administering the Darlington's Big Energy Switch was in the region of £18,500.
18. The savings realised by those switching suppliers was over £60,500. This means that for every £1 spent by the Council on the scheme, approximately £3.25 was saved by the residents of the Borough.
19. The scheme also had knock-on benefits to the local economy including the employment of one FTE member of staff (by DCAB) and savings to switchers which could be spent on rent, Council Tax or with local businesses.
20. It is considered that the trial with iChooser has delivered positive outcomes for the Borough, as well as directly helping many households currently experiencing fuel poverty.

Proposed Way Forward

21. Given the positive outcome of the trial scheme and the Boroughwide savings realised, it is proposed that the Council continue to offer Collective Switching through iChooser. It is recommended that this is delivered via the Local

Government Association framework agreement, who has procured iChooser as the Collective Energy Switching provider for Local Authorities.

22. Subject to the completion of the relevant legal agreements, the Council would be able to join the scheme to enable Darlington to participate in a further round before the end of this year, as well as participating in two to three rounds per year thereafter.
23. This arrangement can be in place until 15 December 2015 (with the option to extend to 15 December 2017 inclusive), although the Council would be able to withdraw if it wished.
24. The framework agreement allows for sub-contraction of the offline/paper registration element to a third party, subject to iChoosr agreement, which has been provided verbally. Given the previous experience, it is proposed that Darlington Citizens Advice Bureau (DCAB) be procured to provide this service for the first year of the Scheme.
25. From 1 April 2015, it is recommended that the Collective Energy Switching offline/paper support is integrated into future advice arrangements from 1 April 2015 up to 31 March 2017 at the latest, subject to performance and funding.
26. Taking these urgent decisions would allow us to deliver a Scheme for this winter and therefore support those affected by fuel poverty over the next few months.

Other Options Considered

27. *Do Nothing* – Taking this approach would be nil cost and nil effort for the Council but would mean that energy costs would remain high for tenants, residents, businesses and Voluntary and Community Sector organisations. One less action would be taken to tackle fuel poverty. This would also be inconsistent with action taken by neighbouring Local Authorities.
28. *Price Comparison Support* – Individuals could be provided with personalised support to check price comparison websites. However this is individual switching not collective switching and, whilst individual switching should be encouraged, collective switching provides an alternative “hassle free” switching service with the added benefit of collective consumer power reducing energy costs.
29. *NE Consortium* - Consideration has been given to join a NE Consortium of RSLs and Local Authorities in relation to energy supply. This is a progression of the initial Tees Valley Cheaper Energy for Tenants scheme with extended participation but is not as inclusive as the preferred approach.
30. *iChoosr – Join Peterborough/ Northumberland Council’s ‘Ready to Switch’ Procurement Framework* – The Council could join this procurement framework, however we would need to pay a fixed fee to join and contribute to legal and procurement costs for each switching event. This would also not be Darlington Borough Council branded.

31. *iChoosr – Memorandum of Understanding with East Riding of Yorkshire Council* – The Council could sign a MOU with East Riding of Yorkshire Council to join their contract with iChoosr at no cost from this winter onwards. However, we would be tied into a 1.5 year contract, which would not provide us with the flexibility to withdraw at any point, as provided by the LGA framework.
32. *Investigate Alternative Switching Options including Direct Procurement* – Taking this option would mean we would not be able to deliver a service this coming winter. The services provided, costs and risks are currently unknown. This is something which can be investigated further in the future if desired but cannot be delivered in time to offer a switching round this winter.

Financial Implications

33. Taking the iChoosr route carries no direct costs to the Council, as there is no payment for the iChoosr service, their cost being covered by a fee to the winning energy supplier.
34. There are however, indirect costs associated with the Scheme going forward, particularly for communication with offline residents. Based upon the trial period and having a clearer understanding of what is involved, these are estimated at being in the regions of £9,000 for the first round. It is recommended that, for the first round of the Scheme (24 November 14 – 31 March 2015), these costs are met through support from projected underspend from the Council's energy budget.
35. From 1 April 2015, the offline/ paper registration element costs would be integrated into future advice arrangements to ensure there is a single monitoring process, the costs of which are yet to be established. However, were the Council to run the Scheme until 31 March 2017, the costs of the Scheme excluding the offline/paper registration element for three rounds per annum would be in the region of £1,500 to £2,000 per round. Further funding for the Scheme beyond 31 March 2015 would need to be identified and agreed, subject to Scheme performance as well as budget availability, on an annual, financial year basis.
36. There may be a contribution from iChoosr to offset some of the costs of the Scheme incurred above, however we are unable to quantify this at this time and this is unlikely to go near to covering the costs of the Scheme. Were the LGA framework agreement used, the Council may also need to give LGA 25% of the iChoosr contribution. (There is an assumption that any income generated from this Scheme will offset the costs of the Scheme).

Legal Implications

37. The Council would enter a contract with iChoosr via a LGA Framework Agreement, to provide a Collective Energy Switching service.
38. With the consent of iChoosr, the Council would subcontract the offline/paper registration element of the Scheme.

39. The Council would enter into a direct award with Darlington Citizens Advice Bureau for the next round (24 November 2014 – 31 March 2015) to deliver the offline/paper registration element of the Scheme.
40. From 1 April 2015 – 31 March 2017 at the latest, the offline/paper registration element of the scheme would be integrated into future advice arrangements subject to performance and funding.
41. Certain contract clauses in the agreement with iChoosr, would still continue to apply beyond scheme end, which would need to be considered in future were the Council to enter into an alternative agreement.

Equalities Considerations

42. The Scheme has further potential to positively impact those affected by Fuel Poverty in the Borough including:
 - Older people
 - People with disabilities
 - People suffering long term illness
 - Those in receipt of benefits
 - People with children under 5
 - People with a household income below the poverty line
 - People for whom English is a 2nd language
43. These groups will be further signposted to access the scheme by Darlington Citizens Advice Bureau / our partners.

Outcome of Consultation

44. No public consultation was carried out in the preparation of this report. Partner discussions have taken place with the Darlington Citizens Advice Bureau, iChoosr, NEPO and the LGA.

Conclusion

45. Further provision of a Collective Energy Switching Scheme will support tenants and residents to minimise their energy costs and reduce the impact of fuel poverty on health and wellbeing. It will also support SMEs and Voluntary and Community Sector Organisations to thrive and grow through reduction of their operational costs.
46. Although a separate project, the Collective Energy Switching Scheme addresses the rising energy cost element of fuel poverty, and as such complements existing work being undertaken to address the energy efficiency element of fuel poverty through the Warm Up North Programme.
47. It is important that the Council moves forward quickly with this project to ensure that tenants and residents affected by Fuel Poverty continue to have the opportunity to benefit from cheaper energy bills this winter onwards.