
COLLECTIVE ENERGY SWITCHING

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

Responsible Director – Richard Alty, Director of Place

SUMMARY REPORT

Purpose of the Report

1. The purpose of the report is to seek Cabinet approval to enter into a direct contract with iChoosr to deliver a Collective Energy Switching Scheme on a one-year trial/ pilot basis with a view to undertaking a review to explore longer-term options.

Summary

2. Rising energy costs are increasing fuel poverty and affecting economic growth.
3. Switching energy suppliers can save money however this is complex with multiple suppliers and tariffs to choose from. Most people stick to their supplier rather than switching to a cheaper supplier. Collective Energy Switching allows residents to group together to bulk buy energy at a lower cost. Switching options for SMEs (Small and Medium-sized Enterprises) and Voluntary and Community Sector (VCS) organisations are also available.
4. By entering into a direct contract with iChoosr, a Collective Energy Switching provider, on a one-year trial basis the Council can immediately support residents and organisations through a switching process to secure cheaper energy.

Recommendation

5. It is recommended that Cabinet:-
 - (a) Approve the development of a Collective Energy Switching Scheme for the Borough
 - (b) Agree entry into a direct contract with iChoosr to deliver a Collective Energy Switching Scheme on a one-year trial basis
 - (c) Agree entry into a direct contract with Darlington Citizens Advice Bureau to facilitate the offline registration element of the Scheme

- (d) Agree entry into a direct contract with Age UK Darlington to facilitate the offline registration element of the Scheme
- (e) Authorise the Borough Solicitor to complete all the necessary legal agreements and documentation.
- (f) Requests a future report regarding Scheme performance and review of longer-term options

Reasons

6. 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 priority Welfare Reform agenda
 - (e) To support actions arising from the Economic Strategy – enabling businesses and Voluntary and Community Sector Organisations to thrive through minimising operational costs

**Richard Alty
Director of Place**

Background Papers

No background papers were used in the preparation of this report.

Elizabeth Goodchild: Extension 2920

S17 Crime and Disorder	This decision will not have an impact on Crime and Disorder
Health and Well Being	A Collective Energy Switching Scheme will contribute to tackling fuel poverty and associated health and wellbeing impacts including psychological stress, worry, social isolation, respiratory and circulatory conditions.
Carbon Impact	This decision will not have a direct impact on the Council’s carbon footprint.

Diversity	Diversity issues have been considered, with registration being facilitated by the Council and partners for offline and vulnerable residents.
Wards Affected	All wards, particularly those Lower Super Output Areas in the most 3% for fuel poverty nationally: <ul style="list-style-type: none"> • Eastbourne – Central/ SE part • Park East – S/SE part • Northgate – East part • Heighington & Coniscliffe - Rural • Lascelles – East part • Central – Town Centre and Town Centre Fringe
Groups Affected	Those impacted by fuel poverty including: <ul style="list-style-type: none"> • older people • people with children under 16 • those on benefits • people with disabilities • people suffering with long-term illness 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 September 2013 is required to take advantage of the auction before the winter, which is taking place in October
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 ‘Prosperous’ and ‘Healthy’ Darlington themes.
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

Information and Analysis

- Ofgem has predicted that energy bills will increase between 14% and 25% by 2020 (2009 baseline). Rising energy costs are a key factor in fuel poverty with 20.7% fuel poor households in the Borough (DECC, 2010). Higher energy costs are also impacting the local economy with over one third of NECC business members agreeing that these are stifling growth (2012).

8. Switching energy suppliers can save money however the energy supply market is complex with multiple suppliers and tariffs to choose from. Most people stick to their supplier rather than switching to a cheaper supplier.
9. Collective Energy Switching allows consumers to group together to ease the switching process and 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 switching, legal and administrative complexities and, for those who have never or rarely switched there are still likely to be worthwhile savings.
10. A number of Local Authorities and Registered Social Landlords have been actively considering Collective Energy Switching as a way of supporting residents and have been looking to switching specialists for support. Many Local Authorities across the Country, including Stockton and Hartlepool Borough Councils, have used the specialist company iChoosr to deliver Collective Energy Switching schemes.
11. iChoosr, have developed the consumer registration process to collate the energy demand details, publicity material and the auction method to provide a lot of support to Local Authorities taking this route. They also have support from official regulating bodies such as Ofgem and DECC.
12. A typical switching process takes 3 months:-
 - (a) 1-2 month registration period – interested households provide contact details and current energy use details online or offline (from energy bill – e.g. supplier, dual/ one fuel, £/kwh, payment frequency)
 - (b) 1 day auction – to seek the lowest price from energy suppliers
 - (c) 3 weeks for registrants to consider the winning offer – e-mails/ letters go out to all registrants with auction results and a personalised offer with the option to sign up and switch or opt out
13. Consumers can register for either gas or electricity – they don't need to be on both. Registration is free and there is no obligation for registrants to switch. Registrants may wish to do their own research before they accept the offer to see if they can find a cheaper price elsewhere (although often this is not the case) and to check their exit clauses in their current energy provider terms and conditions. (For example, they may have to pay a break of contract charge).
14. If they decide to make the switch, the outcome is a one year fixed price tariff. The registrants' new contract is with the energy supplier they have switched to rather than with iChoosr. The offer doesn't change if only a small number of people decide to switch. At the end of the year it is up to the householder to decide whether they want to stay with the new tariff or switch again.
15. The registration and auction process may be repeated, most likely at 4-6 month intervals depending on timetabled auction dates. Whilst promotion is local, the

auction process to energy suppliers is national, with several different area/organisation collective energy switching registrants bundled together to ensure the largest number of people participating, and therefore the greatest buying power and potential for greater savings for the consumer.

16. The Scheme is primarily focussed on domestic energy switching and there is an option for consumers on Pre-Payment Meters to switch (provided that they are not more than £500 in debt to their current supplier). These consumers generally pay higher energy costs and have the most potential to save. A switching option has recently been made available for businesses (with Voluntary and Community Sector organisations also being able to benefit). This option is not technically a Collective Energy Switch due to the complexities involved with different energy profiles, however supports Small and Medium-sized Enterprises through a switching process.
17. The Local Authority signs one year legal agreements with iChoosr (nil payment to iChoosr) to provide the switching service. The Council's role is to promote and communicate the Scheme to local residents, encouraging registration, using its trusted brand, networks and local approach. The Scheme should be marketed to everyone – not just the fuel poor – so the market is made bigger and there is greater buying power.
18. The Scheme is web based, however, for those residents who are offline, a paper registration process can be made available. As the Council are unable to facilitate a paper based registration process within existing in-house resource in the Customer Service Centre, we would work with Darlington Citizens Advice Bureau and Age UK Darlington HE-AT (Health and Energy Affordability Team) to support delivery of this element of the scheme. Darlington Citizens Advice Bureau has been selected to support the Scheme as they will be able to target a wide group of residents affected by debt and Welfare Reform and will specifically be able to align the Scheme with their financial capability support service, which includes an application to calculate whether someone is in fuel poverty. Age UK has also been selected to support the Scheme as they currently support residents affected by fuel poverty through the HE-AT project and will be able to refer this specific client group to the Scheme. Registration would also be further supported by Council partners through the Darlington Partnership's Welfare Reform group. (Training for frontline staff is provided by iChoosr).
19. For Darlington Borough Council with around 48,500 dwellings, a Collective Energy Switching Scheme may be expected to generate a minimum 1% - 3% registration per switch event, i.e. 485 – 1455. With two switch events per annum, this is likely to be 970 - 2910 households switching per annum. These figures appear to be relatively low, however, when considered in terms of potential cumulative savings to households across the Borough, savings could be fairly substantial over time.

Scheme Timescales

20. Scheme timescales are nationally set by iChoosr and the next available Collective Energy Switching round available is as follows:-

16 September 2013 (estimated)	Darlington Campaign Launch
Midnight 15 October 2013	End of Registration
16 October 2013	Auction Date
From 28 October 2013	Offer Letters Sent
25 November 2013	End of Acceptance Period

21. Further switching rounds are available as follows:

10 December 2013	Darlington Campaign Launch
Midnight 3 February 2014	End of Registration
4 February 2014	Auction
18 March 2014	End of Acceptance Period

1 April 2014	Launch
Midnight 12 May 2014	End of Registration
13 May 2014	Auction
24 June 2014	End of Acceptance Period

22. iChoosr and the Borough Council Legal Team has confirmed that, subject to urgent agreement by Cabinet and the completion of relevant legal agreements, Darlington Borough Council would be able to join the Scheme according to the earliest timescales given above. We could then also participate in the later switching rounds, taking part in 2 – 3 rounds/ year.

23. It is recommended that the Council enter into a direct contract with iChoosr to deliver a Collective Energy Switching Scheme on a one-year trial/ pilot basis with a view to undertaking a review to explore longer-term options.

24. Due to the tight timescales in which this Scheme would need to be delivered we have had to directly select Voluntary and Community Sector providers (i.e. Darlington Citizens Advice Bureau and Age UK Darlington) to facilitate the off-line registration element, rather than complying with our usual procedures to obtain quotes from multiple sources.

25. It is recommended that the Council enter into a direct contract with Darlington Citizens Advice Bureau and into a direct contract with Age UK Darlington to facilitate the off-line registration element of the Scheme.

26. Taking these urgent decisions would allow us to deliver a Scheme by this winter and therefore support those affected by fuel poverty and Welfare Reform over the next few months.

Financial Implications

27. Taking the iChoosr route carries no direct cost to the Council as there is no payment for the iChoosr service, their cost being covered by a fee to the winning energy supplier.

28. There are however the following indirect costs associated with the Scheme, particularly for communication with offline residents:-
- (a) Planning and delivery of marketing campaign (nil to minimal cost using existing communication routes)
 - (b) Information on Council website (nil to minimal cost)
 - (c) Provision of assisted sign up at Darlington Citizens Advice Bureau (estimated £7,600 (2 rounds) - £11,400 (3 rounds)) / Age UK Darlington HEAT project (similar estimated costs)
 - (d) Information / outreach events to engage with harder to reach residents.
 - (e) Answering general enquiries on the Scheme and provision of associated advice (included in provision of existed sign up costs)
 - (f) Contribution to iChoosr postage costs for offer letters to Offline registrants (£2 + VAT/ registrant)
 - (g) Communication costs incurred by partners and VCS providers (nil to minimal cost where existing communication routes are used)
 - (h) Manager and Officer time
29. There may be a contribution from iChoosr to offset some of the costs incurred. These costs would also be supported through the Programme and Projects budget through delegated officer decision.

Legal Implications

30. The Council would enter into a direct one year contract with iChoosr to provide a Collective Energy Switching service. (Given the timescales, it is not possible for us to negotiate all changes to the proposed contract we would like to date. However, we have been reassured by iChoosr that a one year contract is acceptable and we will be seeking to change other clauses in the proposed contract to ensure that the project can go ahead).
31. There would be no agreement between the Council and registrants as the contract would be between them and their new energy supplier.

Risk Assessment and Potential Implications

32. Collective Switching may not necessarily offer the cheapest market offer to all consumers and it is possible that certain residents could get a better deal elsewhere. This could be addressed by individual price comparison after registration but before switching decisions are made.
33. There are also risks that consumers may be impacted by penalty charges from break of contract with their current energy supplier, and if their new energy supplier

is not registered under the Warm Homes Discount or Green Deal repayment schemes then they could lose out. These risks should be addressed by supporting the consumer to check the terms and conditions of both their previous and new energy contracts before making a switch.

34. There is a small reputational risk to the Council from any potential negative publicity (e.g. claims of 'mis-selling') associated with the Scheme. However, iChoosr can provide details of what can and cannot be promised (e.g. the amount of savings that can be achieved, that an offer will be made for every type of contract put out to auction – an energy supplier may not necessarily make an offer at auction for a particular contract type). We will also need to be clear about the role of the Council and its partners and why the Council and partners are supporting and delivering a Collective Switching Scheme.
35. As we are delivering the Scheme in a very tight timescale, and this is the first time we are attempting to deliver such a scheme in the Borough, there are risks that registrations, especially for the first round, may be lower than expected due to short publicity lead-in time (launch approximately 1 month rather than standard 2 months prior to registration). However, delivering a scheme on a trial/ pilot basis would allow us to learn lessons on the best communication methods to support us to improve registration rates if and when a longer term scheme is delivered.
36. The major risks in delivering the Scheme are outlined above, however further risks will be identified and managed through the Council's Project Management framework.

Equality Impact Assessment

37. These Scheme has potential to positively impact those affected by Fuel Poverty in the Borough including:-
 - (a) older people
 - (b) people with children under 16
 - (c) those on benefits
 - (d) people with disabilities
 - (e) people suffering with long-term illness
38. These groups will be signposted/ supported to access the Scheme by Darlington Citizens Advice Bureau, Darlington Age UK and other partners through the Darlington Partnership's Welfare Reform triage system.

Outcome of Consultation

39. No formal consultation was carried out in preparation of this report, however discussions have taken place with the Council's Legal Team, Housing Management, Private Sector Housing Manager, Customer Services, Communications, our Senior Engagement Officer (Voluntary and Community Sector) and the Business Engagement Team. Partner discussions have also taken place with the Darlington Citizens Advice Bureau, Age UK Darlington and through the Darlington Partnership's Welfare Reform group.

Alternative Options Considered

40. *Do Nothing (Business As Usual)* - 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 and Welfare Reform. This would also be inconsistent with action taken by neighbouring Local Authorities.
41. *Tees Valley Cheaper Energy for Tenants* – Consideration has been given to joining a Tees Valley RSL Scheme looking to use the procurement framework of Durham Green LLP (Durham County Council and Durham RSLs) project to procure a Collective Energy Switching partner with support from NEPO. However, this has not progressed to date. The procurement process and specification are currently being re-evaluated and there may be opportunity to join such a scheme at a later date, however the service provided requires clarification and would not be available to tenants/ residents this winter. The opportunity to support those affected by Welfare Reform to pay their energy bills over the next few months would also be missed.
42. *Direct Procurement* – A procurement exercise for a Collective Energy Switching provider could be undertaken. However the services which would be provided and the costs and risks associated with this are currently unknown and would not be crucially available this winter. The opportunity to support those affected by Welfare Reform to pay their energy bills over the next few months would also be missed. Many other Local Authorities have put Collective Energy Switching out to tender with iChoosr often being the only bidder or the favoured bidder.
43. *LGA Procurement* – There may be an opportunity to join the LGA's procurement framework for a Collective Energy Switching Scheme provider for Local Authorities at a later date. This would be for a period of 24 months commencing 1 November 2013 with the option to extend for a further 24 months. However the contract has not yet been awarded, the services which would be provided and the costs and risks associated with this are currently unknown and are unlikely to be available this calendar year. The opportunity to support those affected by Welfare Reform to pay their energy bills over the next few months would also be missed.
44. *iChoosr – Join Peterborough/ Northumberland Councils' 'Ready to Switch' Procurement Framework* – The Council could join this procurement framework this winter, however we would need to pay a fee of £2000 to join and contribute towards legal and procurement costs for each switching event. This would also not be Darlington Borough Council branded.
45. *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 2.5 year contract which would not allow us to explore alternative switching options.

46. *Investigate Alternative Switching Options* – Taking this option would mean we would not be able to deliver a service in 2013. The services provided, costs and risks are currently unknown.

Conclusion

47. The development 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.
48. 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.
49. It is important that the Council moves forward quickly with this project to ensure that tenants and residents affected by Fuel Poverty and Welfare Reform benefit from cheaper energy bills from this Winter onwards.