

Report to Cabinet
14 November 2018
Report of Director of regeneration and development
Subject Procurement of Energy White Label

Item

9

KEY DECISION

Purpose

To advise on the procurement process for an energy white label and to seek approval to award the contract.

Recommendations

To award the energy white label contract to ENGIE Power Ltd

Corporate and service priorities

The report helps to meet the corporate priority a fair city and safe clean and low carbon city.

Financial implications

All work related to this decision will be met from within existing budgets.

Ward's: All wards.

Cabinet member: Councillor Karen Davis – social inclusion

Council officers

Dave Moorcroft, director of regeneration and development 01603 212225

Richard Willson, environmental strategy manager 01603 212312

Background documents

None

Report

Background

1. Norwich City Council has carried out a range of work to help its citizens reduce their gas and electricity bills in line with its Affordable Warmth Strategy and statutory HECA (Home Energy Conservation Act). Both the HECA and Affordable Warmth Strategy contain actions to explore the feasibility of setting up an energy company to provide cheaper energy to the residents of the City and possibly County.
2. Electricity prices have increased by over a third since 2010 and gas prices by almost 25%. In 2017 alone electricity prices increased by 6% which disproportionately affected fuel poor households, and households who are often only just above the fuel poverty line.
3. Thanks to the hard work of Norwich City Council, fuel poverty in Norwich has not increased since 2011 despite the perfect storm of increasing fuel prices and reducing support from central government. However, between 2015 and 2016 households in lower income deciles have seen a disproportionate change in income. This will result in these households being worse off when compared to the overall population, which contributes towards shifting these households into fuel poverty.
4. In Norwich 12.3% of households, or 7,804 households, are experiencing fuel poverty. This figure is expected to rise due to the reasons given above and sets out a compelling reason for the development of local solutions to this national problem.

Options

5. There are a number of options available to local authorities who wish to set up local energy services. Nottingham City Council has established a 'full service' not-for-profit energy supply company, Robin Hood Energy. However this type of arrangement is costly to set up and resource, there are significant regulatory hurdles, and the timescales involved can be lengthy. Other Energy Service Company (ESCo) options also face similar obstacles to set up.
6. Having assessed the various options the preferred route for Norwich City Council, and any participating local authority partners in Norfolk, is a white label offering. This effectively uses the 'brand name' of an entity (for example Norwich Energy) but works in partnership with a licensed supplier (such as E-ON) to sell energy. The licensed supplier will provide back office functions such as billing, customer service, debt management, meter reading etc. and will ensure compliance with industry codes. This option involves a minimal amount of upfront investment and will significantly reduce the risk to Norwich City Council.
7. It's been widely reported that councils that have gone down the fully licenced energy supply option have struggled to see return on their investments. Bristol Energy is not due to start making a profit on its £27 million investment until 2021 and Robin Hood Energy has just made a small

trading surplus to start repaying its £20 million commercial loan from Nottingham City Council.

8. There are a number of examples of Local Authority white label energy supply offerings across the country including: Fairerpower For All (Cheshire East Council), White Rose Energy (Leeds City Council) RAM energy (Derby City Council) and Leccy (Liverpool Energy Community Company). All of these offerings have been successful in attracting new customers and promote themselves as not for profit.
9. Local Authority white label offerings are generally considered trustworthy; certainly they have a higher level of public trust than the major energy supply companies. By being willing to utilise part of the proceeds available from customer acquisition to subsidise the energy costs, it is expected that the tariffs available will compare favourably to the wider energy market.

Procurement Process and Evaluation

10. After deciding to proceed with the White Label option rather than a “full service” ESCo (Energy Service Company) the environmental strategy and procurement teams created a detailed tender specification using best practice established from collating similar procurement exercises from other councils and market intelligence from Pixie Energy.
11. The tender was published via the councils e-tendering platform. Although initial interest was high in regards to our first attempt to establish a white label energy supply partner we regretfully were unable to find a supplier in January 2018. The process was repeated in June 2018 and ENGIE Power Ltd was successful.
12. ENGIE Power Ltd is a leading energy and services company focused on three key activities: production and supply of energy, facilities management and regeneration. They have 17,000 employees throughout the UK & Ireland. Globally, the ENGIE Group employs 150,000 people and achieved revenues of €66.6 billion in 2016.
13. The financials of the company are very strong. This was a consideration in respect to the product being sustainable in the long term. ENGIE Power Ltd are also one of the few companies in the UK able to offer 100 % renewable energy on both fuels (Gas and electric) at no premium which enables competitive pricing when compared the big 6 standard variable tariffs.
14. Future customers of the scheme will therefore be able to save on average 3 tonnes of CO₂ (approximately the equivalent of 45 trees growing 30 years) per year as well as getting a fair deal when compared to other companies offering green energy at a premium. In addition to also being cheaper than many of the standard energy deals available.
15. ENGIE Power Ltd are also able to offer a UK customer call centre as well as a digital platform to customers on all forms of payment (Direct debit/ PAYG). Therefore the project will be able to support the objectives “fair city” and “safe clean and low carbon city”.

16. The programme will particularly support efforts to reduce fuel poverty and health inequalities via working with and supporting vulnerable customers in areas of high fuel poverty e.g. by automatically offering them a discount or via tariffs which allow more financially able citizens to contribute towards a local fuel poverty fund of which the more vulnerable could benefit.
17. Any ongoing or additional staffing costs associated with this project, for example, in terms of marketing and promotion, will be managed via existing budgets and use of the customer acquisition fees. This is to help ensure that the project remains cost natural as it grows and potentially requires more resources. Norwich City Council is also in discussion with other councils who have set up similar arrangements to help us understand, in detail, the resources required for launch and continuing promotion.

Further Details

18. Unlike the “Norwich Big Switch and Save” the vision of the new energy supply service will be to create an attractive local energy brand offering a long term “fair deal” to our consumers, so they are encouraged to stay and not shop around. The Big Switch and Save offers excellent 12 month deals but the process needs to be repeated annually to maximise the benefits of the scheme.
19. Regretfully NCC is unable to reconnect to Big Switch customers after they have switched for 3 years as this is part of the contract with their new supplier. However many contact us when their 12 month offers expire and we can reregister them onto the next tranche.
20. Our aim will be to attract and retain 1,500+ customers per year for the first 3 years of the programme and to offer the following core tariffs:

ECO Value
ECO Value Pre Pay
ECO Community

All tariffs will be 100% renewable (gas and electricity).

The proposed ECO Community tariff donates 31 days of energy to a fuel poor home but costs £30 more per year. The customer is choosing to support local vulnerable households.
21. The project will aim to attract similar numbers to the Big Switch and Save which should retain a market share of 5% within 3 years. A significant number of existing Big Switch and Save clients said they would like to stay on a “fair deal” tariff with the Council.
22. It is probable that the agreement with the licensed supplier will initially be for up to an agreed period of 5 years, and there will be appropriate provision within the agreement between the councils, in respect to arrangements at the end of that period. Assuming that the venture is successful and that the

Councils share a common vision as to how to progress in the future, there is no reason that the arrangement could not continue for many years.

23. The name of the white label supply company is still to be determined although it is expected that it will incorporate a strong local theme. It is intended that officers will develop a brand and marketing strategy using the knowledge and experience gained from running the Big Switch and Save.

Timescales

24. If cabinet recommends proceeding with ENGIE Power Ltd the project will aim to be mobilised for Spring 2019.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	31/10/2018
Head of service:	David Moorcroft
Report subject:	Energy White Label
Date assessed:	24/10/2018
Description:	To advise Cabinet of the intention to seek approval to set up a white label energy contract

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme can be carried out within existing budgets.
Other departments and services e.g. office facilities, customer contact	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	There will be a need for other front facing council teams to highlight the scheme to council customers e.g. customer contact, housing officers etc. Briefing packs will be provided to help with this.
ICT services	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Economic development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Financial inclusion	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The products will generally be cheaper and have a positive impact
Social (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Safeguarding children and adults	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
S17 crime and disorder act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Human Rights Act 1998	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Health and well being	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cheaper energy will help lower fuel poverty which can effect health.
Equality and diversity (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Relations between groups (cohesion)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	

	Impact			
Eliminating discrimination & harassment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Advancing equality of opportunity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Environmental (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Transportation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Natural and built environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Waste minimisation & resource use	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Pollution	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme will support energy efficiency and renewable energy
Sustainable procurement	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
Energy and climate change	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	The scheme will support energy efficiency and renewable energy

(Please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Risk management	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	This is a lower risk option

Recommendations from impact assessment
Positive
To progress with the scheme
Negative
Neutral
Issues