

Report to Cabinet
12 September 2012
Report of Executive head of strategy, people and democracy
Subject Collective energy switching scheme

Item

6

Purpose

To consider the establishment of a collective energy switching scheme for the City.

Recommendation

- To agree to establish a collective energy switching scheme for the City
- To delegate authority to the Executive head of strategy, people and democracy to sign a contract with the chosen switching partner in liaison with the cabinet member for environment and development.

Corporate and service priorities

The report helps to meet the corporate priority Prosperous City.

Financial implications

The additional costs of establishing the scheme can be met either from the scheme or from within existing budgets.

Ward/s: All wards

Cabinet member: Councillor Bremner – Cabinet member for environment and development

Contact officers

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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 environmental strategy. This has included a number of successful programmes to enable citizens to increase their energy efficiency and to benefit from grant aid or other targeted help for the most vulnerable households.
2. It is now proposed that the council establishes a collective energy switching scheme for the City to enable households across Norwich to easily engage with the gas and electricity market and get the best deal for their energy requirements.
3. Collective energy switching occurs when a group of likeminded citizens band together to negotiate a better deal with their gas and electricity suppliers. A third party (in this case Norwich City Council) sets up the group with the help of a specialist switching partner and then negotiates a better tariff on behalf of the consumers they represent. The offer is then presented back to the group for householders to decide whether to switch energy provider or not.
4. Evidence from elsewhere suggests that citizens are often paying £200-300 per year more than they need to for energy costs because they are not on the most efficient energy tariff. It has been suggested that traditionally there has been unwillingness for citizens to individually shop around for energy services and switch to the cheapest provider due to the complexity of the information and the time involved in switching. Whereas many citizens do this regularly for other products and services such as car and home insurance.
5. In Norwich it is estimated that there could be as much £13 million each year being paid to energy companies by citizens that does not need to be due to people being on the wrong energy tariffs
6. In other parts of Europe collective energy switching schemes are common place and have been widely applied resulting in energy savings for citizens. Recently Which and the campaigning body '38 degrees' led a switching campaign in the UK which saw 280,000 people switch to energy supplier Co-op Energy.

Proposed approach to running a scheme in Norwich

7. The proposed approach to running a collective energy switching scheme in Norwich would be to procure a specialist switching partner who would work with the council to run two marketing/ communication tranches each leading to an energy auction and subsequent switching of citizens who wished to change energy provider.

8. It is expected the switching partner would:
- Market the scheme effectively to citizens of Norwich through appropriate methods in liaison/ coordination with the council
 - Handle enquires on the scheme and sign up interested citizens
 - Carry out the negotiation with the energy market to identify the lowest tariff through appropriate methods e.g. an energy auction
 - Complete the handover process with the successful energy company for citizens who wish to go ahead and switch provider
 - Carry out the necessary supporting activities in line with the points above.
9. It is expected that the council would:
- Provide overall project management for the scheme
 - Provide communications support/ advice for the marketing activities and access to council communications channels e.g. Citizen etc
 - Highlight /signpost the scheme to citizens who may be interested through frontline employees who regularly engage with customers e.g. customer contact agents, housing officers etc. Briefing packs would be provided to assist with this.
 - Provide additional support/ advice for vulnerable citizens who may be interested in the scheme.
10. A tender process has been commenced for a switching partner and if approved by cabinet a contract will be entered into with the chosen provider.

Timescales and resourcing

11. The detailed timescales would need to be agreed with the chosen switching partner. However, the key planned overall timescales are summarised in the table below:

No	Milestone	Timescale
1	Cabinet agree to establish a collective energy switching scheme for Norwich and delegate authority to sign a contract with the chosen switching partner	12 September
2	Contract awarded to chosen switching partner	17 September
3	First marketing/ communication tranche carried out	8 October – 23 November
4	Go to the market for the first tranche energy deal (energy auction etc)	w/c 26 November
5	Present the first tranche deal to citizens and they decide whether to switch energy provider	w/c 26 November – 24 December

6	Second marketing / communication tranche carried out	21 January – 1 March
7	Go to the market for the second tranche energy deal (energy auction etc)	w/c 4 March
8	Present the second tranche deal to citizens and they decide whether to switch energy provider	w/c 4 March – 25 March

12. The main resourcing requirements for the council in establishing a collective switching scheme in Norwich, in addition to existing staff time, are for additional communications, design and printing costs to support the marketing / communication of the scheme. These are estimated to be approximately £15,000.
13. The switching partner will receive a switching fee from the successful energy provider for each household who switch energy providers. This fee will be made very clear to interested citizens as part of the marketing and communication of the scheme.
14. The council will receive a proportion of this from the switching partner in the form of a referral fee for each household who completes the switching process which could cover the costs involved for the council. The amount of that fee will be determined by the tender process. However, a fee of approximately £10 per household who switches provider would be expected based on experience elsewhere.
15. This would mean that to fully cover the additional costs (excluding existing staff time) incurred by the council for the project we would need to have at least 1,500 households switch energy provider in the City. If the additional costs of the scheme are not met from referral fees they can be met from in-year savings realised from within the strategy, people and democracy service grouping.

Benefits of establishing a scheme in Norwich

16. The main benefit in establishing a collective energy switching scheme in Norwich is to provide households across the City with an opportunity to reduce their energy bills (potentially by as much as £200-300 per year) which will help to support financial inclusion and reduce fuel poverty.
17. This directly supports the council's corporate plan priority to make Norwich a prosperous City and the actions within the council's environmental strategy in regards to affordable warmth.

Integrated impact assessment



NORWICH
City Council

Report author to complete

Committee:	Cabinet
Committee date:	12 September 2012
Head of service:	Russell O'Keefe
Report subject:	Collective energy switching scheme
Date assessed:	August 2012
Description:	To consider the establishment of a collective energy switching scheme for the City

	Impact			
Economic (please add an 'x' as appropriate)	Neutral	Positive	Negative	Comments
Finance (value for money)	<input checked="" type="checkbox"/>	<input 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"/>	Helping households across the City to reduce their energy bills will support financial inclusion and reduce fuel poverty in Norwich.
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"/>	
<u>S17 crime and disorder act 1998</u>	<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"/>	Reducing fuel poverty in the City has the potential to improve health and wellbeing and reduce the health problems that can be associated with people living in cold homes.

	Impact			
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"/>	
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 checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
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.

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

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