

# BRECKLAND DISTRICT COUNCIL

## Report of Lynda Turner, Executive Member for Localism, Community and Environmental Services

To: Cabinet 20<sup>th</sup> November 2012

Author: Sarah Simpson, Environmental Awareness Coordinator

Subject: Breckland Collective Energy Switching Scheme

**Purpose:** To consider the establishment of a collective energy switching scheme for Breckland.

### **Recommendation(s):**

1. To commission a Breckland Council collective energy switching scheme
2. Subject to successful discussions, authority is delegated to the Chief Executive of Deputy Chief Executive, to enter into a contract and deliver a collective switching scheme on behalf of the residents of Breckland.

## **1. BACKGROUND**

- 1.1 Residents in Breckland are experiencing increases in energy bills, and these are likely to continue in an upward trend as a result of rising fossil fuel prices and network costs.
- 1.2 Evidence suggests that householders are paying approximately £200 more for energy than they need to, as they are not on the most efficient energy tariff. It has been suggested that traditionally there has been an unwillingness for householders to individually shop around for energy services and switch to the cheapest supplier due to the complexity of the information and the time involved in switching.
- 1.3 Collective energy switching schemes offer communities the opportunity to band together to negotiate a better deal with electricity and gas suppliers, therefore reducing the financial impact of rising energy bills.
- 1.4 A third party (in this case Breckland Council) sets up a group of people who have shown an interest in switching energy supplier, and with the help of a specialist switching partner, 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.
- 1.5 The switching partner will receive a switching fee from the successful energy provider for each household who switch energy providers. The council will receive a proportion of the referral fee for each household who completes the switching process, which could cover the costs involved for the council. The amount of the fee would need to be determined with the switching partner.
- 1.6 Only two switching partners currently exist in the market, so any tender process should be short and simple.

## **2. OPTIONS**

### **2.1 Option 1 - Do nothing**

Households in Breckland would not have the opportunity to participate in a collective energy switching scheme. They would continue to purchase energy on an individual basis, potentially at a higher price, increasing the chance of the household falling into fuel poverty. If other local authorities offer the scheme and we do not, residents may deem us to not be supporting our local communities.

## 2.2 **Option 2 - To commission our own collective energy switching scheme**

The Council will engage the services of a private sector switching specialist to manage a collective switching scheme for the Council.

### 2.2.1 Benefits

- The council would manage the scheme
- The scheme could be branded around local needs
- Residents would see a local scheme provided by a trusted organisation
- We would have direct contact and control of the scheme with the switching partner
- The agreed referral fee (anticipated to be between £5 and £12 per referral) will be kept solely by the council
- Those who sign into the scheme will be placed into national auctions to increase the buying power
- Managing the scheme directly would enable other opportunities to be explored such as undertaking collective purchasing scheme with businesses, or administering the scheme for other authorities, and charging a fee (i.e. admin).

### 2.2.2 Risks

- If the switching partners business fails, the council will have to seek another partner
- The scheme is predominantly web based, but if we have an unexpectedly high proportion of non web based customers, resource provision will need to be managed

### 2.2.3 Timescales

- From agreement to commence the scheme to the first communication with residents, would anticipate approximately 8 weeks.

### 2.2.4 Expenditure

- The main expenditure for this option will be to carry out a tender process and for marketing the scheme, which if approval is granted and we are able to commence the project in this financial year, will be able to be achieved in existing budgets.

## 2.3 **Option 3 - To commence a collective switching process by joining the Peterborough led consortium**

The council will engage with the consortium, who will operate and manage the scheme on the councils behalf.

### 2.3.1 Benefits

- The consortium will manage the scheme
- The consortium will be able to provide higher sign up numbers into the auction

### 2.3.2 Risks

- As part of a consortium, the council will not have direct control over the scheme
- There may be a cost to join the consortium, and the referral fee may be lower to cover the consortiums costs
- Will residents view a scheme managed by another authority as acting in their best interests

### 2.3.3 Timescales

- From agreement to commence the scheme to the first communication with residents, would anticipate approximately 8 weeks

### 2.3.3 Expenditure

- The main expenditure for this option will be to undertake a communications campaign, which if approval is granted and we are able to commence the project in this financial year, will be able to be achieved in existing budgets.

## 3. **REASONS FOR RECOMMENDATION**

The recommendation is to commission our own collective energy switching scheme. Having direct management over the scheme will enable us to shape and develop the

scheme ourselves, and will provide a positive message that the council is helping and supporting its residents on a local level. Once established, the scheme will be relatively low cost to run, as it can be run predominantly web based, and the bulk of the marketing material will be covered within the set up costs.

#### 4. EXPECTED BENEFITS

Commissioning our own collective energy switching scheme will be expected to:

- Generate income for the Council from the referral fee
- Increase customers using a council service
- Reduce the risk of fuel poverty
- Improve customer service
- Provide a platform for which other authorities may chose to join in the future, thus increasing income to Breckland Council.

#### 5. IMPLICATIONS

5.1 **Legal** – To date, no formal legal advice has been sought. However, dependent upon the option selected, thorough legal advice would be obtained.

5.2 **Risks** – Please refer to the option 2.2 for the risks associated to the recommendation

5.3 **Financial** – Commitment from other service areas, including the Contact Centre and Finance, will be required to deliver the project. If members are minded to approve the scheme, it would be delivered within existing budgets.

5.4 **Timescales** – From agreement to commencing the scheme with communication to residents, a timescale of 8 weeks is anticipated.

Milestone	Timescale
Cabinet agree to establish a collective energy switching scheme for Breckland residents and delegate authority to sign a contract with the chosen switching partner.	20 <sup>th</sup> November 2012
Contract awarded to chosen partner	18 <sup>th</sup> December 2012
First marketing/communication tranche	3rd January – 7 <sup>th</sup> February 2013
Go to market for the first tranche energy auction (dependent upon auction dates)	14 <sup>th</sup> February 2013

5.5 **Equality and Diversity** – n/a

5.6 **Stakeholders / Consultation** – n/a

5.7 **Contracts**

A contract with the switching partner will be required

5.8 **Section 17, Crime & Disorder Act 1998** – n/a

#### 6. WARDS/COMMUNITIES AFFECTED

All

#### Lead Contact Officer

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#### Director/Officer who will be attending the Meeting

Sarah Simpson, Environmental Awareness Officer

**Key Decision – No**