

**OXFORDSHIRE ENVIRONMENT & WASTE PARTNERSHIP**

**28 June 2013**

**Collective Switching**

**1 Purpose of Report**

- 1.1 To report on the outcome of a collective switching scheme undertaken by Cherwell District Council (CDC) and West Oxfordshire District Council (WODC).

**2 Background**

- 2.1 On 28<sup>th</sup> January 2013, the Oxfordshire Environment & Waste Partnership meeting considered a report on collective switching; with CDC and WODC choosing to proceed with a scheme.
- 2.2 Collective switching offers residents the opportunity to sign up to a scheme where an intermediary company negotiates with energy suppliers on their behalf in order to secure a lower price for their gas and electricity. This is achieved by the intermediary company grouping residents together into a single customer base and then conducting a reverse auction with energy suppliers.
- 2.3 CDC and WODC appointed Ichoosr as the intermediary company. Ichoosr provided a website through which residents registered with the scheme, it conducted the reverse auction and provided regular progress reports.
- 2.4 CDC and WODC joined up to promote the scheme locally under the “Better Together Oxfordshire” branding developed for the campaign. The Affordable Warmth Network (operated by the Energy Savings Trust) was appointed to provide a telephone registration service. Council customer service teams also provided a “walk-in” registration service at Council offices and service points.
- 2.5 A reverse auction was undertaken on 9<sup>th</sup> April 2013. Oxfordshire registrants were bundled with registrants from a number of other local authority schemes managed by ichoosr to form a single customer base. Bids were obtained for the following tariffs:
- Monthly Electricity
  - Electricity pre-payment meter
  - Monthly Electricity and Gas (Dual fuel)
  - Electricity and Gas pre-payment meters.

The winning bid for the electricity only tariff was from Scottish Power, with Sainsbury's Energy providing the winning tariff for the dual fuel option and British Gas winning the pre-payment tariffs.

- 2.6 Table 1 summarises the overall project results. A total of 1,460 people registered their details with the Better Together Oxfordshire scheme (824 within CDC, 390 from WODC and a further 246 residents that entered an Oxfordshire postcode, but did not select either CDC or WODC as their local council).

Table 1 – Collective switching results

Council	No. of Registrations	% registrants that save	% registrants that save >£50	% registrants that switched
Cherwell	824	60%	42%	8%
West Oxfordshire	390	65%	47%	8%
Better Together Oxfordshire	1460	62%	43%	6.5%
All councils within the auction	86,986	70%	54%	7.5%

- 2.7 More than 60% of registrants could save money through the winning tariffs. Despite this, a very low percentage of registrants chose to switch provider. The low switching rate within Oxfordshire reflects that of the whole group, where only 7.5% (6,524) of the 86,986 registrants changed provider.
- 2.8 The main reason for the low switching rate is believed to be the nature of the winning electricity and dual-fuel tariff offered by Sainsbury’s Energy. The tariff is based on a credit or “cash-back” payment being paid by Sainsbury’s to customers in month twelve of the supply contract. Whilst the deal is cheaper for many over a full year, this saving is not realised until month 12 of the supply agreement. It is likely that registrants found the offer complicated and were also perhaps put off by having to defer any savings for one year.
- 2.9 The Office of Gas and Electricity Markets (Ofgem) recognises the role that collective switching schemes can have in encouraging people to engage with the energy market and seek a better deal by switching provider. By working with councils through schemes such as Better Together Oxfordshire, residents can be helped and supported through the switching process. As part of its Retail Market Review (launching later this year), Ofgem will allow energy companies to offer special tariffs for collective switching schemes in addition to their 'core tariffs'. These tariffs will only be open to the registrants of a collective scheme. However, energy companies will be unable to offer 'cash back' or 'Bill credit' offers as part of the tariff scheme in future. This should encourage greater competition between suppliers on tariff rates and more transparent deals for the customer.

**3 Financial, Risk and Staff Implications**

- 3.1 Project expenditure is detailed in appendix 1. Total expenditure was £3,019. CDC and WODC will receive a rebate of £5 per fuel for each resident that switches to the winning provider (£10 for a dual fuel). With 96 confirmed switches, this will provide an estimated income of £720, reducing the overall expenditure to approximately £2,299.

**4 Areas Affected**

- 4.1 The project was delivered by Cherwell D.C and West Oxfordshire D.C.

**5 Effect on Strategic Policies**

- 5.1 The collective switching scheme supports the Oxfordshire 2030 pledge to create healthy and thriving communities. It aims to help reduce fuel poverty. In future collective switching may help to reduce carbon emissions through the inclusion of a green tariff.

**6 Options or Alternatives**

6.1 N/A

**7 Recommendations**

7.1 That the outcome of the Better Together Oxfordshire collective switching campaign is noted.

**8 Reasons for Recommendations**

8.1 To help reduce fuel poverty and save local residents money.

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Background Papers: OEWP Partnership meeting 25<sup>th</sup> Jan 2013. Agenda item 8 "Collective Switching".

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