

**OXFORDSHIRE ENVIRONMENT PARTNERSHIP MEETING**

**25 January 2013**

**Collective Switching**

**1 Purpose of Report**

- 1.1 To update on a collective energy switching project led by Cherwell District Council that seeks to save residents money on their energy bills.

**2 Background**

- 2.1 Collective energy 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.
- 2.2 Collective switching takes the “hassle” out of changing energy providers for residents by doing the hard work of sourcing a good value tariff for them. The price obtained may also be more competitive by grouping together and buying in bulk.
- 2.3 The role of the local authority is to appoint an intermediary company to negotiate with energy suppliers and to promote the collective switching opportunity to local residents. The Council leads on the marketing of the switching scheme and acts as a trusted partner.
- 2.4 Collective switching is a fairly new concept and has so far largely been conducted over the internet. Residents express an interest in the scheme by registering their details on a website. A benefit of local authority involvement in collective switching is that the scheme is more likely to reach vulnerable consumers: those that are less likely to switch energy providers themselves, more likely to be on expensive tariffs and more likely to be in fuel poverty. The local authority can provide an “off-line” registration service (either by phone or in person) alongside the on-line versions and offer wider promotion of the scheme. The local authority provides a recognised and trusted brand.
- 2.5 In November 2012, Cherwell District Council agreed to develop a collective switching project. This subsequently developed in to a countywide project, with each of the Oxfordshire local authorities partnering on a funding bid to the Department of Energy and Climate Change (DECC) in December 2012. Most of the funding requested was to fund communications activity and also to offer energy audits and advice to a proportion of residents and businesses that expressed an interest in the switching scheme.
- 2.6 Unfortunately the funding bid was unsuccessful, but Cherwell District Council still plans to proceed with the collective switching project and invites the other Oxfordshire local authorities to remain onboard with a countywide scheme that we intend to be branded as “Better Together Oxfordshire”. Visuals for a countywide scheme have been developed and an example is given in appendix 2. A smaller communications spend will however be necessary and energy audits can no longer be offered.
- 2.7 Cherwell District Council is in the process of recruiting an intermediary company that has considerable experience in this new field, having run similar auctions in Europe as well as some of the early UK schemes. The intermediary will conduct a reverse auction with energy suppliers on behalf of the schemes registrants through Cherwell District Council and its partners. There is no fee to be paid to the intermediary, which receives a commission from

the winning energy company. A proportion of the commission will be passed to Cherwell District Council and its partners, which may be used to recover promotional costs or used to fund future energy or fuel poverty related projects.

- 2.8 The intermediary company provides a website for residents to sign up to the scheme and following the reverse auction corresponds with registrants to inform them of the result. It also sets out how residents can take up the new tariff. There is no obligation to switch; residents are free to decide whether they sign on to the new tariff or not.
- 2.9 The intermediary company suggests that the Cherwell District Council reverse auction is undertaken in early April, when it can be grouped with a number of others around the country in order to obtain the best price. The April auction is likely to be the biggest UK grouping so far. Registration will open in mid February, meaning that the project needs to be mobilised quickly. An outline project plan is attached at appendix 1. Residents will be offered a price for electricity, a dual-fuel (electricity & gas) option and a green tariff depending upon their registration choices.

### **3 Financial, Risk and Staff Implications**

- 3.1 Cherwell District Council will receive a rebate of £5 per fuel for each resident that switches to the winning provider (£10 for a dual fuel).
- 3.2 Given the limited precedence so far, it is difficult to accurately predict the number residents that will register with the scheme. A figure of 5,000 for a countywide project (around 1,000 registrations per district) is considered achievable with a good communications plan. Advice from the intermediary company suggests that around 50% of registrants will switch to the new provider. This will result in an income of £12,500 to £25,000 (depending on the proportion taking up a single fuel or dual fuel tariff).
- 3.3 Based on the estimates set out above, it is recommended that a communications plan budget of £12,500 is set. Cherwell District Council (supported by OWP Officers) is happy to lead on the communications plan and associated purchasing, with costs recovered from the rebate income. To ensure that Cherwell District Council does not operate the project at a loss, any shortfall in income could be made up by each participating Partner Council making an equal contributory payment.
- 3.4 A core project team of Cherwell District Council, County Council and OWP officers will lead on project delivery, but some officer time will also be required from each participating Partner Council. This will include commenting on project plans and deliverables, as well as implementing aspects of the communications plan (such as distributing promotional materials around each district and attending promotional roadshow events). An officer time requirement of up to 5 days for each participating authority is estimated.
- 3.5 If Partner Councils choose to accept registrations in person at Council Offices, then there will also be a resource requirement for Customer Services staff. Based on advice from the intermediary company it is estimated that 3 registrations per district per day may typically be received in this way over the 6 week registration period.
- 3.6 In order to improve access to the collective switching scheme, a system for accepting registrations by telephone (as well as on-line) will be set up. Discussions are ongoing with

the <sup>1</sup>Affordable Warmth Network/Warm Homes Healthy People project to use their existing customer helpline for this purpose, with any costs being met from the communications plan budget set out in paragraph 3.3. Councils may also choose to accept registrations in person at council offices. The intermediary provider offers training for council reception staff and helpline staff.

- 3.7 The collective switching scheme offers the potential to save many residents money on their energy bills. However, not everyone will save money: those that regularly switch tariffs may already be on a better rate, whereas others may be tied into contracts with their current supplier. The switching scheme is not currently available to those on pre-paid meters (although details may be kept on file for a future auction). Discussions are on-going with the intermediary provider on whether local businesses can be included. There is no obligation for those residents that express an interest to switch and clear information and advice will be given to registrants at each stage.
- 3.8 The offer provided by the winning energy supplier typically runs for one year. At the end of this period, customers may be changed on to another tariff. Neither the council nor the intermediary company will be able to target these customers directly, but may choose to offer a further collective switching offer and provide advice through general promotion. There is potential to repeat the auction at a future date or to run a regular auction (perhaps annually).

#### **4 Areas Affected**

- 4.1 Each Partner Council is invited to participate in the collective switching scheme. Residents from outside Oxfordshire will also be able to take part by registering on the website.

#### **5 Effect on Strategic Policies**

- 5.1 The collective switching scheme contributes to the Oxfordshire 2030 pledge to create healthy and thriving communities. It will help to reduce fuel poverty and also help reduce carbon emissions through the inclusion of a green tariff.

#### **6 Options or Alternatives**

- 6.1 Partner Councils may choose whether to participate in the collective switching scheme.

#### **7 Recommendations**

- 7.1 That:
- I. Partner Councils participate in the collective switching scheme and provide officer support of approximately 5 days each.
  - II. That a core project team of Cherwell and OWP officers leads on project delivery operating within a budget of £12,500.
  - III. That Cherwell District Council recovers project revenue expenditure for goods and services up to £12,500 from the rebate received from the successful energy provider.
  - IV. That participating Partner Councils (including Cherwell District Council) agree to underwrite any short fall of income through an equal contributory payment by each, if required.

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<sup>1</sup> The Affordable Warmth Network/Warm Homes Healthy People project both use this telephone number. It is funded by all Oxfordshire local authorities and is operated by the United Sustainable Energy Agency. It provides help and advice to residents in order to reduce fuel poverty.

## **8 Reasons for Recommendations**

- 8.1 To help reduce fuel poverty, save residents money and to promote green energy.

## **9 Contact Officer**

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Background Papers: