

FLINTSHIRE COUNTY COUNCIL

REPORT TO: **ENVIRONMENT OVERVIEW & SCRUTINY
COMMITTEE**

DATE: **WEDNESDAY 18TH SEPTEMBER 2013**

REPORT BY: **DIRECTOR OF ENVIRONMENT**

SUBJECT: **ENERGY SWITCHING SCHEME – UPDATE AND
REVISED RECOMMENDATIONS**

1.00 PURPOSE OF REPORT

1.01 Following an earlier request to advise Environment Overview & Scrutiny Committee on opportunities relating to energy switching and energy advice, colleagues were invited to attend a National Energy Action, Consumer Focus, and Welsh Government event focussing on the various models of collective energy switching. This report contains the knowledge and recommendations from that event and further discussion with other organisations.

2.00 BACKGROUND

2.01 In March 2013, the Director of Environment brought a report on Energy Switching schemes to the Environment Overview and Scrutiny Committee.

2.02 425,000 households (1 in 3) in Wales are estimated to be in fuel poverty, and 1 in 5 in severe fuel poverty. With average energy bills now over £1,300 a year, the average household energy bill has increased by around £730 since 2004 and by around £90 in the last 12 months.

2.03 The Department for Energy and Climate Change funded several pilot projects in England on Collective Energy Switching between December 2012 and March 2013. Most of these projects promoted a reverse auction energy switching service run by Belgian company ichoosr.

3.00 CONSIDERATIONS

3.01 Some savings can be made by households who do not understand their energy bills, are not on the correct tariff for their circumstances or who may be eligible for Warm Homes Discount. However, Energy Switching schemes do not take these additional tariffs or circumstances into account, and therefore do not offer the best deal to the majority of people who express an interest in the scheme.

3.02 Consumer Futures, formerly Consumer Focus, a statutory organisation set up by the government to represent consumers of regulated

markets) reports that 50% of households have never switched energy tariffs, 40% have, but the majority of these switches involve moving to a dual fuel deal, 96% of the non-switchers say they would never switch, leaving 3% of the population who might be influenced by an energy switching campaign.

- 3.03 Barriers to switching tariff include perceived hassle, trust or mistrust of the companies involved, misconception and out of date information on the effect debt might have on ability to switch (up to £200 in debt can be carried over to a new supplier). Lack of access to internet comparison sites, and a sense of comfort with the company with links to the former local electricity network also have an impact. Some non-switchers are therefore likely to be on older tariffs that may no longer be suitable or cost-effective for their needs.
- 3.04 A council-run scheme gives the residents trust in switching. The council are important in reaching out to those customers who need to switch but are afraid, mistrusting, or have no internet access. A number of local authorities and other organisations were consulted during the development of this report, including South Lakeland District Council who were the first in the UK to pilot a collective switching scheme with ichoosr, and Cheshire East (as part of the Big Community Switch) and Birmingham & Solihull Together (as part of UK Together) who ran schemes as part of a Department for Energy and Climate Change English Local Authority pilot scheme.
- 3.05 Welsh Government and WLGA are now working on a pilot with Cardiff and Vale of Glamorgan Councils which is intended to form the basis for a Wales-wide collective energy switching programme. The aim is for the first switch through that programme to take place around November. More information on this is available in Appendix 2.
- 3.06 Estimated average savings from the local authority-supported schemes we have consulted with is just over £100 a year. These estimated savings are based on the usage information that residents provide, and are not guaranteed savings. The critical amount that seems to entice people to switch is between £150 and £200 estimated savings, although other factors can entice householders to switch at lower levels, for example, poor customer service or lack of a fixed price offer with their current supplier.
- 3.07 Prepayment meters were not included in early community switching campaigns. They can now be included in schemes, however average savings predictions average £30 for single fuel and £50 for dual fuel, and actual switch number have been low (a handful per scheme), reflecting a need for more nuanced advice for people on prepayment meters, which could be offered through the in-person marketing suggested.

- 3.08 Energy switching scheme take-up in the pilot areas has been between 2-10% of the target area registering, with 10-25% of those households switching. Ideally, vulnerable households and those who have not previously switched can be targeted through this scheme. Councillor involvement in spreading the word to enhance the marketing campaign into a powerful word of mouth campaign is crucial to reaching these vulnerable groups.
- 3.09 The fixed rate tariffs offered by the winning energy company may leave some residents in the same quandary or worse off after the initial 12-18 month deal. As one of the pilot project managers explained it, "most people only look at their bills when they are in a crisis" and a single switch without the information to back it up could be detrimental in the long term. Under the terms of the ichoosr contract, individual householders cannot be directly contacted about energy switching for 3 years. Therefore a 12 month follow-up switch with associated marketing and county-wide mail out is recommended to remind people to examine their options and potentially switch again.
- 3.10 It is important to appreciate that such auctions may not necessarily provide the lowest price to the consumer, and that cheaper prices may well be available from the numerous tariff comparison sites. This is dependant on the prevailing market conditions and the circumstances of each household registering.
- 3.11 Each of the models presented at the National Energy Action forum required at least one senior project manager, and had significant funding from a Department for Energy and Climate Change fund. There was a large marketing budget, particularly in the case of the Birmingham scheme, which included adverts on buses, radio, and television. In addition the use of our current call centre facility would need to be carefully considered on the basis that initial enquiries and promotion would be time consuming and detract from the core function of the current call centre operation. On this basis it is anticipated that a separate call centre function would need to be set up to support the period of the promotion.. We would look to maximize synergies with existing schemes where possible and use existing channels through community groups, partnerships, major employers and corporate communications media to build up the word of mouth spread of information.
- 3.12 The next realistic ichoosr community switching auction available for us to sign up for is provisionally the 4th February 2014.
- 3.13 It is important that this kind of scheme is not viewed as something that can be done "instead of" energy efficiency improvements. Fossil fuel-based energy prices are increasing and fuel brokerage can help to mitigate this situation, but people in "hard to heat/hard to treat" properties will still be paying disproportionate sums for their energy. Hence the Council needs to continue its work in partnership with other

local authorities, Registered Social Landlords and other organisations to tackle the causes of fuel poverty in Wales. The information collected at sign-up, particularly at community events, could also be used to signpost and directly refer to energy efficiency improvements and any associated grants or loans.

- 3.14 This collective switching scheme will work best when run together with continuation and enhanced promotion of a bespoke advice service through the Energy Advice Centre for those who require it.

The North Wales Energy Advice Centre is a Mold-based Social Enterprise who has delivered energy advice to the region since 1999. Formerly part of EcoCentre Wales, the Energy Advice Centre offers the following services in Flintshire:

- Free and impartial energy advice on 0800 954 0658
- Energy Advice Roadshow events at community events, markets, shops, etc.
- Training for community leaders and front line staff in helping people reduce their energy bills and reducing the health, economic, and social impacts of fuel poverty
- Referrals and signposting to grants, loans, and other support for heating, insulation, and other domestic energy and related issues as part of Flintshire's Affordable Warmth Partnership and Advice Network.

Also, the scheme must be linked to the Affordable Warmth Action Plan and developing Housing Sustainability Strategy to develop additional support for off-gas areas and other groups at greater risk of fuel poverty.

- 3.15 The costs in Appendix 1 options are total estimated scheme running costs. Whilst there may be an opportunity for some of these costs to be reduced if internal capacity was available, no spare capacity has currently been identified.
- 3.16 In conclusion, we have looked into the possibility of setting up an energy switching project for Flintshire. However no spare resources are available at the moment and costs are likely to be at least £30-60k costs even if the "Bronze" option in Appendix 1 is chosen.
- 3.17 However, we note the Cardiff/Vale of Glamorgan Regional Collaboration Funded Project which they say will give the whole of Wales the opportunity to switch and will therefore monitor the progress of this project very closely, including analysis of the first auction, scheduled for November of this year. In the event that this is deemed successful, the council will consider a marketing campaign to prioritise the next auction run by the two authorities.

4.00 RECOMMENDATIONS

4.01 That Members note and comment on the report.

4.02 In light of the Medium Term Financial Plan and the acute need for the council to reduce costs now and into the future, it is not considered appropriate at this time to run such a project.

5.00 FINANCIAL IMPLICATIONS

5.01 Additional costs spent on this campaign are unlikely to be recovered directly. This additional activity would be additional to the core services of the domestic energy efficiency project.

6.00 ANTI POVERTY IMPACT

6.01 Beneficial to those who switch, enhanced when linked with advice on energy efficiency and support with energy conservation measures.

7.00 ENVIRONMENTAL IMPACT

7.01 Neutral in isolation, or beneficial when linked with advice on energy efficiency and support with energy conservation measures. Although households who have been under-heating their homes previously expected to be warmer, there is still an overall reduction in domestic emissions levels which mitigates the impacts of climate change.

8.00 EQUALITIES IMPACT

8.01 An aim of this scheme should be to reduce inequality specifically relating to access and fuel poverty due to rural location and tenure.

9.00 PERSONNEL IMPLICATIONS

9.01 This programme is likely to cause an increase to telephone enquiries, and will require staff resource to promote and deliver linked advice.

10.00 CONSULTATION REQUIRED

10.01 Research and discussion is needed regarding different models of energy switching programmes with experts and colleagues with experience elsewhere in the UK.

11.00 CONSULTATION UNDERTAKEN

11.01 Discussions ongoing with EcoCentre Wales, North Wales Energy Advice Centre, Welsh Local Government Association, South Lakeland District Council, Cheshire East Council, Birmingham and Solihull Together, Moneysupermarket.com, National Energy Action, Consumer Focus, and other North Wales Local Authorities and Registered Social Landlords which fed into this report.

12.00 APPENDICES

12.01 Appendix 1 - Options for energy switching scheme

12.02 Appendix 2 - Cyd Cymru Welsh Energy Switching Press Release

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985 **BACKGROUND DOCUMENTS**

Contact Officer: Will Pierce
Telephone: 01352 703137
Email: will.pierce@flintshire.gov.uk