

FLINTSHIRE COUNTY COUNCIL

REPORT TO: ENVIRONMENT OVERVIEW & SCRUTINY
COMMITTEE
DATE: WEDNESDAY, 6 MARCH 2013
REPORT BY: DIRECTOR OF ENVIRONMENT
SUBJECT: ENERGY SWITCHING SCHEME

1.00 PURPOSE OF REPORT

1.01 To advise Environment Overview & Scrutiny Committee on opportunities relating to energy switching and energy advice.

2.00 BACKGROUND

2.01 In January 2013, the Council passed a resolution for the Director of Environment to bring a report on Energy Switching schemes to the Environment Overview and Scrutiny Committee.

2.02 400,000 people in Wales are estimated to be in fuel poverty. With average energy bills now over £1300 a year, the average household energy bill has increased by around £730 since 2004, and by around £90 in the last 12 months alone. Ofgem have indicated that energy prices could rise by up to 60% in the next 5 to 6 years.

2.03 Welfare Reform will reduce the income of many Flintshire residents, and many who already struggle to keep their homes warm will be pushed into fuel poverty, put at risk of homelessness, and choosing whether to "heat or eat". Fewer people on income related benefits means that fewer will qualify for external energy efficiency grant schemes.

2.04 Together with our partners, the North Wales Energy Advice Centre (NWEAC), we have been providing free impartial energy saving advice to the public for over a decade. In recent years, advice on comparing energy tariffs and getting the best deal for energy based on a resident's particular circumstance, has formed a large part of this service.

2.05 In their latest issue, First Magazine, the Local Government Association's membership magazine, includes an article describing a number of different collective energy switching models. Some of these schemes use web-based auction systems which allow people to register their interest and a specialist company bids to energy suppliers. In other models, local authorities lead in the negotiation process with energy suppliers, in some cases including local

businesses and developing a community fund using the referral fees from new suppliers.

- 2.06 Officers have recently held discussions with South Lakeland District Council (SLDC), to ascertain whether Flintshire Council should get involved in a bulk switching scheme run by a Belgium-based company called iChoosr (<http://ichoosr.com/en/>). This web-based service, which allows for custom local authority branding, is used by over 25 UK councils.

3.00 CONSIDERATIONS

- 3.01 In the first phase of the SLDC scheme, 1669 (5% of the total population) expressed an interest, and 517 (1.6% of the total population) signed up.
- 3.02 The reported household savings of the iChoosr schemes are between £50 and £700 a year per customer with an average overall saving of £102 a year. The winning tariff in the first phase of the scheme at SLDC was estimated to be about 9% lower than local suppliers were offering at the time. However, it must be noted that those who don't save or who save little don't register. That level of savings is typical for anyone who has contacted our service for tariff advice.
- 3.03 Most people have never switched tariffs, due to a range of factors including perceived complexity, lack of access to internet comparison sites, and a sense of comfort with the company with links to the former local electricity network. Many people are therefore on historical tariffs which may no longer be suitable or cost-effective for their needs.
- 3.04 Whilst energy companies' reported profits are substantial, they are often based on small margins made over a large customer base. The low on-line tariffs that offer the best rate are only possible because very few people take them up.
- 3.05 Tying in to a deal like this is not the best advice for every resident. In many cases, we have found that residents eligible for the Warm Homes Discount have not yet taken advantage of this substantial discount, and the iChoosr service does not offer advice on eligibility for this discount. There is a need to provide guidance during the process of changing suppliers to ensure all related grants and funding streams are made known to the resident.
- 3.06 The iChoosr service is predominantly web-based, and support for residents without access to the internet requires continuing assistance through telephone and community-based advice.
- 3.07 It should be noted that the current iChoosr SLDC scheme does not include those tenants on prepayment meters or oil/LPG. There are an estimated 15,000 households without access to mains gas in Flintshire,

and these households are most likely to be in fuel poverty. Accordingly, should the Council embrace this type of energy switching scheme, it will be important to include properties on pre-payment meters.

- 3.08 SLDC have elected not to develop a single bulk oil purchase scheme as they do not want to limit competition amongst local suppliers, but instead encourage tenant-led buying consortia. Flintshire County Council already provides tenants with information on services that help find the best price for oil (www.boilerjuice.com) and advise bulk purchasing schemes with neighbours where possible, but this can be developed further.
- 3.09 It is important that this kind of scheme is not viewed as something that can be done "instead of" energy efficiency improvements. The trajectory of fossil fuel-based energy prices is to increase, 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 enquiry. Hence the Council needs to continue its work in partnership with other local authorities, Registered Social Landlords (RSLs) and other organisations to tackle fuel poverty in Wales.
- 3.10 There do not appear to be any procurement issues with signing onto an iChoosr programme as they offer a unique service in the UK.
- 3.11 In conclusion, it is considered beneficial for the Council to use this type of energy switching scheme in partnership with colleagues from North Wales Authorities and RSLs, as part of its efforts to provide energy advice together with NWEAC, to maximise the buying power of the scheme. 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.
- 3.12 Provided Members support this conclusion, a link to the main iChoosr site could be provided on the Flintshire website immediately as anyone in the UK can register their details on the site. It will take 3-6 months to arrange for a Flintshire-branded website/campaign.

4.00 RECOMMENDATIONS

- 4.01 That Members comment on the contents of the report and support the conclusions set out in para 3.11 and 3.12.

5.00 FINANCIAL IMPLICATIONS

- 5.01 Initially, signing up to the iChoosr standard model is cost-neutral, however there will be staffing/resource implications.

Developing a more involved model including direct negotiation with energy suppliers could bring additional money into the county, but would take additional resources as well, so a cost-benefit analysis should be done.

6.00 ANTI POVERTY IMPACT

6.01 Beneficial in maximising the income of local residents and mitigating the impact of welfare reform on fuel poverty. Also beneficial in improving local economic outcomes. Energy bills make up a growing percentage of our residents and small businesses' outgoings, and represent a huge loss of money which could be spent locally. Anything we can do to reduce energy bills in our area will increase the amount of "disposable" income available to be spent locally.

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 are 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 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, other North Wales Local Authorities and Registered Social Landlords which fed into this report.

12.00 APPENDICES

12.01 None

LOCAL GOVERNMENT (ACCESS TO INFORMATION ACT) 1985
BACKGROUND DOCUMENTS

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