

**COLLECTIVE SWITCHING – SAVING MONEY ON ENERGY BILLS**

*To:* **Economy and Environment Committee**

*Meeting Date:* **24<sup>th</sup> May 2016**

*From:* **Executive Director – Economy, Transport and Environment**

*Electoral division(s):* **ALL**

*Forward Plan ref:* **not applicable**      *Key decision:* **No**

*Purpose:* The ICHOOSR contract for running Collective Switching for Cambridgeshire residents, a scheme to help residents save money on energy bills, is up for renewal. This paper outlines an option to extend the contract, by joint agreement.

*Recommendation:* Members are asked to agree:

- a) The extension of the current arrangement with ICHOOSR for a further one year whilst;
- b) Reviewing other collective switching options for Cambridgeshire residents and businesses to identify schemes which fit strategically with the growing energy ambitions of the Authority.

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## **1. BACKGROUND**

- 1.1 The Government wrote to all local authority Chief Executive's in 2013 encouraging the set up of collective switching schemes for residents to help save money on energy bills.
- 1.2 A key aim of the Cambridgeshire Collective Switch was to help alleviate financial pressures on all Cambridgeshire residents, in a time of rising fuel prices and falling wages targeting the most vulnerable residents in Cambridgeshire in fuel poverty and living in social housing.
- 1.3 A company called ICHOOSR (this is not an acronym) was procured during Autumn 2013 to run a registration platform for residents and a reverse auction, where energy companies compete for customers through offering their best tariff rates. Residents are offered the option to sign up for a year on the winning tariff rate but there is no compulsion on residents to switch.
- 1.4 For every resident that switches, a small fee is paid to the Local Authority to cover marketing and other costs of the scheme. The fees agreed in 2013 were £5.50 for single fuel switch and £10 for dual fuel.

## **2. MAIN ISSUES**

- 2.1 Five auctions have been run in Cambridgeshire saving a total of £291,431 for residents (based on the average savings rate). See appendix A for Cambridgeshire's results compared to the national collective switching position.
- 2.2 Registrations on the ICHOOSR switching platform are directly related to the time of year and marketing efforts. The marketing of the switch events is the responsibility of the Local Authority and to date this has been provided by a Business Development Officer in the Policy and Business Development Service in ETE. In principle, this arrangement can continue provided the project support is paid for through the income generated.
- 2.3 The collective switching scheme is supported by the other Cambridgeshire local authorities and they are keen for this to continue. For example, Cambridge City Council and South Cambridgeshire District Council have promoted auctions through residents' magazines and websites, although this is coordinated by the Business Development Officer within Economy Transport and Environment. (ETE)
- 2.4 The total income in 2015/16 for the Collective Switch was £7,151. After marketing expenses this leaves £6,861 in the budget to fund the next marketing and project management costs to run an auction.
- 2.5 There are three options to consider:
  - **Option 1:** Extend the contract with ICHOOSR for one year, running one auction in October each year, using the profits from previous auctions to pay the costs of marketing and project management (staff costs) of the auctions
  - **Option 2:** Stop the contract with ICHOOSR, highlight the ICHOOSR registration link on our website for residents to access but provide no marketing or support to residents.

- **Option 3:** Explore other collective switching schemes such as Robin Hood Energy (set up by Nottingham City Council to tackle increasing fuel poverty) and identify the benefits of their 'switching partner packages'.
- 2.6 The benefits of option 1 are that the income from the auctions can pay for marketing and project management costs. Residents can access the collective switch auction with the support they need, and savings on energy bills can continue to be renewed annually.
- 2.7 The benefit of Option 2 is that residents can still register for auctions run by ICHOOSR and access any deals that come through via the auction process but will not get the support from the Authority to complete forms. The fees of £10 per dual fuel customer will also not be paid to the Authority. This means the current income of £6,861 can be put into the Energy Investment Unit to support ongoing costs but no further income would be generated.
- 2.8 Option 3: There are a number of collective switching schemes that have started since the procurement of ICHOOSR which also provide benefits to households and in particular households on pre-payment meters. Exploring and comparing their benefits would be useful to establish whether better opportunities can be found.
- 3. ALIGNMENT WITH CORPORATE PRIORITIES**
- 3.1 Developing the local economy for the benefit of all**
- Collective Switching saves money for residents on their energy bills, money which can be spent elsewhere.
- 3.2 Helping people live healthy and independent lives**
- Affordable energy helps reduce illnesses caused by cold homes as vulnerable residents can afford their bills.
- 3.3 Supporting and protecting vulnerable people**
- Collective Switching targets metered customers to help them get better energy deals.
- 4. SIGNIFICANT IMPLICATIONS**
- 4.1 Resource Implications**
- There are no significant implications within this category as all costs will be covered whatever option is chosen. Not continuing with collective switching will, however, limit scope for further income generation.
- 4.2 Statutory, Risk and Legal Implications**
- There are no significant implications within this category.

#### 4.3 **Equality and Diversity Implications**

Collective switching schemes support vulnerable residents and others to save money on energy bills, improving their living and health standards.

#### 4.4 **Engagement and Consultation Implications**

There are no significant implications within this category.

#### 4.5 **Localism and Local Member Involvement**

There are no significant implications within this category.

#### 4.6 **Public Health Implications**

Collective switching schemes support vulnerable residents and others to save money on energy bills, improving their living and health standards.

Source Documents	Location
NONE	

Appendix A: **Cambridgeshire Switch Results compared to the National results**

Auction	Cambridgeshire			National		
	Total number of registrants	Total number of conversions	Average saving per saving registrant	Total number of registrants	Total number of conversions	Average saving per saving registrant
<b>18/02/2014:</b> OVO Energy, Scottish Power, Green Star Energy and British Gas.	1,006	355 (35.3%)	£224	36,200	8,007 (22.1%)	£199
<b>10/06/2014:</b> British Gas, E.ON, OVO Energy	390	82 (21.0%)	£191	19,240	3,966 (21%)	£232
<b>14/10/2014:</b> E.ON, OVO Energy	478	139 (29%)	£191	17,836	5,026 (28%)	£221
<b>03/02/2015:</b> E.ON, Scottish Power	663	162 (24.4%)	£243	22,789	8,336 (37%)	£236
<b>13/10/2015</b> E.ON and OVO Energy (pre-payment)	1424	605 (42%)	£236.00	25,702	8743	-
<b>TOTAL</b>	<b>3961</b>	<b>1343</b>	<b>£217</b>			
<b>Savings £</b>			<b><u>£291,431</u></b>			