



**COMMITTEE SECTION ONLY**

Decision No:	<u>DPH06</u>
Notification Date:	<u>10/12/2012</u>
Implementation Date: (unless called in)	<u>10/12/2012</u>
Call-in:	<u>No</u>

**Notice of Decision Taken by Portfolio Holder/Leader of the Council  
Between Meetings of the Cabinet**

*(Please read the attached guidance notes before completing this notice)*

**A. Decision taken by:** Councillor N S Kenton, Portfolio Holder for Environment, Waste and Planning

**B. Part of the Constitution authorising decision:**

Part 3 (Responsibility for Functions); Section 3C; paragraph 13 (Responsibility for Executive Functions)

**C. (a) Subject (including whether it is a Key Decision and included within the Notice of Forthcoming Key Decisions):**

Agreement to Dover District Council collaborating with Tunbridge Wells Borough Council, Gravesham Borough Council and Dartford Borough Council in setting up a bulk energy buying/collective energy switching scheme for the residents of the District.

This is not a key decision.

**(b) Is the decision likely to disclose exempt information?**

No.

**D. Decision:**

- (i) That the Council agrees to collaborate on a Collective Switching Scheme with Gravesham BC, Tunbridge Wells BC and Dartford BC, thus streamlining the process of engaging an intermediary, having a lead authority for contractual arrangements, and taking advantage of joint promotion (although there will remain an emphasis on local activities to promote the scheme).
- (ii) That the Director of Environment and Corporate Assets be authorised to settle and enter into all necessary contractual arrangements (including agreements with partner councils and the selected intermediary) and to undertake all necessary steps and procedures for delivery of the Scheme.

**E. Reason(s) for decision (including why the decision cannot wait until the next meeting of Cabinet (or Council where appropriate)):**

Collective switching schemes enable residents to engage with the gas and electricity market as a group (through a trusted third party) to secure a better deal for their energy requirement. Recent rises in energy prices are likely to increase the levels of fuel-poor households in the District, and forthcoming implementation of welfare reforms will impact vulnerable residents.

The procurement process to choose a 'switcher' (company who are able to provide training/online registration/publicity material/advice line support to the Local Authority and conduct an auction) if commenced in early December will take until at least the end of January 2013 to complete. Therefore leaving a very short time to promote and enable registration (open for 6 weeks).

DECC (The Department of Energy and Climate Change) are offering funding for innovative collective switching scheme, and the 'partnership' would like to submit a bid – submission deadline 30 November 2012 (funding to be spent by 31 March 2012).

In order to progress the scheme the 'partners' will need to sign a 'Collaborative Switching Scheme Agreement' and publish the required OJEU (Official Journal of the European Union) procurement notices by early December 2012.

The Chairman of the Council has been requested to suspend call-in so that the collaborative agreement can be signed which in turn will enable the procurement process to commence and appointment of intermediary in time for an April 2013 launch.

**F. Details of alternative options considered and rejected:**

The Council could decide not to take part in the scheme, and thereby may miss the opportunity to offer residents, especially the more vulnerable, the possibility of saving money on their fuel bills.

**G. Any interest declared by the decision-taker or any Executive Member who is consulted by the decision-taker:**

None.

**H. Where a conflict of interest has been declared, details of any dispensation granted by the Monitoring Officer:**

None.

**I. Background Documents:**

Cabinet Report (attached)  
Briefing Note  
Letter from Ed Davey MP

**J. Decisions within the Budget or Policy Framework taken by the Portfolio Holder (or Leader of the Council) between Meetings of the Cabinet (Part 3, Section 3C, paragraph 13 - General Responsibilities Delegated to All Members of the Executive)**

I confirm that the decision-taker has taken the decision in consultation with me.

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Leader of the Council or Deputy)

**K. Decisions outside the Budget or Policy Framework taken by the Portfolio Holder (or Leader of the Council) between Meetings of the Council (Part 4, paragraph 4 – Budget and Policy Framework Procedure Rules)**

Please give reasons why it is not practical to convene a quorate meeting of the Council or General Purposes Committee to take the decision.

**Not applicable.**

I have given my consent to the decision being taken as a matter of urgency.

\_\_\_\_\_  
Signed \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman of the relevant Scrutiny Committee)

**L. Urgent decisions not subject to call-in**

I confirm that this decision is an urgent one and should not, therefore, be subject to call-in.

Yes

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Decision-taker)

On the advice of the decision-taker, I agree that the decision is reasonable in all the circumstances and, as a matter of urgency, should not be subject to call-in.

Yes

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman/Vice-Chairman/Head of Paid Service or their nominee)

(Please note that M-O relate to Key Decisions not in the Notice of Forthcoming Key Decisions (Part 4; Rules 15 and 16 of the Access to Information Procedure Rules))

**M. Reason(s) for General Exception/Special Urgency (i.e. why the decision was not included in the current Notice of Forthcoming Key Decisions and why it would be impracticable to defer the decision until the period covered by the next Notice)**

Not applicable.

**N. Notice of use of General Exception Procedure (to be followed where at least five clear days will have elapsed between issuing a General Exception Notice and informing the Chairman of the relevant Scrutiny Committee, and the Key Decision being taken)**

I have informed the Chairman of the relevant Scrutiny Committee.

**Not applicable.**

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_

**O. Agreement to use of Special Urgency Procedure (to be followed where it is not possible to give five clear days' notice that a Key Decision will be taken)**

I agree that the taking of the decision cannot reasonably be deferred.

**Not applicable.**

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Chairman of the relevant Scrutiny Committee)

Signed: \_\_\_\_\_ Dated: \_\_\_\_\_  
(Decision-Taker)

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**Subject:** COLLECTIVE SWITCHING SCHEME (IN COLLABORATION WITH OTHER KENT LOCAL AUTHORITIES)

**Report of:** Roger Walton, Head of Environment and Corporate Assets

**Portfolio Holder:** Portfolio Holder for Environment, Waste and Planning

**Decision Type:** Non-Key Decision

**Classification:** Unrestricted

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**Purpose of the report:** To seek approval to a proposal which will lead to the provision of a community energy collective switching scheme for the District's residents.

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**Recommendation:**

1. Agree to Dover District Council taking forward a community energy collective switching scheme in collaboration with 3 other Kent Local Authorities.
2. It is requested that, in view of the urgency of this decision, the Chairman of the Council suspends call-in.

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## 1. Summary

The Council has been working in partnership with other districts in Kent on a proposal which will lead to the provision of a community energy collective switching scheme for the District's residents. Households are finding it increasingly difficult to pay for fuel as retail energy prices have more than doubled in less than 7 years and in response to this there are now several examples nationally where Councils working together have been able to offer their residents the option of purchasing their energy through a collective switching arrangement. This report seeks Cabinet agreement to the Council developing a similar scheme within this District in collaboration with 3 other Kent Local Authorities. Working with partners will streamline the procurement process and there will be advantages of joint promotion and although there will remain an emphasis on local activities to promote the scheme this will also mean that there is one clear consistent message across Kent. .

## 2. Introduction and Background

2.1 Households are finding it increasingly difficult to pay for fuel. Retail energy prices have more than doubled in less than 7 years. Low income/ vulnerable households are affected more by increases in fuel prices because they spend a higher proportion of income on fuel. A household is classed as being in fuel poverty when it spends more than 10% of its disposable income on fuel. The Department of Energy & Climate Change (DECC) reported in 2009 that the proportion of households in fuel poverty in the UK has risen from 18% to 24% in the last 2 years. This equates to 5.7 million households. Dover District Council has one of the highest level of fuel poor households in Kent

2.2 Households could make a difference to their energy bills by switching suppliers, however a study by Ofgem in 2008 found that 'confident consumers' who were

proficient at sourcing better deals were in the minority and that most customers lacked confidence and knowledge to switch.

- 2.3 Local Authorities are well positioned to reach a wide audience, for greater sign up, and, where necessary are able to work in partnership and collaborate with other authorities. The Council is able to facilitate such a project and strong links with the community means that it is uniquely positioned to enable this interaction. A strong benefit of the collective purchasing model is that it is available to, and supports everyone.
- 2.4 Tunbridge Wells Borough Council (TWBC) working in partnership with Dover DC, Gravesham BC and Dartford BC, have agreed to lead on the procurement process and officers have been working over recent weeks to finalise these arrangements.
- 2.5 The proposal will offer residents an opportunity to sign up to a scheme that allows an intermediary to negotiate with energy companies on their behalf in order to secure the householder a discounted energy price. The influence of a large number of potential customers encourages the energy company to offer a competitively priced deal.

Whilst the scheme is open to all, one of the main aims is to enable the more vulnerable residents who are unfamiliar / not confident with electronic switching, or do not have access to a computer/ the internet to register. It offers residents 'hassle free' switching through a trusted partner organisation – it is not complex, not time consuming, and is on a voluntary basis. Residents will be able to register online, by phone, in writing or in person. There is no obligation for registrants to switch.

The collaboration of Kent Authorities will procure an intermediary who will provide a web based registration portal. The 'switcher' will help the Council plan the marketing campaign, train frontline staff to register, provide a dedicated helpdesk, engage with energy providers, run a reverse auction, assess the bids, award the contract to the winning energy provider. The Council will be required to have a dedicated page on its website, and execute the marketing campaign.

Registrants will be contacted with an offer of a fixed price contract for 12 months. If the resident chooses to switch they will then sign a contract direct with the energy provider.

### **3. Identification of Options**

- 3.1 Option 1. Do Nothing
- 3.2 Option 2. Agree to participate in the proposed collaborative energy switching scheme.

### **4. Evaluation of Options**

- 4.1 Option 1. This is not a preferred option because:
  - a) Residents (especially the more vulnerable/ fuel poor) would miss out on the opportunity of negotiating prices to gain a better energy deal by clubbing together through a Local Authority supported scheme.
- 4.2 Option 2. This is the preferred option at this time because:

- a) Residents will have the opportunity to access cheaper energy.
- b) 'First time' switchers/ vulnerable residents will have access to a supported service.
- c) A third party will manage the switch on behalf of residents
- d) There is no obligation to switch
- e) 'Switchers' will be offered a 12 month fixed price contract
- f) An innovative service to address energy price rises and fuel poverty
- g) A way to reach out to the vulnerable groups in society
- h) Sharing the revenue; the scheme generates a 'fee per switch' which is shared between the appointed intermediary and the Council. This can be used for the scheme's continuation and other fuel poverty initiatives.
- i) Contributes to the Council obligations under the Home Energy Conservation Act 1995.

## 5. Finance Summary

- 5.1 The success of the project is dependant on customer take up, therefore the Council will need to market the scheme through electronic means (website, facebook and twitter) as well as the printing and distribution of marketing material (leaflets, pop ups, direct mailouts etc) and through outreach work. The costs of this will be met through existing budgets. However discussions are currently taking place with third parties, voluntary organisations and community groups to help communicate and possibly assist with registration – this will help engage hard to reach residents and lessen the communication/ registration burden on existing Council staff resource. A funding bid is being prepared and will be submitted to DECC (Department of Energy and Climate Change) to support some of the marketing initiatives, and evaluation.
- 5.2 There will be a financial income from this project as a percentage of the switching fee. This will be used by the Council to help combat fuel poverty within the District. The exact income is unknown as it will depend on how many residents choose to switch to the new supplier.
- 5.3 The financial risk to the Council is low. A small marketing and printing budget will be required (less than £500).

## 6. Corporate Implications

- 6.1 Comment from the Director of Finance (linked to the MTFP): Accountancy has been consulted and has no further comments to add. DL
- 6.2 Comment from the Solicitor to the Council: Legal officers from the Partner Councils have agreed to share the legal support work for this project. Dover has agreed to be responsible for procurement procedures and, after discussions with other authorities who have undertaken collective switching schemes, it has been agreed to use a voluntary OJEU notice procedure.

6.3 Comment from the Equalities Officer: This report does highlight some equalities implications and a full Equality Impact Assessment is being undertaken. In discharging their responsibilities members are required to comply with the public sector equality duty as set out in section 149 of the Equality Act 2010 <http://www.legislation.gov.uk/ukpga/2010/15>

7. **Appendices**

Project Brief

8. **Background Papers – Briefing Note – Letter from Ed Davey MP**

Contact Officer: Amanda Martin Energy Support Officer, Extn 2128.



## **Project brief: Collective Switching Scheme**

### **Background**

According to Ofgem, only 15% of households switched gas supplier last year and 17% switched electricity supplier (down from 20% (gas) and 19% (electricity) in 2007)<sup>1</sup>. This is despite the fact it is possible to save up to £200 from an annual dual fuel bill by shopping around for the lowest online rate<sup>2</sup>.

Collective switching schemes enable residents to engage with the gas and electricity market as a group (through a trusted third party) to secure a better deal for their energy requirements. Having achieved a critical mass of registrations a 'reverse-auction' is conducted where invited energy companies can bid for the new customers. The most competitive bid will win the auction and registered users will be notified of the new tariff and given the choice to switch. These schemes aim to engage the large proportion of consumers that are not currently actively engaged in switching supplier.

A number of local authorities (e.g. [South Lakeland District Council](#), [Oldham Council](#), Norwich City Council) are in the process of implementing schemes in their local area. This has accelerated in recent months following active promotion by the Government.

Energy Secretary Edward Davey has written to all domestic gas and electricity suppliers to stress the importance of their engagement in collective switching. An open letter has also gone to Local Authorities calling on them to get involved in collective purchasing and switching schemes to help residents get a better deal on their energy bills. Last week a fund of £5 million was also announced by DECC to support the set up of innovative collective switching schemes<sup>3</sup>.

There are benefits for residents and the council for the implementation of a collective switching scheme. These are outlined below along with details on the practical implementation and limitations of such a scheme.

### **Objectives**

#### **Aim**

To establish a collective switching scheme for Dover District Council residents.

#### **Objectives**

- To engage an intermediary who can deliver the scheme on behalf of the council.
- To widely promote the scheme in order to engage 3% of households in the target area e.g. approximately 3,351 registrations for the first auction.
- To facilitate offline registrations from those who do not have internet access.
- To hold a 'reverse- auction' offering registered residents access to a new energy deal by March/April 2013 (tbc).

#### **Deliverables**

- A marketing plan to promote the scheme.
- Marketing materials.
- A website portal for online registrations to the scheme.
- Community-based activities to facilitate offline registrations.
- Training of Gateway staff to support registrations.
- Customer satisfaction survey.

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<sup>1</sup> [www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Documents1/lpsosMori\\_switching\\_omnibus\\_2011.pdf](http://www.ofgem.gov.uk/MARKETS/RETMKTS/RMR/Documents1/lpsosMori_switching_omnibus_2011.pdf)

<sup>2</sup> [www.decc.gov.uk/en/content/cms/news/consumer\\_summi/consumer\\_summi.aspx](http://www.decc.gov.uk/en/content/cms/news/consumer_summi/consumer_summi.aspx) (accessed 24/10/2012)

<sup>3</sup> [www.decc.gov.uk/en/content/cms/news/pn12\\_128/pn12\\_128.aspx](http://www.decc.gov.uk/en/content/cms/news/pn12_128/pn12_128.aspx)

## **Benefits of a collective switching scheme**

### **Benefits for the council:**

- An innovative service to address energy price rises and fuel poverty.
- A way to reach out to the vulnerable groups in society.
- Sharing the revenue; the scheme generates a 'fee per switch' which is shared between the council the appointed intermediary. This can be used for the schemes continuation and other fuel poverty initiatives.
- Contributes to council obligations under the Home Energy Conservation Act 1995.

### **Benefits for the individual:**

- An opportunity to access a cheaper energy deal (see below).
- A service to support 'first-time' switchers.
- A third party to manage the switch.
- No obligation to switch.
- 12 month fixed price contract for those that switch.
- Offers a service to residents without internet access (depending on approach taken)

## **Limitations / constraints**

- Scheme does not guarantee each resident will make a saving on their current energy costs.
- Scheme does not guarantee that the offer made is the best possible available to that customer i.e. versus switching independently.
- Energy companies participating in the auction are invited by the intermediary.
- These schemes have not been used successfully for prepayment meters to date.
- Data protection considerations.
- Resource implication on the council to promote the scheme for maximum benefits and make provision for offline registrations.
- Current auctions require in the order of 10,000-15,000 participants as a minimum to be viable. Dover District Council will have to join an existing auction or partner with others in order to generate this scale of registrations.

## **How does it work in practice?**

A council fronted scheme would involve working with an intermediary who can provide the following functions:

- A registration mechanism e.g. web-based portal. Registration can also take place via a telephone helpline or by using face-to-face contact points and outreach initiatives.
- Aggregation of registered consumers into a critical mass.
- A real time 'dashboard' showing numbers registered, current energy providers.
- Set criteria, design auction terms and establish the 'product' for an auction.
- Run a reverse auction and assesses offers.
- Manages switching and helpdesk.

### **The role of the council:**

- Providing a trusted brand for a local scheme.
- Marketing plan and promotion of the scheme to residents to ensure maximum registrations.
- Dedicated page on website to link to registration portal.
- Facilitating offline registrations through community engagement events and Gateway support.
- Carry out customer satisfaction survey (supported by intermediary).

### **The scheme would be run with four broad phases of activity:**

- Partner with intermediary

- Registration window (1-2 months)
- Auction (1 day)
- Acceptance of winning offer by registrants (1 month)

Note: These timescales are based on the iChoosr model.

### **What resources are needed?**

No cost is anticipated for engaging an intermediary as they derive a fee (c. £40 per customer) from the number of successful switches. A proportion of this fee would also be returned to the council (this would form part of contract negotiations). Contract length can range from 1 to 3 years with the option to participate in a number of subsequent auctions.

A budget will need to be established to enable the scheme to be widely promoted. There is potential to recoup some of this outlay as described above.

Officer time will be required for overall project management of scheme and delivery of promotional activities. Input from the following teams will also be required:

- Legal/procurement: advice on procurement requirements, contractual negotiations etc.
- Communications and publications: support marketing plan design and delivery.
- Gateway: taking offline registrations and first contact point.
- IT and website: webpage and IT support for outreach events.

### **Collaborative delivery approach**

A number of members of the Kent Energy Efficiency Partnership (KEEP) have indicated their interest in establishing a collective switching scheme. Tunbridge Wells, Gravesham and Dartford have director level support to explore a scheme.

A joint approach between KEEP members offers the potential to streamline the process of engaging an intermediary and having a lead authority for contractual arrangements. There could be advantages through joint promotion although there will remain an emphasis on local activities to promote the scheme.

**The Rt Hon Edward Davey MP**  
Secretary of State

Department of Energy & Climate Change  
3 Whitehall Place  
London  
SW1A 2AW

[www.decc.gov.uk](http://www.decc.gov.uk)

20 July 2012

Local Authority Chief Executives

## **COMMUNITY ENERGY SWITCHING AND BULK BUYING**

I wanted to follow up my speech at the Local Government Association last month by writing to encourage you to consider how you might lead and facilitate community energy switching and bulk buying schemes.

I believe that local authorities are well placed to help local residents manage high energy bills by organising community energy switching and bulk buying schemes, thanks to your position of trust in local communities and partnerships with other key players. Some Local Authorities already run or are involved with 'heating oil clubs' which can help local residents save money through bulk purchasing. Today I am delighted to be launching the Cornwall Together collective buying scheme, which is a collaboration between Cornwall Council, NHS Cornwall, the Eden Project and St Austell Brewery aimed at helping local residents reduce their energy bills.

I am keen to see even more Local Authority-led schemes come forward and want to do what I can to facilitate this. My Department is working with the Local Government Association on their plans for developing models and advice for local authorities who are interested in this area. DECC has issued two fact sheets, one for consumers and one for potential providers. Ofgem has also issued guidance. All are available at:

<http://www.decc.gov.uk/en/content/cms/funding/collectpurch/collectpurch.aspx>

Finally, I am very keen to hear your experiences of community energy switching and bulk buying together with any thoughts on steps we could take to facilitate such initiatives. To do this, please contact Ngaio Wallis at [ngaio.wallis@decc.gsi.gov.uk](mailto:ngaio.wallis@decc.gsi.gov.uk).

A handwritten signature in black ink, appearing to read 'Edward Davey', with a horizontal line underneath.

**EDWARD DAVEY**