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# Collective Energy Switching Scheme for West Berkshire – Supporting Information

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## 1. Introduction/Background

- 1.1 In recent years, there have been a number of schemes to enable householders to take part in collective energy switches. The West Berkshire Conservative Party pledged to deliver a Collective Energy Switching Scheme (CESS) in their recently published pre-election Manifesto. A CESS is defined as a group of consumers who join together to negotiate a better deal on their utilities. These schemes typically offer far better bargaining power and may provide access to bespoke energy tariffs that are not available on the open market. The schemes are seen as a good way of aiding vulnerable or otherwise unengaged consumers with getting a better deal for their energy. CESS provides one of the few opportunities energy suppliers have for creating bespoke tariffs.
- 1.2 By offering a CESS the Council has an opportunity to assist residents to switch energy companies and better understand how savings can be achieved. The Council can assist residents to gain confidence to switch energy companies and realise savings they would not have ordinarily been made.

## 2. Supporting Information

### 3. Setting up a CESS for West Berkshire

- 3.1 The North East Procurement Organisation (NEPO) has a framework agreement in place with CESS operator iChoosr. To use this framework, the Council must be a member/associate member of NEPO; associate membership is free and the Council would not be tied into a long term contract.
- 3.2 iChoosr will support the Council with pre-auction, auction\* and post-auction services, these may include:
  - (1) Induction and training sessions for council staff
  - (2) Support with media and marketing
  - (3) Dedicated Helpdesk for residents
  - (4) Registration website
  - (5) Auction tools and software applications
  - (6) A Switching Communication Plan
- 3.3 iChoosr run three switches a year; the next one will launch in March 2016 for a May 2016 auction\*.

\* **the auction** is in fact a reverse auction which takes place on a nominated day. This one day event will see interested suppliers bid with their best offer of an energy tariff for the collective. Throughout the day, suppliers will bid with better offers until the auction closes at the end of the day and the supplier with the best offer for the collective is chosen. There may be different winning suppliers for the best dual fuel, best prepay and green tariffs etc.

#### 4. What is a Collective Energy Switch and why get involved?

- (1) A CESS is when a group of consumers join together to negotiate a better deal on their utilities. A collective has the potential for far better bargaining power and may provide access to bespoke energy tariffs not available on the open market.
- (2) Most schemes will operate through a third party organiser, who appoints a service provider to negotiate with the energy suppliers to secure the best deals once the scheme closes. Consumers will individually receive an offer, it is then up to them whether they choose to accept this offer and switch supplier.
- (3) According to the NEPO, “less than a fifth of energy consumers in the UK are on the lowest available tariff” (2014). They consider that this may be for a number of reasons including complicated energy tariffs, worries over penalty charges, a lack of choice for pre-pay customers, or simply not getting round to it.
- (4) EMT believes that by running a CESS, WBC can help to ensure the best deals for consumers. This can have a number of positive outcomes, such as:
  - (i) Help consumers to save money
  - (ii) Helps increase the disposable income consumers have to spend in the local economy
  - (iii) Increases competitiveness between energy tariffs
  - (iv) Helps to reduce fuel poverty
  - (v) Helps to prevent further people slipping into fuel poverty
  - (vi) Can provide councils with a list of people who are happy to be contacted about reducing fuel use and energy efficiency - useful for promoting other schemes
  - (vii) Reduces barriers to all

#### 5. How it works

- 5.1 iChoosr’s auction cycle is typical 1-2 months for registrations, the actual auction is always a day, and registrants have about a month to decide whether to accept their offer. These dates are set by iChoosr, it is not possible for the Council to have

different dates as all council's participating in each switch, do so together to get the very best deal available at that time.

- 5.2 There are currently over 150 councils working with iChoosr, with 60-80 participating in each auction, with the advantage that regardless of whether we have 20 or 200 hundred people sign up for a switch, we still have the joint bargaining power of the sum of all the local authorities' participants.
- 5.3 Those who wish to take part will register by filling in their personal and tariff details on the Big Community Switch website (via our referral link). After the auction each registrant is emailed an offer by iChoosr. Experiences from providers suggest that the more the council get involved with explaining the scheme, the greater the number of switchers, which in turn increases the income generated. If participants wish to switch, they usually have a month to do so.
- 5.4 Some people will not have access to, or feel comfortable using, the online registration process. At this stage it is not proposed to provide an offline registration option; this is usually in the form of face to face or over the telephone form filling for the registrant, copies of the form and the terms and conditions are then printed and given/sent to the registrant for their records. Once the online scheme has been operated and there is ability to evaluate effectiveness, a decision on the offline process will be made; cost recovery based on current hourly rate of £34 will be the guide. For each offline participant, regardless of whether they switch, £1.50 will be deducted from the Council's referral fees.
- 5.5 Whilst registrants are in the process of switching, iChoosr work with the energy company to help resolve any issues there may be. The contracts are generally 12 month fixed rate contracts with a penalty for early termination; this is now common place, many of the best tariffs available on the market now have a penalty for early termination.
- 5.6 There will be a report produced after the switch is completed to help evaluate the scheme success.

## **6. What will it cost to run a CESS**

- 6.1 The framework with NEPO is a nil value contract and the Council would not incur overall financial cost from running a CESS. The iChoosr CESS is free for residents to sign up to. The offer is a no obligation offer so residents have nothing to lose by signing up, even if they already feel they are on the best available deal.
- 6.2 iChoosr will make a small profit (referral fee) of £20 per switcher from the winning utility company for each consumer that switches.
- 6.3 If in the future an 'offline' service was to be provided, there would be a fee of £1.50 per 'offline' resident, for those residents who did not have internet access. This fee would be deducted from the switching contribution (see below) paid to the Council, however should the fee for offline customers exceed the switching contribution; the Council would not be invoiced for the difference.

## **7. How much could householders save**

- 7.1 According to the Department of Energy and Climate Change (DECC), there is £2.2 billion worth of savings available to householders in the UK if they switched their

energy supplier (Oct 2015). New figures estimate that 11 million households could save £200 or more by switching gas and electricity suppliers.

- 7.2 In iChoosr's February 2015 auction over 66,000 households signed up, with nearly 17,000 of those switching, saving a total of £4.6 million, with each household saving an average of £282 per year. 38% of those signing up through a Council, switched.

## 8. Income generated

- 8.1 If a consumer switches, iChoosr will pay a switching contribution to the Council. This is:

- (1) £5.50 per switch for gas or electricity
- (2) £11.00 for dual fuel switches

- 8.2 It is extremely difficult to predict the income/referral fees we could expect to receive as a Council. This will depend on the amount of effort and resource we are able to commit to the promotion of the scheme. Council's putting in little effort and simply signposting residents to the website might receive £300 or less but those putting in a lot of effort, with a good communication plan and budget for marketing might receive £25,000 in an auction.

- 8.3 As a rough guide, in any one auction, we might get 1% of households (660 West Berkshire households) registering and of these 30% switching (198). Of these there would be a mix of single and dual fuel customers, based on iChoosr's previous meter ratios we might expect around £2000 in referral fees. It really would depend on how much time and resource went into promoting the scheme.

## 9. Risks

- 9.1 There is no guarantee of getting all households a better deal, via either the individual or collective switching method. The Council needs to be clear with its communications to ensure households are made aware of how savings are made, but with no promise that all will get a better deal e.g. those who already switch on a regular basis (e.g. annually) are likely to have the best deal to suit their requirements and may not be able to make significant, if any savings. If the media covered this issue in a negative way it could impact on the Council but at this stage there is no reason to believe this is significant.

## 10. Options

- 10.1 Do nothing;
- (1) A number of other Council's have been involved with a CESS; by not doing so, the Council is perceived as not helping householders save money on their fuel bills.
  - (2) Many households are unfamiliar with the benefits of switching energy companies.
  - (3) Households are put off switching because they do not know which provider to switch through.

- (4) It is likely many households will not switch if they are left without support and guidance made available through a trusted brand. The result of this will be many households continuing to overpay for their energy.

10.2 Wait for Climate Berkshire (an officer/member group which operates across the County looking at sustainability, energy efficiency and a range of other projects to protect/improve environmental conditions) to make a decision;

- (1) This is an area that Climate Berkshire has previously shown an interest in a CESS, however, it is not a priority for the group.
- (2) If WBC were to join a scheme in conjunction with the other Berkshire Authorities; some but not all promotional, administration and resources could be split between authorities.
- (3) Authorities would need to have joint branding rather than individual Council branding for the scheme.
- (4) Any referral fees earned would need to be split between authorities equally regardless of how promotion was resourced.
- (5) There is no benefit in terms of sign up numbers as for each auction; all participants nationally are a collective to get the best deal.

10.3 WBC sign up for their own Collective Switching Scheme;

- (1) This option would allow the Council to use branding of their choosing and is likely to improve WBC's reputation as a leader.
- (2) If WBC were to join alone, the process would be quicker and it may be in time to allow participation in the spring auction, saving residents money sooner.
- (3) The level of promotion and involvement for a CESS is very much up to an authority therefore resourcing and promotional costs will vary.
- (4) Any referral fees earned from West Berkshire residents that switch can offset any costs incurred to investigate, engage and promote the scheme.
- (5) WBC would not be put at a disadvantage by having a potentially smaller pool of perspective switchers, the idea is that a number of schemes around the country come together to participate in a large collective switch each auction.
- (6) WBC would be free to decide how regularly they participate in auctions.
- (7) iChoosr could provide data (for residents that agree for their data to be shared); this may be useful in future energy campaigns or in targeting potential promotion for energy efficiency schemes.

- (8) West Berkshire residents that make savings on their fuel bills are likely to have increased disposable income; which may then be spent in the local economy.

## 11. Recommendations

- 11.1 Choose option 10.3, WBC signs up to run their own CESS.

## 12. To be determined

- 12.1 WBC have the option to produce our own branding for the scheme, if we wish to do this it is proposed that branding is considered in advance so as not to delay the preparation of the WBC switching website and hence our promotion of the scheme.

## 13. Consultation and Engagement

- 13.1 Adrian Slaughter (Principal Energy Efficiency Officer), Phil Newton (Senior Energy Efficiency Officer) Paul Anstey (EHL Manager), Cllr Marcus Franks (Executive Member).

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### Background Papers:

Relevant case studies from iChoosr.

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### Subject to Call-In:

Yes:  No:

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### Strategic Aims and Priorities Supported:

The proposals will help achieve the following Council Strategy aim:

**SLE – A stronger local economy**

The proposals contained in this report will help to achieve the following Council Strategy priority:

**HQL1 – Support communities to do more to help themselves**

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### Officer details:

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## Appendix B

### Equality Impact Assessment - Stage One

We need to ensure that our strategies, policies, functions and services, current and proposed have given due regard to equality and diversity.

Please complete the following questions to determine whether a Stage Two, Equality Impact Assessment is required.

<b>Name of policy, strategy or function:</b>	Collective Energy Switching Scheme
<b>Version and release date of item (if applicable):</b>	N/A
<b>Owner of item being assessed:</b>	Paul Anstey
<b>Name of assessor:</b>	Paul Anstey
<b>Date of assessment:</b>	7/3/16

Is this a:		Is this:	
<b>Policy</b>	<b>No</b>	<b>New or proposed</b>	<b>Yes</b>
<b>Strategy</b>	<b>No</b>	<b>Already exists and is being reviewed</b>	<b>No</b>
<b>Function</b>	<b>No</b>	<b>Is changing</b>	<b>No</b>
<b>Service</b>	<b>No</b>		

1. What are the main aims, objectives and intended outcomes of the policy, strategy function or service and who is likely to benefit from it?	
<b>Aims:</b>	Run a Collective Energy Switching Scheme in West Berkshire
<b>Objectives:</b>	To provide a vehicle for residents to ensure they are getting a good deal on their gas and electricity tariffs.
<b>Outcomes:</b>	A Collective Switching website
<b>Benefits:</b>	<ul style="list-style-type: none"> <li>• Helps consumers save money</li> <li>• Helps increase the disposable income consumers have to spend in the local economy</li> <li>• Increases competitiveness between energy tariffs</li> <li>• Reducing fuel poverty</li> <li>• Preventing further people slipping into fuel poverty</li> </ul>





You will also need to refer to the Equality Impact Assessment guidance and Stage Two template.

<b>4. Identify next steps as appropriate:</b>	
<b>Stage Two required</b>	No
<b>Owner of Stage Two assessment:</b>	N/A
<b>Timescale for Stage Two assessment:</b>	N/A
<b>Stage Two not required:</b>	Yes

**Name: Paul Anstey**

**Date: 7/3/16**

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**Please now forward this completed form to Rachel Craggs, the Principal Policy Officer (Equality and Diversity) for publication on the WBC website.**