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| <b>Subject:</b>          | <b>Your Energy Sussex – Energy Tariffs</b>                        |  |                          |
| <b>Date of Meeting:</b>  | <b>17 January 2018</b>  |  |                          |
| <b>Report of:</b>        | <b>Executive Director Neighbourhoods, Communities and Housing</b> |  |                          |
| <b>Contact Officer:</b>  | <b>Name:</b>  | <b>Miles Davidson</b>                      | <b>Tel: 01273 293150</b> |
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| <b>Ward(s) affected:</b> | <b>All</b>  |  |                          |

**FOR GENERAL RELEASE****1. PURPOSE OF REPORT AND POLICY CONTEXT**

- 1.1 This report provides an update on the Your Energy Sussex (YES) partnership, led by West Sussex County Council (WSCC) plan to establish a local energy tariff scheme to deliver a set of low cost, high value energy tariffs to residents and businesses across the Sussex area. YES is a local authority partnership open to 15 Sussex local authorities working with residents, businesses and other partners to promote energy saving and renewable energy. The council is an Affiliate member of the partnership.
- 1.2 A 2017 survey and report from Ofgem showed that 75% of people had not switched energy supplier in the previous 12 months and that households on average standard variable tariffs could save up to £300 per year if they switched energy deals.

**2. RECOMMENDATIONS:**

That the Housing and New Homes Committee:-

- 2.1 notes the completion of procurement activity and appointment of Robin Hood Energy (RHE) as the successful bidder.
- 2.2 supports the promotion of the scheme to residents in the city through existing communication networks open to us.
- 2.3 notes the opportunity to develop a voids service for both Housing Revenue Account (HRA) properties and leased properties used for temporary accommodation.
- 2.4 notes the opportunity to participate in the Your Energy Sussex Fuel Poverty Fund, that will use income generated from the scheme to fund fuel poverty and energy efficiency projects across the partnership (draft principles at appendix 1.)

### 3. CONTEXT/ BACKGROUND INFORMATION

3.1 Nationally, there is clear evidence that a substantial number of consumers are not engaged in the energy market and lack knowledge of how to. A 7,000-strong retail consumer survey run by the Competition and Markets Authority ([Energy Market Investigation report 2016](#)) showed that:

- 36% of respondents either did not think it was possible or did not know if it was possible to change one or more of the following: tariff; payment method; and supplier;
- 34% of respondents said they had never considered switching supplier;
- 56% of respondents said they had never switched supplier, did not know it was possible or did not know if they had done so; and
- 72% said they had never switched tariff with an existing supplier, did not know it was possible, or did not know if they had done so.

The Competition and Markets Authority report indicates that the following broad groups are less likely to engage with the energy market:

- Low incomes – i.e. below £18,000;
- Low levels of academic qualifications;
- Live in rented homes;
- Over 65.

Evidence also suggests a higher degree of energy market disengagement among pre-payment customers, particularly when compared to direct debit customers. One of the reasons for this is because many pre-payment customers match one or more of the broad demographic characteristics outlined above.

#### 3.2 **White Label arrangement – on balance the best available option**

A number of alternative local energy options were considered by Your Energy Sussex, including a partnership with a community-led scheme, collective switching or setting up a fully-licensed energy supply company. A White Label arrangement, whereby an existing, fully licenced energy company provides regulatory compliance and use of all back office functions and systems at no cost to the councils involved, presented the best option for Sussex as a whole.

Benefits include:

- A quicker and significantly cheaper route to market than other options;
- Clear evidence of council-led White Label energy schemes working well in Peterborough, Liverpool, Cheshire East and Leeds;
- Using council endorsement and branding to overcome consumers' lack of trust in energy companies;
- Partner councils will be able to influence the tariffs offered by the energy provider;
- A council-backed partnership will be able to negotiate power purchase agreements with the energy supplier and potentially sell the renewable energy they generate – as well as providing a market for community energy groups;

- Residents will be able to switch supplier at whatever time of year, unlike in collective switching schemes;
- 3.3 The Your Energy Sussex Energy Tariffs, will offer a range of competitive, council-backed electricity and gas tariffs to residents with a focus on good customer service, fairness and transparency. They will be provided by Robin Hood Energy, the not-for-profit energy company set up by Nottingham City Council, under a 'White Label' arrangement. They will be branded as Your Energy Sussex tariffs. Robin Hood Energy has similar, successful, arrangements with a number of other local authorities.
- 3.4 From the outset Your Energy Sussex will offer the following tariffs to Sussex residents:
- Standard variable tariff (SVT) – prices can go up or down on a SVT, tends to be the default tariff for energy suppliers and are unlikely to offer the best price tariffs. Customers 'default' to the SVT at the end of fixed tariff periods unless they actively chose another tariff option.
  - Fixed tariff – you pay a fixed rate for a period of time (usually 12-18 months), tend to be lower rates than SVT, however many suppliers will have exit fees if you wish to change tariff or supplier in the fixed period.
  - Prepayment tariff – this allows you to pay as you go, by topping up a prepayment meter on-line or with a key or card, tariffs are consistently more expensive.

The partnership will work with Robin Hood Energy during the course of the contract to develop a green (renewable electricity) tariff and a tariff for businesses. The contract is between West Sussex County Council and Robin Hood Energy and is for 5 years.

- 3.5 Comparisons with the 'Big 6' energy suppliers in November 2017 showed that the Robin Hood Energy tariffs that will be used by Your Energy Sussex were cheaper across all three tariffs. In addition the contract between West Sussex county council and Robin Hood Energy has specific Key Performance Indicators that will guide tariff prices.
- 3.6 Robin Hood Energy does not currently offer the Warm Homes Discount which is a £140 reduction to certain groups of customer, for example, on pension credit. Like many smaller energy suppliers they have not reached the threshold of customer numbers required to offer Warm Homes Discount. This will be made clear in the partnership's marketing materials and the partnership will identify other ways of supporting low-income and vulnerable groups in Sussex by using any surplus income (see appendix 1).
- 3.7 **Competitive, fair and transparent – with good customer service**

Your Energy Sussex and its delivery partner Robin Hood Energy, which is run by Nottingham City Council, are not-for-profit and focused on residents' needs and providing benefits to customers and the wider community, including:

- **The tariffs** – the aim is for the electricity and gas tariffs to remain consistently competitive, ensuring that residents are always paying a fair price for their energy.
- **Easy switching** – residents will be able to switch quickly and easily through an online portal or Freephone number. The minimum industry switching time is 21 days and it is expected that all switches will be completed within 28 days;
- **No exit fees** – residents signing up for a 12-month fixed energy tariff will have nothing to pay if they change their mind;
- **Customer service** – clear customer service standards are written into the contract and will be monitored by the tariff governance board, which includes representatives from partner local authorities;
- **Clear and helpful communication** – tariff information will be clearly explained on all customer communication. Customers will also be reminded by letter that their fixed-term deal is coming to an end and, unlike many energy companies, Robin Hood Energy will make a follow-up call - an approach that is proven to ensure that 75% of customers remain on a value-for-money fixed tariff;
- **Investment in the local community** – some of the surplus income generated by Your Energy Sussex will be invested back into schemes that benefit residents at risk of fuel poverty. All partners supporting the tariffs will have the opportunity to decide how and where this income is spent (see appendix).
- **Support for social housing tenants** – the partnership is working with social housing providers to switch void properties to the Your Energy Sussex tariff and support tenants on pre-payment meters to move to a more cost-effective solution.

3.8 The Your Energy Sussex brand is being used for the scheme and this will appear on residents' bills and communications alongside the name and logo of the relevant partner authorities. Robin Hood Energy will provide all of the back office functions and systems to meet the requirements of metering and complying with industry codes. The partner authorities involved will assume the bulk of the marketing and promotional responsibility using existing resident-facing communication channels.

### 3.9 Fuel Poverty Fund

Any surplus revenue generated by the tariff will be used to create a 'Fuel Poverty Fund'. This will focus on reducing fuel poverty in local authority areas where the tariffs have been supported and promoted. It is not expected that the project will generate sufficient revenue to create a meaningful Fuel Poverty Fund for Year 1. More details on the fund can be found in Appendix 1.

### 3.10 Next Steps

The Your Energy Sussex offer went live in December 2017, wider promotion and marketing efforts, including specifically targeted campaigns will take place throughout 2018.

### 3.11 Other potential benefits

HRA Voids Tariff Switching Service

The scheme could also offer a void switching service. The service will deal with all aspects relating to the resetting of meters, debt management and supplier transfer when a landlords property becomes void. Accounts will be switched to the competitively priced Sussex Tariff during the void period so that new tenants may benefit from the competitive rates. They will have the option to switch to an alternative supplier at no cost.

#### Local generation and Power Purchase Agreements

The Sussex Tariff has the potential to provide a market for locally generated energy and offer competitively priced power purchase agreements to the YES local authorities and other partners providing a greater return on investment for existing and future projects. It could stimulate local job creation and keep profits within the local area supporting the local economy.

#### Smart meters and Smart grid technology

It also provides an opportunity, by working with the energy supply partner, to roll out a programme of Smart metering, specifically targeting pre-payment customers initially, and providing a platform for smarter grid infrastructure in the future. If a void service proceeds all pre-payment meters in void properties that are switched will have a smart pre-payment meter installed.

### **4. ANALYSIS & CONSIDERATION OF ANY OPTIONS**

- 4.1 Several other options were considered within the YES partnership, including WSCC becoming a licensed supplier, license-lite option, a community led initiative and a collective switching scheme. The council has also researched collective switching schemes; however they do not deliver many of the benefits outlined above.

### **5. COMMUNITY ENGAGEMENT & CONSULTATION**

- 5.1 No consultation or engagement has been carried out at this stage; however this will form a key strand of the project as it develops.

### **6. CONCLUSION**

- 6.1 The scheme provides an opportunity for the council to provide backing to an energy switching scheme that has the potential to benefit many of the city's residents who do not regularly switch energy suppliers. Even where residents choose to switch to an alternative supplier to the Your Energy Sussex tariff scheme, due to the promotion and engagement created through our scheme they will still be benefitting from the savings possible from regular switching. The potential to develop a void scheme could give us the opportunity to start all new tenancies on a competitive tariff with an energy company that provides excellent customer service and goes above and beyond many of its competitors to ensure that those tenants stay on the best tariff for them.

## 7. FINANCIAL & OTHER IMPLICATIONS:

### Financial Implications:

- 7.1 No direct financial contribution is required. Commitment will be of staff time and existing promotional methods and resources.

*Finance Officer Consulted: Name Michael Bentley Date: 05/12/17*

### Legal Implications:

- 7.2 As the council committee with overall responsibility for the Council's housing functions, including standards of housing in the area, it is appropriate for the Housing and New Homes Committee to receive this report outlining measures to introduce a low cost, high value energy tariff for residents. As the report is mainly for noting, there are no significant legal implications to draw to members' attention. The legal implications of the proposal for a void service for the Housing Revenue Account and leased temporary accommodation will be assessed if or when such a scheme comes to fruition.

*Lawyer Consulted: Name Liz Woodley Date: 05/01/18*

### Equalities Implications:

- 7.3 Equalities impacts have been considered through the service design and will be monitored through the ongoing contract management relationship with the energy supplier.

### Sustainability Implications:

- 7.4 The proposed scheme has the potential to support the development of renewable energy schemes in the area which have the potential to reduce carbon emissions for the city.

### Any Other Significant Implications:

- 7.5 Public Health Implications:

Strategically addressing cold homes and fuel poverty in vulnerable groups will contribute to the prevention of ill health and excess winter deaths, reduce health and social inequalities, and improve wellbeing and quality of life. Supporting and encouraging residents to pay less for their energy can contribute to tackling cold homes.

- 7.6 Corporate / Citywide Implications:

This opportunity has the potential to help us achieve the city priorities of; improving health & wellbeing and environmental sustainability.

## **SUPPORTING DOCUMENTATION**

### **Appendices:**

1. Fuel Poverty Fund

