

North Lanarkshire Council Report

Communities and Housing Committee

approval noting

Ref RS/BL/LS

Date 11/09/19

North Lanarkshire Council Fuel Switching Scheme

From Brian Lafferty, Head of Business (Housing Property and Projects)

Email Stevensononly@northlan.gov.uk **Telephone** 01698 524 969

Executive Summary

This report provides an update on the re-development of the council's fuel switching scheme and related proposals to promote the next iteration of the scheme. Previously known as 'It Pays to Switch', the original scheme was hugely successful in promoting the benefits and savings linked to switching and the promotion of such behaviour. Subject to approval, the new proposed scheme is due to be relaunched in autumn 2019 with the aim to further positively impact on the domestic energy bills of North Lanarkshire residents.

Recommendations

It is recommended that the Committee:

- 1) Note the contents of this report
- 2) Approve the use of a fuel switching service to reduce fuel poverty within North Lanarkshire
- 3) Approve the use of a 'white label' service to provide the fuel switching service, subject to a successful tendering process

The Plan for North Lanarkshire

Priority All priorities

Ambition statement (11) Increase economic opportunities for adults by understanding, identifying, and addressing the causes of poverty and deprivation and barriers to financial inclusion

1. Background

1.1 In April 2014, committee approved the development of a fuel switching promotional campaign and associated appointment of a recognised energy broker which led to Housing Property becoming a member of the Big Community Switch partnership with iChoosr.

1.2 It Pays to Switch (formerly The Big Switch)

1.2.1 The scheme was a collective switching campaign where households registered their interest along with their household energy consumption details during a 'registration period'. Collective switching is when a collection of people get together and use their collective buying power to 'negotiate' a better deal from energy suppliers. Negotiation is usually via an auction hosted by an energy broker such as iChoosr. The winning suppliers were those that offered the lowest tariff for the respective fuel/tariff type which required them to create bespoke tariffs specifically for the auction.

1.2.2 Registration was available online and was accessed via the Councils 'Saving energy, saving money' webpage and was publicised through a strong marketing campaign. For those households that did not have access to the internet or lacked the confidence to complete the online switch for themselves, support was available from Housing Property's Energy Team.

1.2.3 Through a dedicated telephone number the team established at the time responded to requests for support and advice, carrying out home visits when necessary to support many of the identified target groups.

1.2.4 Collectively, the linked campaigns undertaken realised a cumulative household savings of £545,265 with an average saving of £262 per household. This was achieved via 2,314 'switcher' households.

1.2.5 It was noted however that interest in the scheme diminished over time. This was anticipated in line with homes now switching each year through their own actions. However, evidence also confirmed that a range of key localities had not engaged as fully as many others had in the scheme, despite intensive local promotion.

1.3 Fuel Poverty and vulnerable households

1.3.1 The campaign was introduced as a response to the affordability aspect of fuel poverty. This was on the basis that vulnerable households could lack the knowledge and confidence to switch energy suppliers. At the time there were 52,000 households in North Lanarkshire (35% of households) who were in fuel poverty. These households were, and are still, more likely to be older persons or single person households and with limited income. The scheme offered single fuel and dual fuel tariffs as well as those for prepayment meters.

1.3.2 Prepayment meters enables households to pay upfront for the energy they use. This is useful for households who have a limited income as it helps them to control their overall spend, however, prepayment tariffs tend to be more expensive than comparative energy tariffs of traditional meters. With prepayment meters, there is also a risk that households will be 'cut off' when their credit runs out.

- 1.3.3 In North Lanarkshire there are currently 29,542 households with prepayment meters which is 6.4% of all prepayment meters in Scotland and 19.2% of dwellings in North Lanarkshire.
- 1.3.4 Recent data via the consumer price index has shown that domestic gas and electricity prices both increased by 9.4% and 10.97% respectively over Quarter 1 and Quarter 2 in 2019. This is despite recent action to introduce new caps across energy supply (see 2.2).
- 1.3.5 The current national switching rates of both gas and electricity meters are comparable, 19.4% and 19.1% respectively, and have increased steadily over the past four years (both fuel types increased by 7% since 2015). However, the statistics clearly suggest that the vast majority of households still do not switch supplier. For households on differential electricity tariffs that offer 'off peak' rates, they are restricted in choice in terms of supplier and are less likely to switch and so are less likely to improve upon their energy deal.
- 1.3.6 The vast majority of switching activity is undertaken online. In the UK, 99% of adults aged 16 to 44 years use the internet regularly, however use of the internet reduces by the older persons age group, particularly those 75 years or older, 7.5% of adults have never used the internet. Whilst this does not equate to the actual number of households who do not have internet access, it does support the need to have an offline support within the councils fuel switching scheme to ensure equal access to all for any future supported initiative.

1.4 **Public Energy Company (PEC) in Scotland**

- 1.4.1 In October 2017, the First Minister announced the ambition to establish a publicly owned energy company. Since then there has been various stakeholder consultation facilitated by the Scottish Government and also by their consultant Grant Thornton. The driver for the PEC is fuel poverty and therefore an expected outcome of this would be a reduction in fuel poverty throughout Scotland. The final consultant's report is expected later this summer and will propose the best model and delivery vehicle for taking this forward.
- 1.4.2 The Scottish Government are steadfast in their view that this should be done in partnership with local authorities. This would require local authorities to share the responsibilities, including possibly taking a financial stake in the company and therefore be exposed to a level of risk. The PEC is expected to be launched by March 2021.

1.5 **Fairness Commission**

- 1.5.1 In December 2016 the council appointed an independent Fairness Commission to examine fairness, inequality and poverty in North Lanarkshire. The findings were published in November 2018 accompanied by 16 recommendations. Recommendation 7 suggested:

'The council should refocus and extend its fuel switching campaign to ensure those most vulnerable are switching. The process of switching should be made easier, with more face-to-face support. This should include engaging with private landlords to insert information in tenant information packs. The council should – as a matter of routine – ensure that when a council home is re-let that a preferred fuel provider is in place.' (North Lanarkshire Fairness Commission, 2018).

2. Report

- 2.1 In December 2018, a small team was formed to review, develop and procure an alternative fuel switching campaign.
- 2.2 Earlier in the year, the Westminster Parliament introduced the Domestic Gas and Electricity (Tariff Cap) Act 2018 that required Ofgem to set a limit on energy tariffs until 2020, with a possible extension to 2023. As this was intended to help vulnerable households who are less likely to switch, it was the view of the project team that the impact of this on the success of fuel switching schemes should be further examined.
- 2.3 To assist in the research and development of a future scheme, a PIN (Prior Information Notice) was published on 23rd January via the Public Contracts Scotland advertising portal. The PIN generated 9 expressions of interest of which 5 companies offered to meet the council. These meetings were used to improve the council's understanding of the market, potential delivery models as well as the impact of the price cap. The learning from this was used to influence the design of the fuel switching service, which is primarily based on Recommendation 7 of the Fairness Commission report.
- 2.4 Following an evaluation of the preferred supplier route it was noted that this option would not necessarily offer the best energy tariff for households as it would be delivered by a sole energy company. Furthermore, to maximise household participation, would require a supplier who also provided 'offpeak' tariffs. This would restrict the council's choice of preferred supplier and thereby provide limited tariff options to council tenants. As vulnerable households are least likely to switch, it was viewed that the preferred supplier option could have a detrimental impact on these households, rather than a benefit. During the commission Our Power was still in existence and were referred to as a possible option as they offered the cheapest standard variable tariffs. This part of the recommendation therefore will be further examined before committing the council to its implementation given the change in the supplier market and the concerns raised. It is evident that the new fuel switching service should not be restrictive in terms of availability i.e. available more than twice a year, and therefore would allow the promotion of the scheme during the letting of houses by the council, partner Registered Social Landlords and private landlords.
- 2.5 **The new fuel switching service**
- 2.5.1 As the strategic housing authority, the council has a responsibility to do all that it reasonably can to address fuel poverty. The Fuel Switching Service is aimed at encouraging households to switch domestic energy supplier in order to maximise savings in terms of associated costs and therefore will positively impact on the level of fuel poor households within North Lanarkshire. The Service is not restricted to tenants and residents of North Lanarkshire and therefore has the potential to contribute to a reduction in the local and national fuel poverty level.
- 2.5.2 The intended service will be free to households, offering competitive tariffs and provide support and assistance to those using the service, and will be available online as well as offline (telephone). For those requiring assistance, a dedicated telephone number to the Service Providers contact centre will provide support to enable the household to switch to a cheaper tariff than they are currently on. The tariffs on offer will be for single fuel types as well as dual fuel options. It will offer 'off-peak' tariffs as well as options for those on prepayment meters. The online service will be a 'white label' and will

incorporate the council's branding. The design of this will be finalised during the pre-start phase of the contract. The website will be required to meet a minimum accessibility standard such as 'Web Content Accessibility Guidelines (WCAG 2.1) and work on the most commonly used assisted technologies such as screen reader and speech recognition.

- 2.5.3 The Service Provider will participate in public events to promote the use of the Service and other events such as the tenants' conference and those targeting poverty. The Service will be further promoted through the council and third sector partners involved in the North Lanarkshire Advice Network and Tackling Poverty groups.
- 2.5.4 A tender for the fuel switching service was published in June with a new contract currently scheduled to be in place by late September 2019.

3. Equality and Diversity

3.1 Fairer Scotland Duty

The fuel switching scheme will contribute to the meeting of the Fairer Scotland duty as it looks to tackle the inequality of fuel poverty.

3.2 Equality Impact Assessment

The fuel switching scheme will not directly impact on identified protected characteristics as its focus is financial savings.

4. Implications

4.1 Financial Impact

A budget requirement of £30,000 has been identified for the rebranding and marketing of the campaign. The fuel switching service should then generate its own income through rebates per switch that will be reinvested in the marketing of the campaign.

4.2 HR/Policy/Legislative Impact

The fuel switching scheme will contribute to the Scottish Governments Home Energy and Fuel Poverty Policy as its aim is to reduce the cost of domestic energy and the underpinning Climate Change (Scotland) Act 2009. The scheme is similar to the Scottish Governments proposal of a public energy company which is due to be launched in 2021 and therefore the council's scheme will be monitored to ensure it the most appropriate solution for North Lanarkshire residents.

4.3 Environmental Impact

The affordability of energy is an issue that leads households to inadequately heat their home, with some opting to self-cap. The intention of the fuel switching scheme is to enable households to heat their homes adequately as the cost of energy is more affordable and therefore a likely impact of this is more energy is consumed. Whilst domestic energy is outwith the council's carbon boundary, it is noted that a likely impact of the scheme is that domestic carbon emissions increase.

4.4 Risk Impact

A risk assessment has been completed and all perceived risks are considered to be low level.

5. Measures of success

- 5.1 Cumulative household annual savings
- 5.2 Number of switchers via council's fuel switching scheme
- 5.3 Number of vulnerable households (identified as priority services and/or entitled to warm home discount).

6. Supporting documents

- 6.1 Appendix 1 Scottish Households with Prepayment Meters



Brian Lafferty
Head of Business (Housing Property and Projects)

Appendix 1

