



Leicester / Leicestershire Energy Supply Partnership

Decision to be taken by: Assistant City Mayor Energy and
Sustainability

Decision to be taken on: 22 February 2017

Lead director: Matthew Wallace

Useful information

- Ward(s) affected: All
- Report author: Nick Morris (Head of Energy Services)
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- Report version number plus Code No from Report Tracking Database: v3

1. Purpose of report

1.1 The purpose of this report is to seek approval to enter into a formal memorandum of understanding with Leicestershire County Council for the joint governance of a local energy supply partnership.

2. Summary

2.1 In December 2015, the Executive approved the commencement of a joint procurement exercise with Leicestershire County Council to establish an energy company to offer cheaper tariffs and higher levels of customer service to local residents.

2.2 An invitation to tender document was published in February 2016 which resulted in 3 bids, of which 2 were taken forward to the negotiation stages. Final Bids have now been evaluated and a Preferred Bidder identified.

2.3 The preferred bidder is a fully licensed energy supply company and is amongst the cheapest suppliers in the market.

2.4 The offer potentially gives the councils an income in the form of customer acquisition payments that could be either paid back to customers or ploughed back into promotion of the scheme.

2.5 The benefits to local people are:

- lower cost energy tariffs to all residents with fair, consistent, and transparent pricing policies.
- a trusted brand encouraging residents to switch to a sustainably low tariff.
- better customer service, providing support and protection for vulnerable customers.
- no exit fees for switching

2.6 The councils will work together with the supplier on marketing and branding of the scheme. It is anticipated that the cost to both councils of marketing and development will be up to £25,000 each.

2.7 A memorandum of understanding will be drawn up with Leicestershire County Council to set out the purpose of the white label partnership and its governance arrangements.

2.8 Approximate timescales:

- Publicity and press releases to be coordinated with County Council in the lead up to a launch date (to be confirmed)
- Scheme name and branding approval by end of January 2017
- Website and suite of documents to be developed by end of February 2017
- Scheme launch and first customers signed up in March / April 2017

3. Recommendation

It is recommended that the Executive approve the council entering into a Memorandum of Understanding with Leicestershire County Council and gives them authorisation to award the contract with the preferred bidder on our behalf.

4. Background information.

The energy retail market is characterised by a significant proportion of consumers, who are unable or reluctant to shop around and switch to get a better deal. Most of these consumers are with the larger suppliers. Smaller locally branded energy supply can play a role in engaging these customers through the offer of distinct tariffs, higher levels of customer service and different sales channels.

Following executive approval, in December 2015, a joint procurement exercise was undertaken with Leicestershire County Council to select a suitable supplier partner to offer domestic energy tariffs under a local brand. A Preferred Bidder has now been identified on the basis of their ability to provide the quality of service required on the terms specified.

4.1 Details of the company

The preferred bidder is a fully licensed energy supply company that has established itself amongst the cheapest in the market.

The company's not-for-profit approach, ensures that tariffs are kept low, and puts them in a competitive position against other suppliers. Additionally, their commitment to high standards of customer service is closely aligned with the values of both councils.

4.2 Details of the service:

All back office functions such as billing and managing the change-over process will be carried out by the energy supplier. The councils' role will be limited to carrying out the marketing activities to acquire the customers.

The company will provide full support to householders via dedicated customer service teams working between 8am and 8pm on weekdays, and 9am to 5pm on Saturdays. Customers in Leicester will have a dedicated Freephone number, ensuring that the call is answered with the agreed brand name and the query dealt with accordingly.

New customers will receive a welcome pack either via email or in the post depending on their chosen method of account management. The welcome pack will provide

details about the chosen tariff's rate, standing charge and term, along with the terms and conditions of energy supply.

A nominated account manager will meet with the Councils on a monthly basis to provide analysis of performance against agreed indicators and to discuss customer acquisition numbers, trends and demographic information as well as the implementation of any service improvements.

4.3 Benefits for Residents

The main benefit for all local residents will be lower cost energy tariffs with fair, consistent, and transparent pricing policies.

Other benefits include:

- A discount for paperless billing (£22.50 per fuel)
- A tariff alert to notify customers of cheapest available tariff and no exit fees to switch away.
- The cheapest electricity tariff for pre-payment customers
- Able to switch residents from pre-payment meters to 'smart' pay-as-you-go alternatives with home display units.
- Higher standards of Customer service providing support and protection for vulnerable customers.
- Energy saving advice
- A roll out of smart meters and smart PAYG meters
- A "green tariff" alternative for customers that wish to purchase energy generated from renewable sources.

4.4 Customer Acquisition Fees

As part of the winning tender, the preferred bidder has offered a fee of £0.50 per single fuel customer per month, or £1.00 per dual fuel customer per month (equivalent to £6.00 and £12.00 per annum respectively), for the duration of the partnership. These payments could either be used to offset costs of marketing the scheme, or returned to customers as a discount to avoid any potential criticism. The management of customer acquisition fees would be dealt with in the Memorandum of Understanding between the councils.

4.5 Governance

A Memorandum of Understanding will be drawn up that sets out the governance arrangements for this "not for profit" partnership between Leicester City Council and Leicestershire County Council over the 5 year term of the contract.

4.6 Leicester City Council's Void Domestic Properties

LCC Housing currently has a void management arrangement with Scottish and Southern Electricity to transfer electricity and gas supplies each time a domestic Council property becomes vacant. This contract will be reviewed in 2017 and there could be an opportunity to switch to a similar arrangement with the preferred supplier, subject to separate discussions with Housing and agreement of terms.

5. Financial, legal and other implications

5.1 Financial implications

No significant financial implications or risks for the Council are envisaged. The Council will have a choice as to how to use the monthly acquisition fee received for each customer which could for example be used to offset marketing costs.

– Colin Sharpe, Head of Finance, ext. 37 4081

5.2 Legal implications

The terms of the Memorandum of Understanding have been reviewed and agreed with Leicestershire County Council. It should be noted that a Memorandum of Understanding is not intended to be legally binding.

- Mandeep Virdee, Legal Services, ext. 37 1422

5.3 Climate Change and Carbon Reduction implications

The proposed Leicester/Leicestershire Energy Supply Company represents an opportunity for city residents to reduce their carbon dioxide emissions. The city council should maximise opportunities to promote energy saving advice and opportunities, and promote the use of renewable energy.

- Mark Jeffcote, Environment Team, ext. 37 2251

6. Background information and other papers:

7. Summary of appendices:

None

8. Is this a private report (If so, please indicated the reasons and state why it is not in the public interest to be dealt with publicly)?

No

9. Is this a “key decision”?

Yes

10. If a key decision please explain reason

The decision is significant in terms of its effect on communities, particularly low income households in the city.