



COUNCILLOR PHIL DAVIES

LEADER OF THE COUNCIL

CABINET
27TH MARCH 2017

TACKLING FUEL POVERTY

Councillor Phil Davies, Leader of Wirral Council, said:

“Fuel poverty is a growing issue throughout the UK, with people finding it more and more difficult to properly heat their homes and afford the rising costs of gas and electricity. 1 in 10 people in Wirral are in this same situation.

We must do everything in our power to support our residents to live safe, healthy and fulfilling lives. This report proposes we create a new energy company, which would – at no cost to the tax payer – put us in a position to sell gas and electricity to residents at a much lower rate.

I am delighted we have been able to produce such an imaginative proposal to help every resident in our borough save money on their energy bills.”

REPORT SUMMARY

Across the Country, local authorities are taking action to improve energy security, lower energy bills and support community economies by seizing opportunities to get involved with energy supply. By doing so, they provide customers with an alternative to the “Big 6” utility companies.

As fuel poverty continues across the UK, consumers in the most need continue to be faced with a lack of choice from the energy industry. Local Authorities have been exploring various models to tackle this, from collective switching to energy efficiency measures.

A number of local authorities have already entered the energy market, mainly as either as a Fully Licensed Operator, a White Label Provider or as a License Lite operator.

The Council now wants to take action to reduce the number of people paying too much for gas and electricity. It is believed that the best way to achieve this is to establish a new local energy supply service offer, which can provide competitively priced energy supplies supported by a programme of smart meter installations.

Research recently published by the Citizens Advice Bureau showed that people who have to use prepayment meters pay on average an extra £226 a year on their energy bills compared with those paying the cheapest direct debit tariff.

Wirral Council is seeking to help address the issue of fuel poverty. Fuel poverty is an issue that affects a large number of Wirral residents (10.9%) and setting up an energy supply service will help alleviate this by enabling residents to obtain cheaper gas and electricity.

There are 3 main Energy market considerations, each with differing levels of risk:

- **Fully Licensed Operator (Example : Nottingham City Council)**
Local Authority applies to Ofgem for a license to become a gas and electricity energy supplier. LA to comply with a number of industry codes.
- **White Label Provider (Example : Liverpool City Council, Cheshire East)**
Local Authority doesn't hold a supply license itself, but partners with an already established licensed supplier to offer gas and electricity under its own brand (e.g. Wirral Energy). Partner will already possess an energy license together with the relevant statutory and compliance infrastructure.
- **License Lite (Example : Greater London Authority)**
Local Authority taking on the role of an electricity supplier with an existing senior energy supplier. LA applies to Ofgem for electricity only license and has to comply with all aspects of their electricity licence expect for compliance with industry codes.

This project will enable residents who are currently less able to switch energy providers to do so more easily as the option we are proposing doesn't require residents to pay a switching fee. There is a key piece of work to be done with landlords to encourage them to take advantage of the cheapest tariffs available.

The project will contribute economically by maximising household income for the most vulnerable and low income tenants and by supporting more households out of fuel poverty.

RECOMMENDATION/S

Cabinet is requested to:

1. Approve the setting up of an Energy Company as recommended.
2. Instruct Transformation Programme Office to explore the possibility of working in partnership with other local authorities in the set up of an Energy Company.
3. Authorise Transformation Programme Office to assemble a project team to progress work on the setting up of an Energy Company.
4. Set up a partnership agreement (if required) in respect of the energy supply service.
5. Instruct officers to carry out a procurement exercise in order to find a licensed supplier and :
6. Award the contract to the preferred supplier following the conclusion of the procurement exercise.

SUPPORTING INFORMATION

1.0 REASON/S FOR RECOMMENDATION/S

Fuel poverty is an issue that affects a large number of Wirral residents (10.9%) and setting up an energy supply service will help to alleviate this by enabling residents to obtain cheaper gas and electricity.

2.0 OTHER OPTIONS CONSIDERED

Part of the strategic outline case involved a detailed options appraisal for the most appropriate market entry option for Wirral.

3.0 BACKGROUND INFORMATION

The aim of this project is to reduce gas and electric tariffs across the Wirral for all residents by directly competing in the marketplace and driving down wider market energy costs and ultimately reduce fuel poverty in the Wirral area.

- a. A fuel poor household is defined as one which needs to spend more than 10% of its income on all fuel use and to heat its home to an adequate standard of warmth. In England, this is defined as 21°C in the living room and 18°C in other occupied rooms.
- b. It is estimated that 10.9% of households in the Wirral are fuel poor.

County	Estimated number of households	Estimated number of Fuel Poor Households	Proportion of households fuel poor (%)
Wirral	142,993	15,568	10.9%*

*Source : Sub-regional fuel poverty, 2014 data

The proposals contained in this report provide a direct contribution to a number of the Pledges within the Wirral Plan, including:

- Older people live well
- Reduce child and family poverty

Commercial arrangements with Housing Associations, Registered Providers, Housing and Commercial Developers will need to be scoped and established to include new build, transition and void properties to maximise the number of switching customers.

The greatest risk is in the Council not doing anything, which would result in fuel poverty households potentially remaining in fuel poverty and not being able to benefit from this proposed Wirral Energy scheme.

As part of the 1st phase, the Energy Company will focus on energy supply to residents, a second phase of the project at a later date with encompass commercial Energy for businesses, council assets, schools and colleges.

There are three approaches Wirral council could take;

- Fully Licenced Operator
- White Label Provider
- License Lite

Details related to each of three approaches can be found in the attached appendix.

An initial high level options appraisal has been undertaken as set out in the Corporate Business Analysis Framework and the preferred Energy Market Entry for Wirral Council is to become a “White Label Provider”.

In the short term, it may be advantageous to enter the energy market through a White Label supplier arrangement with a longer term aspiration to development and establish a Liverpool City Region “Fully Licenced Operator” arrangement.

However, there are a number of further options available to Wirral under the recommendation of a ‘white label provider’;

- a) Undertake a sole procurement exercise for Wirral.
- b) Undertake a procurement process to include other LCR local authorities.
- c) Partnerships with City Region Authorities.

Recommended Option for further work

It is recommended work is undertaken quickly to engage with other local authorities in the Liverpool City Region to ascertain their aspirations in relation to Energy Market entry. An initial assumption is a regional based energy company could be established which in turn could bring economies of scale.

4.0 FINANCIAL IMPLICATIONS

It is expected that there will be no overall cost to the council. Any costs incurred in the set up and marketing of the Energy Company will be off-set by income achieved through customer switching arrangements.

5.0 LEGAL IMPLICATIONS

The legal and governance implications for these proposals will be considered as part of the project planning process.

6.0 RESOURCE IMPLICATIONS: STAFFING, ICT AND ASSETS

It is assumed that existing resources will be in place to support the Marketing, Contract Management, Project Management, Legal and Financial aspects of such a programme of work.

7.0 RELEVANT RISKS

All risks associated with this programme will be identified and managed as part of the project planning process.

8.0 ENGAGEMENT/CONSULTATION

There is no identified consultation requirements associated with the project.

9.0 EQUALITY IMPLICATIONS

Equality implications will be considered as part of the project planning process.

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APPENDICES

Strategic Outline Case : Energy Company Market Entry

REFERENCE MATERIAL

SUBJECT HISTORY (last 3 years)

Council Meeting	Date