

Report of: Executive Member for Environment & Transport

Meeting of:	Date	Ward(s)
Executive	24 November 2016	All

Non-exempt

SUBJECT: Angel Energy – Islington’s ‘white label’ energy supplier**1. Synopsis**

- 1.1 Subject to contract, this report proposes the setting up of a partnership between the Council and Robin Hood Energy to promote gas and electricity sales to residents through Islington-branded energy tariffs. The proposed brand – Angel Energy - will be developed to identify the service with the Council and be promoted and marketed through all available channels.

On 10th March 2016 the Executive agreed to enter into “a strategic partnership agreement with OVO Energy for the marketing of gas and electricity to local residents.” OVO Energy subsequently withdrew from negotiations and we therefore began negotiations with Robin Hood Energy. This report proposes to form a similar partnership with Robin Hood Energy with some minor changes.

2. Recommendations

- 2.1 To agree, subject to contract, to enter into a strategic partnership and tariff agreement with Robin Hood Energy under the brand of Angel Energy, for the marketing of gas and electricity at agreed tariffs to local residents.

3. Background

- 3.1 The UK has experienced significant year-on-year price rises for domestic energy over the past decade. Between 2005 and 2015 household electricity and gas bills rose by 48% and 81% respectively in real terms.
- 3.2 In October 2014 the Council’s Environment and Regeneration Scrutiny Committee commenced a Community Energy scrutiny which has now reported with recommendations that include:

- **That consideration be given to working with an intermediary to provide a scheme for Islington residents with energy tariffs set by the Council.**
- **That work take place to consider how the number of smart meters could be increased.**

- 3.3 In June 2015, the Office of Gas and Electricity Markets (OFGEM) produced a report titled 'Treatment of white label providers in the domestic retail market' (www.ofgem.gov.uk/publications-and-updates/treatment-white-label-providers-domestic-retail-market) which changed the regulations around branded energy companies. This opened up the market and made it easier to use brands such as 'Islington Council' to promote the sales of gas and electricity.
- 3.4 Nationally in 2015, around 3.4 million domestic energy customers changed supplier. On average, those that change energy supplier have their bills reduced by £200 per year with 20% saving over £300.
- 3.5 It is considered likely that Council branded tariffs would be particularly attractive to elderly and more vulnerable residents. It is also likely that some of the cost reduction will go to reduce under heating in vulnerable properties, but the remainder will be available to residents to improve their own economic wellbeing.
- 3.6 The Council has examined the market and approached several suppliers and based its conclusions on their responses. After consideration, the Council has decided, subject to contract, to work with Robin Hood Energy.
- 3.7 Robin Hood Energy (RHE) are unique amongst the non 'Big Six' branded energy providers in that;
- Are wholly-owned by another local authority, Nottingham City Council
 - Have experience of delivering this service with other local government organisations
 - Can start quickly and allow us to expand in the future
 - Have a priority service register for vulnerable residents
- 3.8 RHE match or exceed the big six and other branded energy providers in that;
- They have a good offer for Prepayment Meter (PPM) customers
 - Install smart meters for PPM customers for free
 - Have online and offline top-up methods for PPM users
 - UK based customer service team
 - Provide branded websites and bills etc.
 - Provide dedicated branded phone numbers

Partnership Details

- 3.9 To break even on the marketing budget, the proposed end of first year target for the scheme is 6,000 dual fuel customers

If the above target is met solely through recruiting Islington residents, the economic benefit to the borough (primarily to elderly and more vulnerable residents) would be in the region of £1.2m.

RHE also require that the total number of dual fuel customers (individual gas or electric accounts) remain above 6,000 as a contractual minimum from the end of the first whole year for the contract term.

- 3.10 As part of the partnership, the Council will:
- Appoint a day-to-day manager of the scheme, responsible for co-ordinating and delivering marketing activities and stakeholder engagement.
 - Designate a senior level staff member for overseeing the scheme who has the authority to approve marketing materials etc
 - Designate a high profile champion within the council (i.e. Chief Executive / Leader / portfolio holder) for activities such as adding quotes to press releases, signing 'direct mail' letters that are sent to residents, and being interviewed
 - Release a minimum of six press releases during each year of the scheme
 - Promote the brand prominently through existing Council assets, including the website, social media etc.

- 3.11 As part of the partnership, RHE will:
- Invest in and deliver 'white labelled' tariffs to an agreed launch date
 - Provide energy to the customers, including provision of all customer-facing services, to the same high standards provided to RHE's direct customers
 - Invest in and deliver marketing of the tariffs to achieve the agreed targets
 - Report on sales and customer services levels to the Council
- 3.12 The Council will be ethical in its marketing and activity used to generate interest and promote switching which will include:
- Direct mail campaigns, with letters signed by the scheme's high profile champion
 - Telesales
 - A resident engagement 'face to face energy saving' scheme
 - Promotion in Council publications (e.g. IslingtonLife, Your Home etc.)
 - Local press adverts and articles
 - Council web, social and email promotion (e.g. www.islington.gov.uk @IslingtonBC, Facebook, Residents E-bulletin)
 - Leisure Centre screen advertising and electronic estate noticeboards
 - Large format posters in the bus shelters and the Council's Customer Centre
 - Comparison sites
 - Advertising on rent statements and communications from Councillors
 - Frontline staff briefings
 - Intranet advertising
- 3.13 The name and branding of the energy tariff will be critical to the success and any future expansion of the scheme. Therefore the name – Angel Energy - is closely linked to Islington, but also be able in principle to be used outside of the borough at a future date. This will be similar to the partnership between RHE and Leeds City Council – White Rose Energy (www.whiteroseenergy.co.uk).

Risks

- 3.14 Reputation is a key risk. Energy prices go up and go down, and it cannot be certain that the Islington branded offer will always remain one of the most competitive. There will also be residents who get into debt, and that debt will need to be recovered. The financial risks are identified in 4.1 below.
- 3.15 As with any company, RHE may at some point cease trading for any variety of reasons. In such circumstances, OFGEM has rules to make sure that households are transferred to a different supplier.

4 Implications

Financial implications:

- 4.1 The cost of the proposal is estimated to be around £100k. Meeting the target number of customers will take time and it is anticipated that the net cost of the service will be higher than £28k in the first three years, and could be as high as £100k in year 1. Every effort will be made to lower the costs of sales and marketing through the use of existing channels but revenue growth will be needed and will need to be considered in the Councils medium term financial strategy. The costs above do not include any costs for a manager mentioned in paragraph 3.10 and this will require additional growth if this cannot be resourced utilising existing staff.

Legal implications:

- 4.3 The proposed relationship between the Council and RHE is in the nature of a 'sale of service arrangement' with the Council being paid a fee by RHE for each household that switches to Angel Energy. This relationship will be established in a service contract between the Council and RHE.
- 4.4 It is hoped that the revenue derived by the Council under the service agreement on an ongoing basis will be no more than the costs incurred in providing the service to RHE, with the benefit being realised by residents taking advantage of the energy tariff. Therefore the Council may rely on the general power of competence to enter into partnership with RHE as proposed in the report (Localism Act 2011, s1(1) and (2)). The Council may charge for the services that it provides RHE under the provisions set out in

s1(4)(b) of the Localism Act 2011.

4.5 White label energy providers are regulated by OFGEM. Such regulations apply to RHE as the licence holder. They have no implications for the Council.

4.6 The Council's Financial Regulation 5.13 sets out the following requirements:
The Corporate Director or Assistant Chief Executive of any department or division that is entering into contractual arrangements to work for a third party or external body shall be responsible for ensuring that:

- appropriate insurance arrangements are made
- all potential risks are identified and actions to mitigate these risks put in place
- wherever possible, payment is received in advance of the delivery of the service
- such contracts do not impact adversely upon the services provided by the Council
- proper contractual documentation is maintained
- proper accounting and reporting arrangements exist.

4.7 Potential State aid

The agreement with RHE will not provide for any direct payment to RHE by the Council nor a profit guarantee, both of which would be likely to give rise to State aid.

However, under the terms of the proposed agreement, the Council will perform marketing and promotion which may incur a net cost to the council and a potential cost saving to RHE. These activities are expected to be of only nominal value and the Council should be able to rely on the €200,000 "de minimis" threshold below which a private enterprise can receive aid aggregated from all public bodies over a three-year period without triggering State aid.

The Council will require RHE to undertake to monitor the State aid received by it from all sources to ensure that the de minimis threshold is not met during the first three years of the partnership.

Public Contracts Regulations 2015

The proposed arrangements with RHE do not fall within the scope of the Public Contracts Regulations 2015 as the Council will not be receiving or purchasing services or supplies from RHE and therefore a competitive procurement exercise is not required to be undertaken.

Environmental implications

4.8 There are no foreseen major environmental implications for this service. Since RHE are a relatively new supplier they have not yet published their fuel mix disclosure but are due to report this to Ofgem in summer 2017. They state that they aim to gradually reduce carbon emissions whilst offering a good price to customers. The minor impacts are likely to be from producing marketing materials, office usage, and include energy and resource use, and waste generation. The Council has measures in place to ensure that energy usage is minimised and that waste is reduced and recycled as much as practically possible.

Residents Impact Assessment

4.9 The Council must, in the exercise of its functions, have due regard to the need to eliminate discrimination, harassment and victimisation, and to advance equality of opportunity, and foster good relations, between those who share a relevant protected characteristic and those who do not share it (section 149 Equality Act 2010). The Council has a duty to have due regard to the need to remove or minimise disadvantages, take steps to meet needs, in particular steps to take account of disabled persons' disabilities, and encourage people to participate in public life. The Council must have due regard to the need to tackle prejudice and promote understanding.

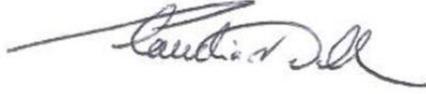
A RIA has been undertaken and concluded that outcomes will be positive for all residents, and especially so for more vulnerable groups. There are also no additional equalities or safeguarding implications that are not in place already given the current work that the Council's Energy Service undertake.

5. Reasons for the recommendations / decision:

- 5.1 The service outlined in this report is a Council priority insofar as lowering resident's energy bills will help them cope with the cost of living and allow for warmer homes helping to reduce the impacts of cold damp homes and improving health and quality of life.

Appendices – none

Signed by:



16 November 2016

Executive Member for Environment and Transport Date

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