

HAMPSHIRE COUNTY COUNCIL**Executive Decision Record**

Decision Maker:	Executive Member for Environment and Transport
Date:	22 January 2013
Title:	Procurement Approval: Collective Energy Switching
Reference:	4529
Report From:	Director of Economy, Transport and Environment

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1. The decision:

- (a) That approval to procure be given in respect of the concession contract for a collective energy switching service of up to one year duration (with the option to extend after that period on a yearly basis, up to a maximum of four years in total). The one year contract has an estimated operational value of up to £3.8 million (based on three switching cycles) for the intermediary organisation. The total contract over 4 years has an estimated value of up to £15 million for the intermediary.
- (b) That a ratio of 10% for cost recovery and 90% for quality be applied in tender evaluation of the items approved.
- (c) That the Director of Economy, Transport and Environment be given delegated authority to agree any variations, in consultation with the Executive Member for Environment and Transport.

2. Reasons for the decision:

- 2.1. The County Council is looking to work in partnership with the district and borough councils in Hampshire, along with Portsmouth City Council and Southampton City Council, in the further development and delivery of a county-wide collective energy switching scheme in Hampshire.
- 2.2. In order to progress this work, the County Council, on behalf of these authorities, wishes to procure the services of an intermediary organisation, to organise a collective switching scheme for consumers of grid based electricity and/or gas in Hampshire.

- 2.3. Recent market research shows that the average Hampshire household energy bill is just over £1000 a year¹, this equates to annual spend of over £800m on domestic energy across Hampshire.
- 2.4. Typically, consumers in Hampshire could save up to £200 a year on their energy bills by participating in a collective energy switching scheme, depending upon their current tariff(s) and their personal circumstances. For the first year of the scheme it is predicted that total savings could reach £25m for customers in Hampshire. Assuming a typical pattern of take-up in subsequent years savings could exceed £150m at the end of the four year scheme².
- 2.5. In the longer term, a scheme could also: encompass a wider target group including Small and Medium Enterprises, and other corporate and commercial entities; focus specifically on target groups such as those in fuel poverty; or include a wider range of fuels e.g. collective purchasing for those using heating oil.
- 2.6. Delivery of a collective switching scheme will also enable the County Council to: demonstrate delivery of a project 'on the ground' to benefit the people of Hampshire; build closer relationships with its communities in relation to the energy agenda; use its position as an organisation trusted to act in the best interests of local consumers to reduce energy costs; build on the successful partnership working established through Insulate Hampshire; and utilise an innovative 'service delivery' model.
- 2.7. Working with an intermediary organisation, a scheme could be delivered without the need for heavy resource input from the County Council, since the intermediary would undertake the bulk of the work required.

3. Other options considered and rejected:

- 3.1. That Hampshire County Council does not deliver a collective energy switching scheme, in partnership with other Hampshire local authorities, and therefore does not proceed with procurement of an intermediary organisation to provide the relevant services. This would mean that the benefits of collective switching would not be demonstrated, through the actions of the County Council, in Hampshire.
- 3.2. That Hampshire County Council operates as the intermediary itself, aggregating demand, leading the negotiation process and managing the logistics of mass switching on behalf of participating consumers. This option is not recommended as the County Council currently lacks the relevant skills and expertise required to do this.
- 3.3. That Hampshire County Council joins an existing collective switching scheme, being delivered by another local authority, in order to maximise participant figures and therefore purchasing power. This option is not considered

¹ OFGEM figures show that this is slightly lower than the national average of £1390.

² This is based on current energy prices and does not take into account rising prices or any future changes to tariff structures.

necessary, since Hampshire's size indicates that a successful scheme could be independently delivered here.

4. Conflicts of interest:

4.1. Conflicts of interest declared by the decision-maker: None.

4.2. Conflicts of interest declared by other Executive Members consulted: None.

5. Dispensation granted by the Conduct Advisory Panel: none.

6. Reason(s) for the matter being dealt with if urgent: not applicable.

7. Statement from the Decision Maker:

Approved by: ----- Executive Member for Environment and Transport Councillor M J Kendal	Date: 22 January 2013
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