

EAST HERTS COUNCIL

ENVIRONMENT SCRUTINY COMMITTEE - 17 FEBRUARY 2015

REPORT BY THE EXECUTIVE MEMBER FOR COMMUNITY SAFETY  
AND ENVIRONMENT

UPDATE REPORT ON COMMUNITY ENERGY

WARD(S) AFFECTED: ALL

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**Purpose/Summary of Report**

- To update the Committee on initial schemes that officers are exploring in relation to facilitating community energy activities within the district.

<b>RECOMMENDATION FOR Environment Scrutiny</b>	
<b>That:</b>	
<b>(A)</b>	<b>To scrutinise the suggested activity relating to Community Energy and to identify any additional topics for specific discussion/inclusion within future reports on Community Energy; and,</b>
<b>(B)</b>	<b>To receive a further report on potential Community Energy project activities at a future meeting.</b>

1.0 Background

1.1 At the meeting of the Environment Scrutiny Committee in September 2014, members received a detailed report on the East Herts Climate Change Action Plan and the activity undertaken in its implementation.

1.2 The report introduced to Members the concept of Community Energy. It was agreed that further reports would be provided to this Committee as project work in the area develops. This report

aims to update Members on some potential initiatives that currently are being explored by officers.

## 2.0 What is Community Energy?

2.1 The Government's Community Energy Strategy was published by Department of Energy and Climate Change (DECC) last year. The Government defines community energy as collective action to reduce, purchase, manage and generate energy. There are clear links with the national carbon reduction agenda and also fuel poverty as well as energy efficiency initiatives.

Community energy projects have an emphasis on local engagement, local leadership and control and the local community benefiting collectively from the outcomes. Community-led action can often tackle challenging issues around energy, with community groups well placed to understand their immediate local areas and to bring people together with common purpose.

2.2 Activity relating to community energy may be led directly by local community groups either independently or in partnership with other organisations. Local authorities are increasingly being seen as pivotal players in facilitating local action, be it in supporting community activity or in terms of establishing their own projects.

2.3 The previous report detailed a number of potential examples of community activity including community owned renewable energy infrastructure; local community support for energy efficiency measures; energy clubs; and renewable heat projects amongst others.

## 3.0 Collective Energy Switching

3.1 Collective Energy Switching is a relatively new initiative in the UK which has been set up to help residents and SME's (small and medium enterprises) reduce their energy bills. It is usually run by a council or some other trusted independent body (e.g. a consumer group). The purpose is to encourage residents to group together and use their collective power to negotiate a better price for their energy.

Research (DECC 2014) has found that less than a fifth of energy consumers in the UK are on the lowest tariff available, yet many consumers are still reluctant to switch due to complicated deals, fears over contract cancellation charges and a simple lack of time.

3.2 Collective energy switching aims to make it easier, quicker and cheaper for all residents to switch energy deals and in particular:

- Support those in fuel poverty get a lower price for their energy as well as preventing more people slipping into fuel poverty.
- Support financial inclusion.
- Ensure that the needs of vulnerable residents are met (for example, the elderly or those with disabilities).

3.3 Collective Energy Switching Schemes offer a way of harnessing the power of collective purchasing to enable consumers to achieve better deals on their energy bills.

To date over 150 councils, including Hertfordshire County Council (which joined a scheme operated by Peterborough City Council), have taken part in collective energy switching schemes and over 300,000 people in England have signed up to council run schemes. However, there has been a wide range of success across the UK with some schemes proving relatively costly for local authorities in terms of set up and operational costs. To overcome this the Local Government Association (LGA) has launched a Collective Switching Framework.

3.4 The purpose of the LGA collective switching framework is to support councils and other public sector organisations in implementing Collective Energy Switching Schemes within their communities on behalf of their residents and SMEs. The framework is owned by the LGA, but the procurement service is run by the North East Procurement Organisation and utilises a switching service operated by a company called iChoosr.

3.5 Using the Framework Agreement for Collective Energy Switching Schemes has a number of benefits:

- The framework is free to use for all LGA members
- The framework is fully compliant with the Public Contracts Regulations (OJEU complaint) 2006
- iChoosr has already been assessed for its health and safety, equality and diversity, environment and

sustainability, and quality compliance, hence requiring no further vetting.

- Terms and conditions have been established to underpin the framework with a flexible contract that can be adapted for local needs whilst still ensuring a relatively simple process.

3.6 Of particular importance is the use of a single switching provider as this allows for the development of a critical mass, which is key to the success of such schemes. This is because, as the process involves an auction arrangement with energy companies, so the greater the potential number of residents the more competitive a tariff is likely to be achieved.

In the past many schemes have involved monthly auction costs to local authorities, sometimes in the region of £5000. For this reason officers have hesitated in the past in recommending that East Herts becomes actively involved in its own scheme. The LGA framework delivers a scheme at little or no cost to the authority. However, there are two cost implications. One is that any scheme depends on good promotion and clearly there may be some costs in this area if such a scheme is promoted outside the Council's "free" publicity routes. The second is that it is an internet based scheme. For residents that sign up and have to be contacted by post there is a charge of £1.50 per resident levied under the framework.

3.7 However, whilst there are some possible minimal operational costs there is also the potential to generate a small level of income that may be utilised to offset such costs. This is because for each switched customer a referral fee is paid to the Council at the following rates:

- £5.50 per switch for gas
- £5.50 per switch for electricity
- £11.00 for dual fuel switches

This income could therefore be used to fund promotion of the scheme, other energy initiatives, community energy facilitation or indeed any other purpose.

As mentioned above a charge of £1.50 is levied for each resident who registered offline. However, this cost would be absorbed by any referral fee. Additionally, should the total fees

for offline registrations exceed the total switching contribution generated, no invoice would be made by iChoosr , as it is a nil value contract and hence local authorities using the using the framework should not incur any financial cost directly related to the contract.

- 3.8 It is therefore proposed that officers continue to investigate the detailed arrangements for the operation of the LGA framework contract with a view to establishing an East Herts collective energy switching scheme to benefit local residents, later this year.

#### 4.0 Community Energy Saving Competition

- 4.1 The Government recently launched a Community Energy Saving Competition at the end of January 2015, aimed at providing grants of up to £20,000 to incentivise local project activity. The grant scheme had a very short open period of just a couple of weeks, and closed on 10<sup>th</sup> February. As such it was not possible to submit a specific bid for East Herts, but at the time of writing a joint partnership bid, through the Herts Sustainability Forum, was in preparation. In addition local community groups were advised of the competition. The committee will be updated at the meeting.

#### 5.0 Partnership Activity

Community energy is very much about working in partnership with the community and as such East Herts has already been active in becoming one of two lead local authority members in a Hertfordshire wide Community Energy Network. The Network is aimed at bringing together voluntary and community sector organisations across the county to develop community renewable energy projects. A conference and workshop is planned for the summer and will be coordinated by the Herts Sustainability Forum, led by East Herts Council.

#### 6.0 Opportunities for Community Activity in East Herts

- 6.1 As previously reported one local community group based in Hertford - Hertford Energy Now - has established successfully its own self funded community energy scheme. It is proposed that the Council investigate how it can best facilitate community groups to develop similar such projects across the district. Officers

are considering whether it may be possible to organise a number of local meetings to highlight the opportunities of community energy to the voluntary sector, in terms of its potential for income generation for local organisations.

6.2 Local meetings will have some cost to the Council in terms of premises hire and staff time, but it may be possible to meet this from within existing budgets. In addition it is suggested that a desk top exercise be undertaken to ascertain the potential for community renewables across the district in terms of available community “roof space” for the installation of solar PV. It may be possible to undertake such a study using contacts with the University of Hertfordshire, alternatively external consultants would cost in the region of £4,500. Officers will investigate such a project in more detail.

6.3 In order to assist community groups with developing their own projects there may be a need to provide some level of grant assistance, e.g to help support feasibility studies, technical advice and publicity. It is suggested that it may be possible to extend the remit of some of the Council’s existing community and/or environmental grant schemes to encompass community energy projects should the Council be so minded.

In addition should the Community Switching scheme (discussed in 3.0 above) be established any income generated from this could be utilised to provide support for other community energy initiatives in the district.

## 7.0 Conclusion

7.1 It is believed that Community Energy as a concept has strong potential in terms of the development of local community driven projects. It is recommended that the initial ideas detailed in this report, such as the introduction of a community energy switching scheme, are explored further and implemented if possible. Further update reports including details of other possible initiatives will be presented to the Committee at future meetings, as appropriate.

## 8.0 Implications/Consultations

8.1 Information on any corporate issues and consultation associated with this report can be found within **Essential Reference Paper ‘A’**.

## Background Papers

LGA Collective Switching Framework (2014)  
Community Energy Saving Competition Guidance Note (DECC January 2015)

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