

Report of the Strategic Director of Corporate Services to the meeting of Executive to be held on 10 January 2017.

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Subject:

White Rose Energy

Summary statement:

Leeds City Council has created a local authority led energy services company (LESCo) called White Rose Energy (WRE) to provide a “fairer” energy supply deal to households across the Yorkshire & Humber region.

White Rose Energy is being opened up as a partnership, to other local authorities across the Yorkshire & Humber region. Some authorities and housing associations have been involved in discussions to date, including Bradford Council.

Leeds City Council is aiming to have the first partners signed up January 2017. This report seeks Executive approval for Bradford Council to enter into a formal partnership with White Rose Energy.

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Overview & Scrutiny Area:**Environment & Waste**

1. SUMMARY

- 1.1 Leeds City Council has created a local authority led energy services company (LESCo) called White Rose Energy (WRE) to provide a “fairer” energy supply deal to households across the Yorkshire & Humber region.
- 1.2 White Rose Energy is being opened up as a partnership, to other local authorities across the Yorkshire & Humber region. Some authorities and housing associations have been involved in discussions to date, including Bradford Council.
- 1.3 Leeds City Council is aiming to have the first partners signed up January 2017. This report seeks Executive approval for Bradford Council to enter into a formal partnership with White Rose Energy
- 1.4 This report sets out the background to the establishment of White Rose Energy, a not for profit, “fair price”, domestic energy supply offer. The report summarises the proposal for wider local authority partnerships within WRE, the nature of the partnership agreement and costs and benefits for authorities and citizens.
- 1.5 The report seeks Executive approval for Bradford Council to establish a local partnership with WRE, to sign up to the Service Level Agreement and to launch the product to Bradford citizens early in 2017.

2. BACKGROUND

- 2.1.1 OVO Energy from 2014/15 has been offering “community energy tariffs” – an own label local authority branded energy offer for communities. Versions of this have been offered with varying degrees of success in East Cheshire, Peterborough & Southend. This offered customers a tariff in the lower price quartile across, variable, fixed and pre-payment tariffs. Bradford were approached, had discussions with OVO, briefed Leader and Portfolio Holder who asked that this be explored as a Leeds City Region (LCR) opportunity. There was no traction with the idea at LCR at the time. The OVO partnership agreement was too inflexible for Bradford Council to pursue on its own.
- 2.1.2 Robin Hood Energy (RHE) is a fully licenced, Ofgem compliant energy supply company, a small operator but with ambitions to operate in market where OVO and other new entrant suppliers compete. Originally set up by Nottingham City Council, as the UK’s first local authority owned energy supply company, Robin Hood Energy set itself apart from the ‘Big Six’ and many other private sector energy companies as it is a not for profit company. RHE has picked up the local energy tariff approach as a tool for growing market share and offering customer value. Bradford Councils Environment & Climate Change Unit (ECCU) lead knows the RHE team and has had discussions with them about joint opportunities for energy service provision. The unique selling proposition for RHE is local authority ownership, “not for profit” operation and ability to reinvest surpluses in social & fuel poverty support



- 2.2.1 Leeds City Council went out via procurement to market test for a citizen energy offer and had bids from OVO and RHE, with the RHE offer having better social and fuel poverty benefits. Leeds has invited other LCR authorities to become partners with an LA led “white label” energy offer for all citizens and additionally with a fuel poverty focus.
- 2.2.2 In February 2016 Leeds City Council awarded a 5 year contract to Robin Hood Energy. During the tender process an option was included to enable White Rose Energy to be opened up as a partnership across the Yorkshire & Humber region.
- 2.2.3 Between February & September 2016 Leeds City Council developed a brand “White Rose Energy” for the initiative. Bradford Council officers were closely involved in the brand development discussions.
- 2.2.4 Leeds City Council publically launched White Rose Energy in September 2016 and is now in the position to sign up local authorities as partners, with the aim of having the first partners signed up from January 2017 onwards
- 2.2.5 The WRE tariffs delivered through a partnership arrangement will offer citizens potentially significant energy cost savings particularly for those on pre-payment tariffs, supplementary benefits include better debt advice and management and energy efficiency advice provision.

2.3 **About White Rose Energy** (see www.whiteroseenergy.co.uk)

Their mission statement:

“At White Rose Energy we believe that people across Yorkshire deserve a better type of Energy Company. Our tariffs are open to all and we serve the interests of every one of our customers but we are particularly keen to provide fairer tariffs to prepayment (pay-as-you-go) customers who have traditionally been poorly served by the energy market.

We aim to offer energy tariffs that are both easy to understand and stable over the long-term, so that customers are not hit with sudden, unexpected cost increases later down the line. Our main ambition is to help people to stay warm and comfortable in their own homes, without breaking the bank. We also recognise that switching energy providers should be easy and for that reason we try to make it as simple as possible to switch to us.”

2.3.1 Not-for-profit

White Rose Energy’s aim is to supply fair and competitively priced energy to households across the Yorkshire and Humber region. Any margins that are generated – once the costs of running the scheme are covered – will be reinvested into initiatives to reduce fuel poverty.



2.3.2 Unique model

White Rose Energy agreement means that the energy tariff prices must always stay consistently low and that high levels of customer service must to be achieved.

2.3.3 Here to help

White Rose Energy will be sympathetic if residents run into financial problems. They also give customers the power to come off Pay-As-You-Go style arrangements wherever possible, as PAYG customers pay the most per unit of energy but are often some of those people who are least able to afford it.

2.4 Energy offer and tariffs

White Rose Energy is available to all domestic properties in the region. Customers have been able to switch to White Rose Energy since September 2016, via the website www.whiteroseenergy.co.uk or call centre.

2.4.1 Customers are offered personalised quotes to help them compare prices for the supply of electricity and / or gas via the website.

Customers receive monthly statements so know their exact usage and to avoid the build up of large bills. There are no exit fees, even on fixed price tariffs, so residents can switch without penalty if they wish.

2.4.2 Three types of tariff will be offered:

- Fixed Rate
- Variable Rate
- Pre – Payment Rate

Customers will be able to compare White Rose Energy prices via various price comparison websites such as Uswitch, Compare the Market and Go-Compare.

White Rose Energy has already been at the top or close to the top of comparison sites on several occasions during its short existence. As the image on the next page shows on the 22nd of November 2016 White Rose Energy was listed second on a Uswitch website search, and a saving of over £400 was indicated for an average usage three bed terrace.

Tariffs must always be in the lowest 10% of energy tariffs (price comparison will be checked monthly against Energylinx to ensure the tariffs are one of the lowest in the region as agreed under a KPI).

Table 1 below shows some actual quotations produced for council staff.

Homes	Estimated Savings
Home 1	£162.62
Home 2	£135.58
Home 3	£57.12
Home 4	£88.26
Home 5	£190.04
Home 6	£186.25

Table 1





uSwitch Limited [GB] | <https://www.uswitch.com/gas-electricity/results>

You are seeing the results for the plan you selected. Based on the details you entered, we calculate your personal projection for the next 12 months to be **£1,573.74** (How is this calculated?)

Need help choosing a plan?
Call our UK team for free on
0800 6888 244

show me Dual fuel plans

Paid by Monthly direct debit

Rate type Fixed or variable





Your results

Only show me plans uSwitch can help me switch to

Show me the whole market

Choose suppliers

All suppliers British Gas e-on

Supplier	Exit fee	Rate type	Your savings
 Direct Saver	You'll pay £25 per fuel to leave this plan early	Fixed for 12 months	You save £407.27 per year What will I pay?
 Flat Capped V2	There is no fee to leave this plan early	Fixed for 12 months	You save £406.50 per year What will I pay?
 Robin Hood Energy Prime V5	There is no fee to leave this plan early	Fixed for 12 months	You save £406.50 per year What will I pay?
 Together - December	You'll pay £30 per fuel to leave this plan	Fixed for 13 months	You save £353.97 per year What will I pay?

This supplier has not made this plan available through uSwitch [More info](#)

This supplier has not made this plan available through uSwitch [More info](#)

This supplier has not made this plan available through uSwitch [More info](#)

This supplier has not made this plan available through uSwitch [More info](#)

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2.5 Customers with Prepay meters

Prepayment meters are a more expensive method of paying for energy, White Rose Energy will enable residents to switch to one of the cheapest prepayment tariffs available.

2.5.1 As an extra benefit White Rose Energy is offering smart meters as standard to all new customers with existing Pay-As-You-Go meters, allowing customers to monitor their energy and top up via more methods such as over the phone or online so customers should always be able to access energy.

2.5.2 A long term ambition would be for customer to have smart meters switched to credit mode, to enable them to access lower tariffs and not be reliant on “putting money in the meter” to access energy. If customers can stay out of their emergency credit facility for a continuous 3 month period White Rose Energy provides a process that allows smart meters to be switched into credit mode, remotely, at no cost, and without the need for credit agency checks. When in credit mode, customers can access cheaper deals.

2.6 Partnership Arrangements (see appendix 1 Service Level Agreement)

2.6.1 The contractor Robin Hood Energy provides the back office functions of an energy company, Leeds City Council and hence its partners are responsible for branding and marketing of the offer to customers in their respective areas.

The contract between WRE and RHE has a number of key performance indicators which include tariff position within energy market and ensuring high levels of customer care.

2.6.2 In return for marketing and customer generation, a £15 payment will be generated for each dual fuel customer or £7.50 for a single fuel customer within our District who switches, for each year that the customer stays with White Rose Energy (this is known as a disbursement).

2.6.3 A Central Cost Recovery Pool will be set up, into this will be paid the disbursements, a percentage deduction will be made at source by WRE for historical establishment costs, on-going administration and some generic marketing costs such as website hosting. Once deductions are made the surplus will be paid to the partner on a pro rata customer acquisition volume basis

2.6.4 Bradford Council will need to enter into a Service Level Agreement to become a partner in White Rose Energy. This agreement will be continuous for the length of the contract, but can be terminated by a partner at any time serving a 28 day termination notice.

2.6.5 The main role of a partner will be marketing the scheme; the partner must provide a marketing schedule and an endorsement of the partnership. The endorsement shall involve exploiting all “zero cost” marketing and promotional routes available via Bradford Council. *For full details see appendix SLA section 3.28 -3.33.*



3. OTHER CONSIDERATIONS

3.1 Warm Homes Discount (WHD) – at this time White Rose Energy will not be able to offer the WHD. This is a £140 payment to qualifying residents who receive the “guaranteed credit” element of “pension credit” or people on certain benefits. New customers will be advised of this if they contact White Rose Energy by phone and encouraged to compare prices with suppliers that do provide the WHD and would only be encouraged to switch if the savings were greater than the value of WHD.

3.2 Fuel Poverty

Currently there are around two thirds of households who do not switch energy supplier. These ‘sticky’ customers often overpay by hundreds of pounds compared to the cheapest tariffs available, with a high percentage of sticky households on low incomes (often OAPs) and vulnerable to fuel poverty. A key cause of ‘stickiness’ among households is mistrust of energy companies. A council backed energy company is more likely to be trusted and can engage residents and encourage them to access lower tariffs via its unique channels.

The objective of securing an affordable energy tariff delivery mechanism is included within the current annual action plan of Bradford Fuel poverty Framework for Action. These updated annual objectives were agreed at the Environment & Waste Overview & Scrutiny Committee in October 2016.

4. FINANCIAL & RESOURCE APPRAISAL

4.1 As a partner of White Rose Energy and if large volumes of customers can be signed up, Bradford Council will be able to generate a project surplus from disbursements, which will be paid quarterly. No upfront financial commitment is required except for some project officer resource from within the existing service. There will be some marketing costs for launch and specific campaigns but it is proposed that the marketing plan be built around existing low cost or free routes to market.

4.2 Leeds City Council has modelled the potential income across the partnership based on customer sign up across a number of performance scenarios for this new enterprise.



Below is a summary of potential income after deductions are made for establishment and central marketing costs.

Yorkshire & Humber Region model:

Market Share	Year 1 Income	Year 2 Income	Total Year 1&2
Pessimistic 1%	£39,121	£173,389	£212,510
Realistic 2%	£66,946	£286,514	£335,460
Optimistic 3.5%	£91,253	£370,744	£415,797
Blue Sky 5%	£101,893	£494,510	£596,402

Bradford District model:

Market Share	Year 1 Income	Year 2 Income	Total Year 1&2
Pessimistic 1%	£4,936	£24,190	£29,126
Realistic 2%	£9,577	£42,302	£51,879
Optimistic 3.5%	£15,813	£72,205	£88,017
Blue Sky 5%	£21,209	£100,048	£121,258

In practice it is anticipated that the income Bradford Council is likely to generate will be somewhere in between £30,000 to £50,000. However as the income is cumulative this has potential to draw greater income in future years.

Partners will take a share based on the customer sign up in their catchment, as Bradford is one of the largest authorities we have potential to generate a large proportion of customers within the region.

- 4.3 As White Rose Energy is a not for profit company any income Bradford Council receives must be invested back into fuel poverty alleviation, this can however cover officer staffing costs within ECCU required to delivery White Rose Energy or other fuel poverty related schemes.

5. RISK MANAGEMENT AND GOVERNANCE ISSUES

- 5.1 Leeds City Council will manage the contractual arrangements with Robin Hood Energy, and monitor the contract via a series of Key Performance Indicators and commits to utilise all reasonable means to ensure that the White Rose Energy offer remains “fair” for customers.
- 5.2 A partnership steering group will meet monthly to discuss any partner concerns. Bradford Council will be represented on the steering group.
- 5.3 There are no customer sign up targets for partners to meet however region wide 10,000 customers are required to sign up by the end of year 2 to meet RHE contractual targets. If that target isn’t met Robin Hood Energy has an option to terminate the contract. (Leeds City Councils own housing stock and void switching is estimated to meet this target).
- 5.4 Energy companies operate within a highly regulated sector and as a partner council officers will need to ensure compliance, particularly in relation to direct sales, miss-selling, and the general marketing of the scheme.



6. LEGAL APPRAISAL

The current documentation indicates that Bradford Council would contract with Leeds City Council and not with Robin Hood Energy directly. Bradford Council's relationship is as an "endorsing/promoting partner".

There is no power supply relationship between Bradford Council and Leeds City Council or Robin Hood Energy. Residents would contract directly with Robin Hood Energy (operating as White Rose Energy under the white label arrangement) and so would have individual contracts for the purposes of resolving issues. In the event of any serious problem with Robin Hood Energy it is likely that Ofgem, the industry regulator, would put another provider in place to avoid disruption.

7. OTHER IMPLICATIONS

7.1 EQUALITY & DIVERSITY

White Rose Energy is available to all homes there is no equality & diversity impact.

7.2 SUSTAINABILITY IMPLICATIONS

Not applicable within the context of this report.

7.3 GREENHOUSE GAS EMISSIONS IMPACTS

Not applicable within the context of this report.

7.4 COMMUNITY SAFETY IMPLICATIONS

Not applicable within the context of this report.

7.5 HUMAN RIGHTS ACT

There are no Human Rights implications arising from this report.

7.6 TRADE UNION

Not applicable within the context of this report.

7.7 WARD IMPLICATIONS

Not applicable within the context of this report.

8. NOT FOR PUBLICATION DOCUMENTS

8.1 The following documents that are appendices to this report are confidential and not for publication.

- Service Level Agreement (SLA) document for White Rose Energy regional partners
- Annex 1 – Income Sharing Agreement



9. OPTIONS

9.1 Option 1

Do nothing; do not enter into SLA with White Rose Energy initiative.

Residents within the Bradford district will still be able to switch to White Rose Energy; however it will not be actively marketed in the District. If residents do choose to sign up the disbursement will not be paid to Bradford Council.

9.2 Option 2

This is the preferred option

Proceed to becoming a partner of White Rose Energy in early 2017 and that this is made in consultation with the Director of Finance subject to full due diligence which confirms the optimal benefits for working as a partner with WRE in delivering energy supply locally.

By becoming a partner Bradford residents will be actively encouraged to switch, accessing fair energy prices.

No upfront financial commitment is required from Bradford Council but income from disbursements could support some fuel poverty work in the district in the future.

The project will maximise the benefits of the initiative for Bradford residents enabling them to take advantage of the winter heating season when householders are likely to be more aware of high heating costs.

10. RECOMMENDATIONS

Recommended – Option 2

That the option to proceed to becoming a partner of White Rose Energy be approved; and is in consultation with the Director of Finance subject to full due diligence which confirms the optimal benefits for working as a partner with WRE in delivering energy supply locally; that the Service Level Agreement is signed at the earliest opportunity.

11. APPENDICES

- 11.1 Service Level Agreement (SLA) document for White Rose Energy regional partners
- 11.2 Annex 1 – Income Sharing Agreement

