



Cyd Cymru / Wales Together

An Overview of the Collective Energy Buying Scheme for Wales

October 2013





Purpose

The purpose of this document is to provide stakeholders across Wales with an update on the Cymru Collective Energy Buying Scheme, an overview of the work done to date whilst also highlighting some of the key forthcoming dates.

It is hoped that it will encourage partners across Wales to formally pledge their support to the scheme and make collective energy buying an opportunity for everyone.

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Introduction

We know that the cost of energy has been a real challenge for people in recent years. That is why we have looked at how we can help address the issue. Cyd Cymru is an important scheme because it can help tackle the increases in energy bills and potentially deliver further savings. Not only can it help heat homes this winter but it will also make a positive contribution to the environment by sharing information on how homes can be made more thermally efficient.

With the support of the Welsh Government's Regional Collaboration Fund, we have developed a collective energy buying scheme that we feel everyone across Wales can get behind.

Cllr Ashley Govier, Cabinet Member, Environment, Cardiff Council

Many of you will be familiar with the concept of collective energy buying. With energy costs going up its important we do everything we can to help people keep their costs down. By buying energy together through the Cyd Cymru/Wales Together initiative, people can not only potentially save money but also learn more about the opportunities to make their homes warmer and more efficient.

This document is intended to provided the information needed for partners and stakeholders across Wales to get involved.

Cllr Rob Curtis, Cabinet member for Environment and Visible Services, Vale of Glamorgan

Overview

With winter fast approaching the issue of fuel poverty should be high on our agendas.

We know that the price of energy has been going up over recent years. According to Ofgem and ONS figures, energy bills rose by as much as 24% between 2009 and 2012 whilst household incomes only rose by 2.9% over the same period. Because this is a trend that is likely to continue it means that the most vulnerable people in society are likely to be the worst affected.

That is why we all have an obligation to consider how we can help people with their fuel bills. Collective energy buying provides a unique opportunity for households and businesses to make compelling savings on their bills. By buying energy together, participants of previous collective switching schemes have saved between £60 and £250 per household per year.

Cymru is a collective energy buying scheme that has been developed to offer people in Wales an opportunity to save money by coming together to buy fuel “in bulk”.

Developed initially by Cardiff Council and the Vale of Glamorgan, with support from the Regional collaboration Fund, Cyd Cymru will be launched this autumn and is open to everyone across Wales.

Because the more people that take part, the better the deal likely to be, we are keen to ensure that everyone across Wales is in a position to join in. The Cyd Cymru project Board has benefited from input by representatives of an all Wales Stakeholder Group. However to ensure that everyone is fully aware of the work done to date, and what the next steps are, we are circulating this Cyd Cymru prospectus to help answer many of the questions that have been raised with us.



If you want to take part, Cyd Cymru communications and promotional material will be shared with you. Please feel free to tailor it to meet your local needs. Hopefully, this document will answer some of your key questions and allow you to formally pledge your support. The more people that get behind the scheme the better the benefits, but also the more likely people are to get involved.

The first switch will take place before Christmas, with another two scheduled for early in the New Year. Again, the more people involved, the better the deal, so it is important that everyone across Wales considers this scheme.

What is Collective Energy Buying?

The idea behind collective energy switching is similar to bulk-buying products in order to get a better price. However, in a collective switch those interested in receiving a better deal group together as a 'collective' before approaching the energy suppliers. The larger the number of people that get involved, the more attractive the group of customers are likely to be to the energy suppliers.

A similar collective purchasing scheme undertaken in Cornwall in 2012 helped more than **1,000 people save an average of £133** on their annual energy bills - with some households saving over £700. So the benefit to individuals who get involved is clear!

How Does it Work?

How it works is simple. There are 5 key steps.

- **Registration:** The first step is to register interest, providing as much detail about the household's energy use as possible. This information will be used to estimate the savings that could be made, so the more accurate this is the more likely the household will be to realise the savings from a new tariff. This will probably require an energy bill to hand. Support will be provided to help participants understand what information is needed once full registration opens in a few weeks
- **Forming a collective:** The registration period for the first Cyd Cymru switch will open w/c 21st October. The registration period will be open for approximately 6 weeks to gather details from everyone wishing to participate in the scheme and collect the necessary details. After the registration period closes all of the data from those who've registered will be collated and presented for an energy auction
- **Energy Auction:** An energy auction will then take place with a variety of energy companies offering their best prices to the people who have registered their interest
- **New tariff offered:** A personal offer will be made to those who have registered and projected savings will be calculated based on the information provided by individuals in the registration phase.
- **You decide?** If, after the individual offer is issued, a decision is made to accept the offer then support will be available to accept and switch. If anyone decides not to accept, and there is no obligation to accept, information will be made available about the next opportunity to switch.



Background:

Early in 2013, Cardiff Council and the Vale of Glamorgan successfully applied to the Welsh Government Regional Collaboration Fund for support to develop a collective energy buying scheme for Wales.

The Cyd Cymru Project Board brought together officers from across Cardiff and the Vale to develop the work. To ensure that the scheme would be open and appropriate for people across Wales, an All Wales Stakeholder group was established consisting of organisations interested in collective switching. The All Wales Stakeholder Group has observed the development of Cyd Cymru and provided input at various stages of development.

The next step is to select an appropriate switching agent and to start increasing awareness of the coming registration period with the public.

Development of a Project Plan

The Energy Saving Trust are working in partnership with Cardiff Council and the Vale of Glamorgan council to deliver the Cyd Cymru project. The Energy Saving Trust has developed a detailed implementation plan until March 2014, including the key deliverables, procurement of the switching provider, delivery of a local engagement plan and project evaluation methodology.

Rationale for Selecting a Switching Agent

It is important to demonstrate best value in procuring a switching agent and to ensure a high level of customer service. Working with the Energy Saving Trust we have developed a range of evaluation criteria for the Cyd Cymru switching agent. The Energy Saving Trust's knowledge and expertise enabled us to develop draft criteria in August and since then the Energy Saving Trust

have carried out some soft market testing with a number of switching agents that have previously been involved in previous switching projects. In September, we launched our tender for a switching agent on Sell2Wales and results of the procurement exercise will be finalised during the week commencing 14th October.

Many of the common questions are covered by Ofgem regulations, for example:

- Standard and Pre-payment meter customers with debts of up to £500 can switch supplier (Ofgem's Debt Assignment Protocol)
- The provision of information on customer bills showing usage for the corresponding period last year, usage over the last 12 months and an illustrative projection of costs for the next 12 months using this data.

In addition Ofgem have recently consulted on their Retail Market Review.

“The RMR aims to make the market better at serving the interests of consumers and enable individuals to get a better deal from energy companies.... If an appeal is not lodged, the rest of the package can start to take effect from 23 October 2013.”

This will mean that a number of further changes to simplify energy tariffs will be coming into force around the time of our first collective switch. These changes will reduce the number of tariffs that each energy supplier can offer, but does include the ability to offer a special tariff to collective switches.ⁱ

In addition we also expect that energy suppliers may announce price increases in autumn 2013.^{ii,iii}

Evaluating the Switching Agent

Working closely with the Energy Saving Trust we have released a tender to procure a switching agent for Cyd Cymru. There will be no charge to Cyd Cymru for the switching agents service, instead it is intended that the switching provider will re-cover their costs for project delivery via new tariff sign-up fees as is usually the case in collective switches.

The Evaluation criteria have been divided into 7 categories, including the financial status of the organisations procured.

From a delivery and customer service perspective the key evaluation categories are:

- Previous Experience – here we are looking for expertise in delivering previous switches so that we know the organisation we are working will have the expertise and capacity to deliver.
- Facilities – we will evaluate the range of facilities provided by the switching agent, for instance:
 - The range of facilities to allow customers to join the switch (i.e. online, phone etc.);
 - the provision of services in Welsh;
 - the ability to negotiate single fuel, dual fuel and economy 7 tariffs, for direct debit, quarterly and pre-payment customers;
 - the ability to identify customers who are on the Priority Service Register and Warm Homes Discount so not to disadvantage them by switching;
 - clarify the standardised information provided to customers to show the pros and cons of the new tariff offered.
- Customer Service – this is about understanding their approach to the full customer journey, meaning that we will ask the switching agent to demonstrate:
 - A clear customer journey;
 - An ability to provide data at each stage of the switching process;

- A commitment to supporting customers during and after the switching process to the new supplier;
- The ability to support applications in different languages to ensure the scheme is as accessible as possible;
- A willingness to accept applications from residents across the whole of Wales.
- Implementation Plan – The tight timescale for launching the project requires clarity on what will be available for project launch and the timescales for implementing further developments.
- Sustainability – we will seek clarity over the sustainable practices that will be incorporated within project delivery.
- Added Value – we will seek clarity over the switching agent’s willingness to share open book accounts. This will involve identifying the indicative levels of funding that could be contributed to a potential community fund. It will also involve understanding if there are any added benefits that the organisation can bring to promoting the scheme through their connections.

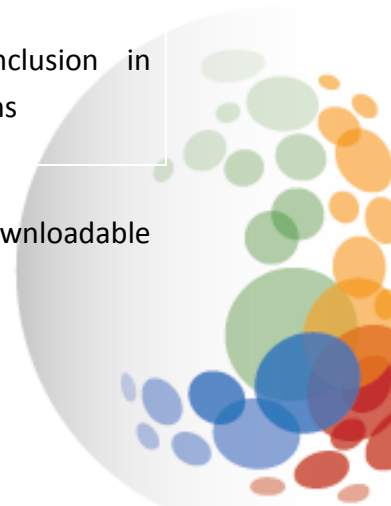
The evaluation and decision on the successful tenderer will be made during the week commencing 14th October 2013.

Supporting Resources

Supporting resources will be made available to stakeholders across Wales to assist with promoting and marketing the scheme in their areas. Again, these can be tailored to suit your local need, on the agreement that the Cyd Cymru brand is used. These will include:

- Leaflets
- Designs for Pull-Ups
- Designs for Banner Flags
- Designed A3 Posters
- Designed Vinyl banner with eyelets
- Articles for inclusion in local publications

These will be made available in an electronic toolkit downloadable from the website or on DVD by request.



Key Milestones

w/c October 14

- Appoint Switching Agent to serve the project until March 2014

w/c October 21

- First Switch Goes Live

November

- Dates for second and third switches to be confirmed.

December

- Expectation that the first switch will close at the start of December. Customer will then receive offers before Christmas and reminder emails/letters in the New Year.

January

- Results of the first switching round to be shared with the Cyd Cymru Project Board.
- First round Customer Satisfaction Survey to be conducted.
- Second round of switching will open, ending in February.

February

- First round Customer Satisfaction survey results will be shared with the Cyd Cymru Project Board.
- Second round of switchers receive offers.
- Third round of switching will open, ending late March.

March

- Second round of switching results will be shared with the Cyd Cymru project board
- Second round Customer Satisfaction Survey will be conducted.

i

https://www.ofgem.gov.uk/sites/default/files/docs/decisions/the_retail_market_review_-_implementation_of_simpler_tariff_choices_and_clearer_information.pdf

ii

<http://www.telegraph.co.uk/finance/personalfinance/consumertips/household-bills/10232886/Energy-volcano-to-erupt-with-10-per-cent-price-hikes.html>

iii

<http://www.moneysavingexpert.com/utilities/you-switch-gas-electricity>