

Big London Energy Switch Evaluation

Energy Saving Trust

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The Big London
ENERGY
SWITCH



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1 Executive summary

1. In January 2013, the Royal Borough of Kingston upon Thames, supported by London Councils, successfully bid for c from the Department of Energy and Climate Change's (DECC's) Cheaper Energy Together fund. They developed the Big London Energy Switch, a collective energy switching scheme for London, giving residents an opportunity to group together to gain a better deal on their energy supply and save money on their bills.
2. The government has indicated support for collective switching schemes to enable customers to switch suppliers more easily and get a better deal in the process. Ofgem are also attempting to remove some of the barriers through their Retail Market Review (RMR). However, it could be argued that the only way to effectively protect against future energy price rises is to reduce energy consumption through energy efficiency. Although collective switching does not necessarily reduce energy consumption, it has the potential to save people money on their energy bills and activity in this area can encourage greater awareness of energy use and lead to people taking more significant action to reduce consumption.
3. Prior to the DECC's Cheaper Energy Together fund there were very few collective switching schemes in the UK. In reviewing the schemes as well as those delivered under this fund and making comparisons to the Big London Energy Switch as part of this evaluation some themes around scheme delivery and implementation become apparent:
 - Scale – larger auctions tend to be won by larger suppliers. Is this therefore stimulating the market in the way it is hoped? However it does not seem to be the case that we need a large auction to attract suppliers to bid;
 - Gaining registrations and converting these to switches – local authority led communications are the most effective in gaining registrations. However, the accuracy and availability of information (about the offer, savings, the scheme, the process) appears to have the greatest influence on converting registrations to switches.
 - Reaching vulnerable customers – the Big London Energy Switch appears to have been successful in reaching vulnerable customers. However, many schemes recognise that these groups may need more support or information.
4. Switching energy suppliers can result in financial savings which may be short lived if the customer does not continue to switch again regularly. Some commentators have concerns about funding this type of programme and think that money could be better allocated in areas which would reduce energy consumption and deliver longer term savings. A high level comparison as part of this report found that switching schemes compare favourably to the other options investigated (see Chapter 5). However, it is clear that behaviour change and insulation programmes are likely to have a longer term impact. It is therefore a recommendation of this report that switching activity is combined with energy efficiency programmes to maximise the benefit to residents.
5. Key elements of this evaluation are the surveys carried out with participants of both the April and November auctions. This report revisits those that participated in the April auction and revealed that:
 - 66 per cent are satisfied with their new supplier
 - 73 per cent are satisfied with their new tariff
 - 20 per cent who did not switch through the auction have gone on to switch independently and 50 per cent of those feel that taking part in the auction gave them the impetus to do so.

- 80 per cent of participants are positive about local authority involvement in the scheme and the majority (56 – 77 per cent) say that this influenced their decision to take part.
6. Those that took part in the November auction appear to have had a similar experience to those that took part in the April auction. The registrations were from similar demographics and the feedback from our survey is broadly similar. The budget available to authorities to deliver this auction, however, was considerably less than the April auction and demonstrates that a relatively small amount of resource can stimulate significant interest and give similar outcomes and satisfaction. It should also be noted that very little promotional activity was carried out around the June auction.

Table 1: Summary of April, June and November 2013 auctions

	Registered	Switched	In receipt of benefits	In receipt of benefits and switched	Conversion rate ¹	Average Saving
April	26,433	1,861	20%	13%	9%	£122
June	5,794	263	-	-	6%	£50
November	13,515	1,491	19%	17%	13%	£206
Total 2013	45,742	3,615	-	-	8%	£153

7. 20 per cent² of those who registered and switched through the Big London Energy Switch auctions are from at least one of the vulnerable categories, an area where this auction compares well to other schemes. The wider impacts of the switching campaign include a number of people switching independently or negotiating better tariffs with existing suppliers. In addition 26 – 36 per cent of participants have also indicated that they have changed their energy consumption behaviour or installed energy efficiency measures as a result of taking part in the auction.
8. Overall, 45,742 people registered for the scheme over the three auctions, resulting in 3,615 people accepting offers and switching suppliers and these switches resulted in savings of £553,729. The momentum around energy issues should be optimised to a greater degree to engage people in broader programmes which will deliver greater overall and longer term savings. This evaluation makes recommendations which could ensure continuing registrations and higher switching rates for future auctions, including:
- provide more information to customers throughout the entire process from registration to the offer stage
 - clear offers which represent significant savings to customers
 - more focus on gaining registrations from pre-payment meter customers and better negotiation of tariffs for this group
 - better integration of information on energy efficiency measures and behaviour change

¹ Conversion rate based on registrants who could receive an offer e.g. those who had provided full energy use and tariff details at registration.

² This is an approximate figure based on registration data across all vulnerability categories

2 Introduction

9. In October 2012, the DECC opened a Local Authority Competition, which consisted of three funding streams that totalled £40m. One of the funding streams, the “Cheaper Energy Together” scheme (£5m), sought bids from local authorities to support the development of collective energy purchasing or switching schemes that would increase public awareness of these schemes and the potential for reducing energy bills through switching energy supplier. These schemes were also required to have a particular focus on encouraging vulnerable residents to participate and demonstrate innovation in this area.
10. The Royal Borough of Kingston upon Thames, supported by London Councils, led a bid for £686,655 that aimed to deliver a collective energy switch with a “critical mass” from across London and ensure direct support to vulnerable residents. This bid was successful and delivery under the brand ‘Big London Energy Switch’ started early in 2013. The first Big London Energy Switch auction was held on 9 April 2013 and the participating authorities received a budget to support the promotion of the scheme. In total £596,655 was spent in the first phase of the scheme linked to 9 April auction. The outcomes and analysis of this auction are discussed in detail in our evaluation of the first phase³.
11. The first phase evaluation concluded that overall the scheme had been successful in engaging Londoners in energy switching, and increased awareness of these types of schemes and the opportunities to benefit from them. The scheme was also successful in its ambition to target vulnerable groups. There were, however, several areas where improvements could have been made and a number of recommendations were made as part of that report. Particular issues were highlighted concerning communication, information and clarification of the offer and the tariffs confirmed through the auction.
12. This report represents the outcomes of the second phase evaluation and aims: firstly to set the scene concerning energy switching and the drivers for increasing interest in this area by reviewing some of the current energy policies and the political support for energy switching and collective switching schemes. Momentum in this area is gaining speed and Ministers and Ofgem are all looking at how to make it easier for customers to compare and switch suppliers and reduce their energy costs.
13. Secondly, to review other local authorities and other third sector organisation led collective switching schemes and how these have been delivered. Whilst, there are many parallels with these schemes and the Big London Energy Switch there are also a number of differences and these have been reviewed in order that lessons learned can be used to embed best practice in future switching schemes.
14. Thirdly, despite support from government and the number of collective switching schemes increasing over the past few years, collective switching as a policy lever, faces some criticism. Critics feel that the money invested in these schemes may be better invested elsewhere, where greater carbon and bill savings could be achieved. This report considers a number of alternative schemes compared to the outcomes of the April Big London Energy Switch collective switching auction. These include providing a subsidy, deliver a behaviour change programme and delivering an insulation programme.
15. Fourthly, the Big London Energy Switch successfully delivered a multi borough approach which had the advantages of economies of scale (e.g. hosting a website and developing promotional

³ <http://www.londoncouncils.gov.uk/policylobbying/environment/climatechange/BLES-EvaluationReport.htm>

material) and promoted the switch efficiently across London. However, the scheme also allowed flexibility for each borough to deliver the scheme in a way that met local needs. In order to gain insight into the approaches taken by different boroughs and the learnings gained from this process, three case studies have been collated which outline the different approaches taken by the London Borough of Ealing, the Royal Borough of Greenwich and the London Borough of Harrow (see Chapter 6).

16. This report also revisits those who took part in the April auction (see Chapter 7) through a second survey to find out if participants' views of the scheme have changed and seeks to evidence some of the wider benefits of taking part in the auction. In addition the report also reviews the outcome of the third Big London Energy Switch auction, which took place in November 2013 (see Chapter 8). The analysis of the November auction looked at survey data and registration data for participants and compared these results to the outcomes of the April auction.
17. Finally, we draw some conclusions based on the above analysis and make some recommendations for future local authority led collective switching schemes.

3 Policy review

18. Energy prices have risen consistently over the last 10 years and the affordability of these is becoming a growing concern⁴. Autumn 2013 saw proposed price increases from many of the largest energy suppliers ranging from 3.9 per cent (EDF) to 10.4 per cent (RWE npower)⁵. Citizens Advice reports that between October 2010 and December 2013, the “Big Six” suppliers⁶ have increased their prices by 37 per cent⁷. The Department of Energy and Climate Change (DECC) also predict further potential rises of up to 30 per cent by 2020⁸. In 2012, for London, the average combined energy bill was £1,294 per household (split £475 electricity and £819 gas), which, if we see a further 30 per cent rise by 2020, could be as high as £1,682⁹.
19. Some of the price rises can be attributed to the rise in cost of wholesale energy and at least 60 per cent of price rises between 2010 and 2012¹⁰ were due to increases in wholesale costs to energy suppliers. However, the remaining 40 per cent of rises are due to other factors including, infrastructure and transmission costs and the impact of Government energy policies and obligations on energy suppliers. The average combined energy bill in the UK can be broken down as follows:¹¹

Table 2: Average combined energy bill breakdown

Item	Cost
Wholesale cost of energy	£597
Network costs	£257
Supplier costs and margin	£240
Energy, climate change and social policies	£112
VAT	£60
Total	£1,267

20. The Government’s energy policies are focused on ensuring growth in the energy market, reducing carbon emissions and ensuring the UK’s energy security in the long term. Recent analysis from DECC estimates that by 2020, on average, customers will save 11 per cent on their energy bills compared to what they would be paying in the absence of their policies¹². But the cost of these policies and how they are being financed by the public, through levies on their bills or through taxes, is becoming a key subject for debate.
21. The ability of some residents to be able to afford the increases in energy prices and heat their homes remains a challenge and has led to increased levels of fuel poverty. DECC’s most recent Fuel Poverty Report showed that in 2011 over 2 million¹³ people were in fuel poverty. This is based on the Low Income High Cost (LIHC) definition. However, this would be over 3 million using the

⁴ Ofgem has estimated that over the last ten years, wholesale electricity costs have risen by around 140% and gas costs by 240%. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268025/Assessment_Framework_18_Dec_final.pdf

⁵ Many of these were proposed price rises were amended following government announcements regarding ECO see paragraph 16

⁶ British Gas, nPower, EDF, E.ON, Scottish Power, SSE

⁷ http://www.citizensadvice.org.uk/index/pressoffice/press_index/press_20131117.htm

⁸ Department of Energy and Climate Change: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/172923/130326_-_Price_and_Bill_Impacts_Report_Final.pdf. Page 29.

⁹ Department for Energy and Climate change: QEP 2.2.3 and QEP2.3.3. <https://www.gov.uk/government/statistical-data-sets/annual-domestic-energy-price-statistics>

¹⁰ Department of Energy and Climate Change, Annual Energy Statement: <https://www.gov.uk/government/publications/annual-energy-statement-2013>

¹¹ <http://www.theguardian.com/politics/reality-check/2013/oct/11/energy-prices-bills-rise-sse>

¹² Department of Energy and Climate Change: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/172923/130326_-_Price_and_Bill_Impacts_Report_Final.pdf.

¹³ Department of Energy and Climate Change, Fuel Poverty Report 2013: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/226985/fuel_poverty_report_2013.pdf

previous 10 per cent definition (10 percent or more household income is spent on energy)¹⁴. In London this equates to about 306,000 households¹⁵ or 9.9 per cent of households and represents 12.8 per cent of all those in fuel poverty in the UK under the current definition. With rising fuel prices and little growth in average household incomes this number is likely to rise significantly and fuel poverty is likely to increase in coming years.

22. There are mechanisms in place to support vulnerable customers, those in fuel poverty and those struggling to pay for their energy. The Winter Fuel Payment and the Cold Weather Payments are Government funded grants to help those most at risk from under heating their homes. In addition, in 2011 the Government introduced the Warm Homes Discount which requires energy suppliers to offer a one off discount on fuel bills to eligible customers, which for 2013/14 was £135. There is some discretion around eligibility and each supplier may allocate this discount slightly differently.
23. Although these mechanisms help households pay for their energy they do not protect the customer from future price rises. Ensuring that all our homes are more efficient and require less energy to heat and light is another way in which energy bills can be reduced and the impact of future price rises limited. The Government has a number of policies in place which stimulate the installation of insulation and other energy efficiency measures. The Energy Companies Obligation (ECO) is an obligation on the largest energy suppliers to reduce carbon emissions by installing energy efficiency measures in households. The policy gives priority to measures installed in properties which are hard to treat, are in specific areas of low income (with specific provision for rural areas) or are inhabited by the most vulnerable groups. The Government have also introduced the Green Deal, which establishes a framework whereby private finance can be used to install measures in households at no upfront cost to the householder offering an alternative finance mechanism. Both the Green Deal and ECO officially launched in January 2013...
24. ECO replaces previous supplier obligations the Carbon Emissions Reduction Target (CERT) and the Community Energy Saving Programme (CESP), which closed in December 2012, and has comparable overall objectives. As with the previous supplier obligations, ECO is funded by the larger utilities in order to meet their respective carbon reduction targets; as of February 2014 ECO has delivered 528,886 installed measures, primarily cavity wall and loft insulation and boiler upgrades¹⁶. Green Deal's reliance on private sector finance for delivery of measures is a largely untested finance and delivery route and has seen 746 'live' Green Deal Plans since its launch in January 2013¹⁷, however Green Deal Assessments have led to many households financing home improvements themselves.
25. A DECC survey found that nearly half of people (47 per cent) surveyed were very or fairly worried about paying their energy bills and 84 per cent of people were concerned about steep rises in energy prices in the future¹⁸. Following price rise announcements by many of the energy suppliers during autumn 2013 the Government was facing pressure from the general public to regulate and control these price increases. Energy suppliers cited that the obligations being placed on them by Government were a key influence on the rising cost of energy to the consumer. This led to an announcement by the Rt. Hon. George Osborne MP, Chancellor of the Exchequer, in his Autumn

¹⁴ The Government has recently set out a new definition of fuel poverty which it intends to adopt. More information on both definitions here: <https://www.gov.uk/government/collections/fuel-poverty-statistics>. 2013 statistics are available for both definitions.

¹⁵ Department of Energy and Climate Change, Fuel Poverty Statistics 2011: <https://www.gov.uk/government/publications/fuel-poverty-2011-detailed-tables>

¹⁶ Department of Energy and Climate Change, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/282915/Statistical_Release_-_Green_Deal_and_Energy_Company_Obligation_in_Great_Britain_-_20_Feb_2014.pdf

¹⁷ Department of Energy and Climate Change, https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/282915/Statistical_Release_-_Green_Deal_and_Energy_Company_Obligation_in_Great_Britain_-_20_Feb_2014.pdf

¹⁸ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/277080/summary_wave_8_findings_decc_public_attitudes_tracker.pdf

Statement which would see a roll back of these obligations and promises an average saving of £50 on energy bills¹⁹. These proposed changes are currently being consulted on²⁰ and include a rebate of £12 on domestic energy bills funded by Government, reducing targets of one element of ECO by 33 per cent and extending the overall current target deadline from 2015 to 2017²¹. These changes and the ongoing debate around the obligations on energy suppliers may signal a return to Government directly funding an increasing proportion of interventions.

26. Despite these interventions to improve the energy efficiency of homes, many will still struggle to pay their energy bills and the real or perceived lack of clarity and transparency in the energy market is leading to many paying more for their energy than they need to. Ofgem estimates that currently consumers could save an average of £72 and a possible maximum of £158²² a year by switching to the cheapest currently available deal. However, despite these potential savings, Ofgem's 2012 customer engagement survey showed that nearly two thirds²³ of customers have never switched supplier. Many customers are disengaged with the energy market as a result of the number of tariffs available, lack of clarity of information provided by suppliers leaving customers unable to assess the options in the market and lack of trust in energy suppliers. These factors combined lead to relatively few people switching suppliers and movement in the market is limited – the market share of each of the “Big Six” energy suppliers has remained largely unchanged in recent years. Market stagnation can lead to reduced competition as the threat to individual companies of losing customers is diminished, which in turn potentially leads to higher energy prices.
27. Ofgem has addressed some of these issues through their RMR²⁴ and plan to implement a number of new rules through changes to the licence conditions which energy suppliers must operate under. Ofgem have been researching and consulting on their RMR since early 2011 and implemented the proposed changes between July 2013 and December 2013. Ofgem's aim is to make it easier for consumers to make better choices over their gas and electricity supply. This process aims to allow customers to make decisions about their energy supply and supplier by making the energy market simpler, clearer and fairer. This should allow people to make informed decisions about switching, which should lead to greater competition in the energy market. The changes include limiting the number of tariffs any one supplier can offer to four per fuel, generating a move towards consistent communication of key messages and more user friendly routine statements, bills and letters. There will also be regulations around fairness, similar to the rules in other industries such as banking²⁵.
28. Lack of consumer engagement in the energy market along with barriers to engagement (number of tariffs, lack of clear information and mistrust) mean that there is little movement in overall market share. Ofgem state that around 98 per cent of the market share sits within the “Big Six” energy suppliers and despite some consumers switching regularly the overall market share of these six suppliers has not varied significantly over the last three years²⁶. There has, however, been some growth in the market share held by independent suppliers in the past year. In 2011, there were no independent energy suppliers with a customer base of greater than 50,000, but by December 2013 there were three with over 100,000 customers and a further eight companies have entered the

¹⁹ <https://www.gov.uk/government/speeches/chancellor-george-osbornes-autumn-statement-2013-speech>

²⁰ <https://www.gov.uk/government/consultations/the-future-of-the-energy-company-obligation>

²¹ <https://www.gov.uk/government/news/govt-action-to-help-hardworking-people-with-energy-bills>

²² Department of Energy and Climate Change, Annual Energy Statement: <https://www.gov.uk/government/publications/annual-energy-statement-2013>

²³ Ofgem. RMR – final domestic proposals. <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-final-domestic-proposals>

²⁴ Ofgem. RMR – final domestic proposals. <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-final-domestic-proposals>

²⁵ Being reviewed as part of Energy Market Assessment: www.ofgem.gov.uk/electricity/retail-market/market-review-and-reform/state-competition-energy-market-assessment

²⁶ Ofgem. RMR – final domestic proposals. <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-final-domestic-proposals>

market²⁷. This demonstrates that the UK energy market is changing and greater competition is developing.

29. It is this lack of competition and lack of clarity that collective switching schemes try to overcome. Collective switching is a way in which groups can use their collective purchasing power to get a better deal on their energy tariffs. It offers communities a straightforward way of switching and allows energy suppliers to increase their customer base significantly by offering the best tariff in the auction. Schemes such as these offer the potential for customers to make a saving by switching to a cheaper tariff whilst stimulating greater competition in the market.
30. The Government has indicated support for schemes enabling customers to switch suppliers more easily and get a better deal in the process. In March 2012, Rt. Hon. Ed Davey MP, Secretary of State for Energy and Climate Change, issued an open letter²⁸ to all energy suppliers advocating collective switching and purchasing schemes and encouraged them to engage actively with these types of schemes. In addition, local authorities were encouraged to investigate how they could use their position of trust within their communities, to act as intermediaries for such switching schemes. Ed Davey's open letter was followed in April 2012 by an open letter from Ofgem²⁹ recognising the growing interest around collective switching schemes in the UK and provided guidance to the energy suppliers about their involvement. At this point it was Ofgem's view that "the licence conditions that apply to licenced suppliers do not, in principle, prevent suppliers from engaging in collective purchasing and collective switching schemes".
31. One of the highest profile early schemes was the Which? Big Switch in March 2012 and this was followed by several other collective schemes, including a number led by local authorities. In late 2012 DECC wanted to stimulate the development of collective switching schemes and test how these could work in particular to benefit vulnerable groups, including those who have not switched previously or who were likely to be less engaged with energy switching. DECC's Cheaper Energy Together was a £5 million fund which was allocated to 31 schemes across the country involving 94 local authorities. This was a competitive fund which received 114 applications requesting £14.8 million of funding. The fund aimed to raise awareness of collective switching schemes and develop the necessary infrastructure to allow schemes to continue beyond the duration of the fund. Through the schemes funded by the Cheaper Energy Together fund, 190,000 people registered and over 21,000 people switched suppliers saving on average £131 from their energy bills³⁰.
32. Since the abolition of the National Indicators for Local Government there are no obligations for local authorities to take any action around energy or climate change. However, many have set their own targets or ambitions on this agenda³¹ in line with the Department of Communities and Local Government's (DCLG's) move towards localism and the introduction of the Localism Act in 2011. Although there is no obligation for them to take part, there are many reasons why local authorities would want to be involved in collective switching schemes.. In particular, because collective switching schemes are likely to benefit from the participation of a trusted body, such as a local authority or community leader, which encourages people who may not have otherwise considered switching suppliers. DECC's Community Energy Strategy³² also actively encourages the role of

²⁷ Ed Davey Statement to Parliament, <https://www.gov.uk/government/speeches/annual-energy-statement-2013>

²⁸ Ed Davey open letter: https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48311/4734-open-letter-from-the-secretary-of-state-to-energy-.pdf

²⁹ Ofgem open letter, Collective switching and purchasing: <https://www.ofgem.gov.uk/ofgem-publications/38442/collective-switching-open-letter.pdf>

³⁰ Department of Energy and Climate Change, Helping Customers Switch.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_fi nal__2_.pdf

³¹ Guidance issued under the Home Energy Conservation act requires authorities to produce a report to outline how they plan to the energy efficiency of residential accommodation in its area. However no specific targets have been set.

³² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/275163/20140126Community_Energy_Strategy.pdf

community groups in these types of schemes and highlighted this as a way in which these groups can ensure energy security and tackle climate change within their communities. For a local authority it provides an opportunity to help those in their community to potentially save money on their energy bills and particularly target groups which may benefit most from those savings.

33. Local action on climate change and energy is recognised as being important. In its 2012 report to DECC, the Committee on Climate Change³³ highlighted that there is a significant risk that national carbon budgets will not be met without local action. Some of those authorities that have chosen to become involved in collective switching schemes are also active in influencing energy demand within their areas and promoting energy efficiency. Local authorities have significant scope to influence carbon emissions from buildings, transport, and waste and can influence decisions about low carbon technologies through planning decisions. However, the Committee on Climate Change report recognises that authorities are resource constrained and current activity may be limited. Despite this, many authorities are driving forward activity on this agenda and are successfully delivering carbon reductions through their programmes and initiatives.
34. Despite cuts in funding from central government there are still financing options available for individuals and local authorities to fund the installation of energy efficiency and renewable energy measures. As detailed above, the Green Deal and the ECO are the main options made available by the Government. However, some authorities are looking at alternative sources of funding and financing for energy efficiency and advice programmes. These include European funding sources, funding rounds from central government, borrowing, investing in renewable technologies in order to make a return (Feed in Tariffs, Renewable Heat Incentive), through to revolving funds.
35. In addition to the schemes mentioned above, the Government have also launched their Big Energy Saving Network to provide a programme of outreach to vulnerable customers, focused on helping them reduce their energy costs and consumption. The Big Energy Saving Network will run from autumn/winter 2013/14 and conclude in March 2014. This programme of outreach will be delivered by third sector and community groups, who will train and coordinate a number of volunteers and energy champions, alongside advice from National Energy Action, Age UK, Citizens Advice Bureau and Energy Saving Trust. DECC also plan to address other concerns for vulnerable groups through consulting on their Fuel Poverty Strategy in the spring of 2014 following the release of their framework for action on fuel poverty³⁴.
36. Although collective switching does not directly have an impact on carbon emissions (as it does not necessarily reduce energy consumption), it should save people money on their energy bills and activity in this area encourages greater awareness of energy use and could lead to people taking more significant action to reduce consumption. The evaluation of the 9 April 2013 Big London Energy Switch showed that on average 30 per cent of those people who had taken part in the scheme had also made a change in their energy consumption behaviour as a result. It is this momentum that local authorities need to take advantage of in future switching schemes to ensure that maximum benefit can be realised by residents.
37. Following delivery and evaluation of the collective switching schemes³⁵ run through the Cheaper Energy Together Fund, DECC and the Secretary of State for Energy and Climate Change are still positive about collective switching and, in an oral statement to Parliament on 31 October 2013, Ed

³³ Committee on Climate Change report: <http://www.theccc.org.uk/publication/how-local-authorities-can-reduce-emissions-and-manage-climate-risks/>

³⁴ <https://www.gov.uk/government/policies/helping-households-to-cut-their-energy-bills>

³⁵ DECC evaluation of the Cheaper Energy Together funded schemes:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_fi nal__2_.pdf

Davey³⁶ reiterated the Government's support for collective switching including an intention to continue to promote collective switching schemes, particularly those aimed at vulnerable customers.

38. In its Annual Energy Statement, issued on 31 October 2013, DECC stated that they intend to reduce the period of time that it takes to switch and to make it easier to switch. Ed Davey aspires to reduce the switching period from five weeks to one day³⁷ and introduce Quick Response (QR) codes to energy bills allowing customers to get an instant cross market comparison on their smart phone or tablet³⁸. Ofgem also considered collective switching in their RMR and will allow energy suppliers to create additional tariffs specifically for collective switching schemes in addition to their "core tariffs" as long as certain criteria are met. These changes will allow energy suppliers to compete more effectively in collective switching auctions and give them the flexibility to offer specific tariffs for each auction, which should result in a better prospect for customers switching through this route. Notably this was not possible for the collective switching schemes run as part of the Cheaper Energy Together fund but will be for future switches run by those authorities that continue to participate. This shows that DECC and Ofgem recognise the role that collective switching can play in engaging customers around energy and stimulating effective competition in the energy market. However, it will be important that DECC and Ofgem monitor how this is being interpreted and delivered by the energy suppliers to ensure that this is effective and offering customers the best deal.
39. Collective switching initiatives have been running successfully in countries like Belgium, Netherlands and Germany for some time. Collective approaches to utility buying are well established and consumers have always been able to benefit from services which leveraged aggregate demand to secure better prices for customers³⁹. iChoosr was formed in Belgium in 2008 and has pioneered collective switching in the European mainland and works with trusted bodies (NGOs, local authorities etc.) to gain critical mass for the auctions. The market conditions in Europe appear to be more conducive to successful auctions and collective switching schemes, with active competitions delivering attractive tariffs. iChoosr would expect switching rates of between 30 per cent and 50 per cent for schemes that they run in Europe, whereas UK schemes only average switching rates of 11 per cent⁴⁰. From the evaluation of the April 2013 Big London Energy Switch auction, the main reason provided for not switching was that the offers made to the registrants were not attractive enough or difficult to understand; which is also reflected by other schemes running at the same time⁴¹. Future collective switching auctions will benefit from the changes following the RMR enabling energy suppliers to develop unique tariffs for collective switching schemes and improve communications to increase general awareness in this sector, which was not possible at the time of the April 2013 auction.
40. Collective switching is in its infancy within the UK and there are still some barriers to its successful implementation. Ofgem will be reviewing collective switching in the UK including the issues raised above, as well as whether any regulatory mechanisms are required to build trust and increase transparency. Ofgem are consulting on this⁴² and the options include a voluntary code of practice for collective switching. In addition, with a potential increase in consumer awareness and

³⁶ Ed Davey Statement to Parliament, <https://www.gov.uk/government/speeches/annual-energy-statement-2013>

³⁷ Ed Davey Statement to Parliament, <https://www.gov.uk/government/speeches/annual-energy-statement-2013>

³⁸ <https://www.gov.uk/government/news/qr-codes-on-energy-bills-put-consumers-in-control>

³⁹ Examples include: <http://bit.ly/GJydHu>, <http://bit.ly/GLBMhT>, <http://www.acwlimburg.be>

⁴⁰ Department of Energy and Climate Change, Helping Customers Switch.

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_fina_2_.pdf

⁴¹ Restrictions around developing tariffs for collective switching auctions at this time meant that a true auction could not take place and very little negotiation on tariffs could take place. Refer to first phase evaluation for more details on this.

⁴² <https://www.ofgem.gov.uk/publications-and-updates/collective-switching>

willingness to switch suppliers, there is potential for an increase in Third Party Intermediaries (TPIs) – switching providers, switching websites, energy brokers and energy efficiency advice providers – entering the market to facilitate the relationship between customer and supplier. Currently, these organisations are not subject to the same regulation by Ofgem as energy suppliers. Ofgem are now considering the long term regulatory framework for TPIs, governing their business practices and how they interact with customers.

4 Review of switching schemes

41. Prior to DECC's Cheaper Energy Together fund there were very few collective switching schemes being run in the UK. The biggest and highest profile switch was the Big Switch campaign run by Which? and online campaigning organisation 38 Degrees. This campaign led to 287,365 people registering and 37,000 people switching suppliers (12.8 per cent conversion rate). Participants made an average saving of £233 per annum⁴³. The auction took place in May 2012 and five suppliers took part in the "reverse auction" which was won by Co-operative Energy for the first 30,000 customers and EDF Energy for the remaining customers.
42. There were also a few early local authority schemes, these were in part stimulated by Ed Davey's open letter⁴⁴ to local authorities encouraging them to get involved in collective purchasing and collective switching to help residents get a better deal on their energy bills. These schemes included⁴⁵:
- Cornwall Council and Cornwall Together Partnership
 - Norwich City Council
 - Oldham Council
 - Peterborough County Council
 - South Lakeland District Council
43. Broadly there are two options for delivering the auction which may influence the outcome of the switch for the customers who have registered:
1. The auction takes place following a registration phase. The suppliers participating in the auction have knowledge of the numbers involved in the switch and make their offers based on this. Once the winning tariff has been confirmed customers are informed of their offer and have a period in which to decide to accept.
 2. The auction takes place ahead of the registration phase and suppliers make their offers based on a predicted number of registrants. On registering the customer is informed of their offer and likely savings straight away and has a period in which to decide to accept.
44. There are also several options for communicating the offer and how much information is provided at this stage. Typically two options are preferred:
1. The winning tariff is presented alone and a comparison is made to the customers' existing tariff.
 2. The winning tariff is presented alongside the current best tariff offer for their category (e.g. Direct Debit, dual fuel etc.) or any other category that the switching partners wish to promote e.g. green tariffs.
45. The Cheaper Energy Together Fund wanted to test some of the ideas that had started to develop through existing switching schemes and how these could be implemented to maximise benefit to vulnerable groups. 2013 saw a number of collective switching schemes being established, both

⁴³ <http://www.which.co.uk/switch/about-which-switch/about-the-big-switch>

⁴⁴ https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/48468/5944-letter-from-edward-davey-to-local-authority-ceos-o.pdf

⁴⁵ More information on these schemes is available on the LGA website: http://www.local.gov.uk/productivity/-/journal_content/56/10180/3744586/ARTICLE

with and without funding from the Cheaper Energy Together Scheme. Some examples are highlighted below.

46. **Fair Energy**⁴⁶ is Greater Manchester's scheme funded by Cheaper Energy Together followed on from Oldham council's successful switching campaign in November 2012. Partnering with iChoosr the Oldham switch resulted in nearly 9,000 people registering and a 14 per cent switching rate, saving on average £171 per year. This scheme was then expanded to cover all 10 Greater Manchester authorities using the Cheaper Energy Together funding. This scheme focussed on traditional marketing campaign, real life examples from the previous switch, as well as promotion of the energy advice helpline. Across two campaigns, over 40,000 residents signed up and a 12 per cent switch rate was achieved. Residents saved on average £125 per year from their energy bills and the councils earned £45,000 through referral fees from iChoosr which they intend to invest in fuel poverty schemes across Greater Manchester. The authorities involved in the switch recognise that the communications and process of switching worked well. However, they do not feel that this has made an impact on fuel poverty and feel the options for offline switching were slow, and the offers presented as part of the auctions were not good enough to achieve higher switching rates⁴⁷. The authorities plan to run further switching campaigns in early 2014 alongside a fuel poverty behaviour change programme.
47. **Energy Deal**⁴⁸ is a collective switching scheme in Kent run by Tunbridge Wells, Dartford, Dover and Gravesham. The scheme engaged with 2,488 participants of which 209 people ended up switching saving on average £102 per year. The Energy Deal formed part of the Big Community Switch which brought together around 50 local authority schemes and was facilitated by iChoosr. The Energy Deal auction took place on 4 June and provided a useful comparison to the 9 April auction. In their evaluation the authorities recognised that registration rates, as well as conversion rates to switching were both lower than anticipated. They had hoped to engage with and register around 3 per cent of their households but managed to get registrations from only 1.2 per cent of households. Similarly, 9.4 per cent of registrations resulted in a switch whereas they had hoped for a 25 per cent conversion rate. The main reason given by those who did not switch was that the offer was not attractive enough for them to switch or because they were offered a better deal by their existing supplier or found a better deal themselves⁴⁹.
48. **Cornwall Together**⁵⁰ is a collective scheme run by a partnership of organisations including Cornwall Council, Eden Project, Age UK, St Austell Brewery and the NHS. Cornwall Together was launched in 2012 and ran an auction between July and October which saved customers an average of £133 per year. Following the success of this auction a second auction was run with funding through the Cheaper Energy Together Scheme and other projects in Birmingham and Solihull, Exeter and Scotland were set up under the banner UK Together. The second auction ran slightly differently, in that the auction was carried out up front and ran over a four week rather than a three month period. This second auction resulted in 8,366 registrations and 1,174 switches which saved on average £112 per year for customers. One interesting aspect of the Cornwall Together scheme is that it includes a dedicated fuel poverty fund whereby 10 per cent of the switching fee is allocated to the fund which is overseen by the NHS, Cornwall Council and the Eden Project. Cornwall Together is upfront about this and the funding allocated to this pot does not impact upon the saving made by customers – they also intend to seek match funding for this allocation to make the fund more effective.

⁴⁶ http://gmfairenergy.ichoosr.com/Product/index.rails?actionId=284&utm_medium=web&location=gmfairenergy

⁴⁷ Based on information provided via a presentation at DECC collective switching event

⁴⁸ <http://www.energydealswitch.com/>

⁴⁹ Based on information provided by Tunbridge Wells District Council via a presentation

⁵⁰ <http://www.cornwalltogether.com/>

49. **Birmingham and Solihull Together**⁵¹ scheme was open to all residents in Birmingham and Solihull, however, the scheme aimed to target specific Lower Super Output Areas (LSOAs) in order to target the most vulnerable in the city. The scheme delivered 1,029 switches with an average saving of £160 per year which was amongst the highest average savings of all the Cheaper Energy Together schemes and also represents one of the highest conversion rates from registration to switching at 16 per cent. The Birmingham scheme offered a holistic approach making people aware of the benefits of tariff and energy switching, as well as offering support around budgeting, energy use and energy efficiency measures. To achieve the level of engagement Birmingham and Solihull worked hard to use existing networks and those already in contact with their target groups including housing associations, community groups, local credit unions, health advisors, energy advisors and used existing meeting structures such as financial inclusion and Winter Warmth Campaign meetings. They also took advantage of the substantial amount of work that stakeholders had already completed in engaging communities around energy efficiency e.g. CERT and CESP programs, Birmingham Energy Savers and Stay Warm Stay Well programme.
50. **Community Energy Direct**⁵² is a community and local authority led scheme across West Yorkshire (including Leeds City Council, Wakefield Council, Bradford District Council, Kirklees Borough Council and City of York). The Community Energy Direct model was based around a series of Local Energy Smart clubs across all the local authority areas. An emphasis on local ownership of the collective switch scheme was encouraged and supported by Community Energy Direct and they in part used the concept of the collective switch as an opportunity to involve people in the wider issues of importance to the energy clubs. Over the course of the switch they engaged with over 70,000 people, registered 7,000 for the scheme and ended up with 613 people switching who saved an average of £173 per year. Since 2009, Community Energy Direct has been testing the Energy Club model and it is these long term relationships and partnerships that made their engagement with people, particularly in targeted LSOAs, so successful.
51. **Bristol Switch and Save**⁵³ is the scheme run by the Centre for Sustainable Energy in partnership with Bristol City Council, Bristol Credit Union and the Bristol Pound (the city's local currency). The scheme aimed to register around 5,000 people and integrated the scheme with energy efficiency advice. As well as support to ensure that customers received the best deal for them which often took the form of one to one advice. Overall the scheme registered 5,378 people and of those 23 per cent (1,242) switched suppliers, saving an average of £105 per year. Although the savings are slightly lower than average for the Cheaper Energy Together Schemes their conversion rate to switching is much higher. Bristol Switch and Save wanted to ensure that the tariff selection criteria took account of not only cost but of customer service standards and offered customers a choice of winning tariffs at the end of the auction. In addition, Bristol Switch and Save took full control of all communications about the switch at every stage rather than allowing their commercial switching partner to manage the communications. This control allowed them to contact people regularly and prompt those who had not responded to the tariff offers, it also allowed them to "cross sell" and make residents aware of offers that were specifically relevant to themselves. They also unusually allowed people to continue to register for the switch once the auction had taken place – so despite the majority of switchers having registered before the auction some people who switched registered afterwards; thereby capitalising on the momentum generated by the auction .
52. In reviewing these schemes and making comparisons to the Big London Energy Switch some themes around scheme delivery and implementation become apparent.

⁵¹ <http://www.birminghamandsolihulltogether.com/>

⁵² <http://www.communityenergy.info/home>

⁵³ http://www.cse.org.uk/downloads/file/bristol_switch_and_save_evaluation.pdf

4.1 Scale

53. Through the Cheaper Energy Together fund, a range of suppliers have participated and won auctions. However, there does seem to be implications around the scale of the auctions and the numbers participating. One of the main objectives with collective switching is to stimulate competition in the market and drive for better deals for the customers involved. However, broadly the larger auctions, such as the auctions run by iChoosr (combining multiple local authority schemes), have been won by the bigger suppliers, whereas the smaller auctions have attracted more attention from the smaller suppliers.
54. Smaller suppliers may not have the infrastructure to take on very large numbers of customers at one time, both in terms of customer service capabilities and the amount of secured energy available to them to sell on. In addition, they may be cautious of taking on too many customers because of the implications this may bring, for example obligations on a larger supplier to provide Warm Home Discounts. Whilst for larger suppliers the cost of developing specific tariffs could be significant and they may not be willing to do this unless large numbers are involved. One option to encourage smaller companies to participate in larger auctions would be to cap the number of customers they can accept through any one tariff. This was the case in the Which? Big Switch, where Co-operative energy limited the number of customers who could accept their offer to 30,000.
55. iChoosr have indicated that larger numbers of registrants are needed to ensure energy companies remain interested in bidding for customers through these schemes. They would encourage collaborations between authorities to ensure scale in the auctions and currently run switching schemes for London, Manchester and Peterborough amongst others (collectively the largest switch under the Cheaper Energy Together scheme). But this approach could lead to less competition in the market as it favours the larger suppliers and perhaps does not stimulate the same positive outcomes for customers. However iChoosr have indicated that the November 2013 auction received interest from both large and small suppliers and that the auction process for this switch was very competitive.

4.2 Registrations and converting these to switches

56. Through the Big London Energy Switch a large number of engagement methods were used to inform and encourage people to register, ranging from leaflets, letters, adverts on buses, workshops, events and social media. This evaluation found that direct messages from the council (direct mailings, inserts within council tax bills etc.) were the most effective method for generating registrations. Whilst social media and events were the least productive methods for engaging people around the switch. This appears to have been mirrored in many of the other auctions run at a similar time. Local authorities have demonstrated that they are able to use their local knowledge to effectively engage with residents.
57. Communication around the switch is very important and the Cheaper Energy Together scheme has seen a range of approaches. The Big London Energy Switch partners took on full responsibility for the initial engagement and encouraging residents to register. However, once registrations were complete the communications were managed by iChoosr which gave the London boroughs limited influence over how and when communications were being sent. Other schemes, such as Bristol Switch and Save, took full control over all communications from marketing, updates, communicating the offer and next steps. This approach seems to have resulted in higher than average switching rates and high proportions of vulnerable people registering (24 per cent of registrants in receipt of benefits). Centre for Sustainable Energy also carried out follow up calls to residents to answer questions about their offer or what their options might be. This is however resource intensive and may not be replicable without funding to support this activity.

58. One aspect of registration which has a large influence on the number of people eventually switching is the accurate provision of information, by the resident, at the registration stage. This seems to have been experienced across all the Cheaper Energy Together schemes and the missing data tends to be energy use and current tariff. Future schemes could consider contacting these residents ahead of the auction to help them to find this information, although we recognise that this would be resource and cost intensive.

4.3 Switching method

59. Both forms of collective switch auction, outlined above, have been trialled as part of the Cheaper Energy Together fund, with broadly similar switching rates across schemes. The UK Together consortium (Cornwall, Exeter, Birmingham/Solihull and Scotland) took the approach of negotiating with energy suppliers ahead of the registration phase. This approach means customers receive their offer quickly after registering and maintains momentum and reduces the number of people dropping out of the process after sign up. The four UK Together schemes resulted in switching rates of between 11 per cent and 16 per cent⁵⁴. Notably these schemes also provided customers with a comparison in their offer letter which outlined the collective switch offer, the best fixed rate tariff, the best variable rate tariff and the best green tariff, this too may have had an influence on the numbers switching, as this gave the customers a fuller picture of what their options were and thus perhaps gives greater assurance of the savings predicted.
60. Schemes which have used the more typical collective switching method where registrations are collected in advance of the auction, such as the Big London Energy Switch, do seem to have slightly lower conversion rates from registration to numbers switching. This indicates that there is some drop out as a result in the time lag between registering and the outcome of the auction being communicated, with switching rates of around 10 per cent across these schemes. Both methods rely on the overall number of participants and the promise of larger numbers will influence the energy suppliers as to whether to participate in each auction. At this stage, it is too early to determine which method provides customers with the best outcome financially.

4.4 Reaching vulnerable customers

61. The DECC evaluation of the collective switching schemes run under the Cheaper Energy Together fund has concluded that overall these schemes were successful in engaging with and helping a considerable number of vulnerable customers.
62. A condition of the Cheaper Energy Together funding was that schemes would have a plan for engaging with customers who were considered as vulnerable or who were otherwise unengaged with the energy market. Compared to average results from across the national schemes, the Big London Energy Switch appears to have performed better at appealing to vulnerable customers and ensuring registrations from these groups, see Table 3.

⁵⁴ Department of Energy and Climate Change:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_national_2_.pdf

Table 3: Registration from vulnerable groups

Vulnerable Group	National Schemes ⁵⁵	Big London Energy Switch April auction ⁵⁶
In receipt of benefits	8%	17%
Elderly	24%	28%
No access to the internet	9%	12%
Never switched supplier	33%	49%

63. These schemes appear to be benefitting vulnerable customers and are moving customers on to tariffs which will save them money. However, more needs to be done to ensure that vulnerable customers understand the process, the offer and what will happen if they switch. The schemes involved in the Cheaper Energy Together scheme recognised this and in some cases provided extra support in the form of free phone numbers, additional communications or targeted communication/ engagement techniques such as text message. iChoosr has also recognised that extra support for these groups is desired by their local authority partners and more vulnerable customers so following the June auction, they are providing extra resources in the form of a phone line to answer queries and help people make decisions appropriate for their needs
64. What more can be done to protect vulnerable people and ensure that their homes can be affordably heated? Many of the collective switching schemes running over the last year have provided advice on energy efficiency measures and behaviours as part of their schemes. However, better integration of this advice and perhaps referrals to sources of funding to install measures would be beneficial. At this stage there is little information available on how well energy efficiency advice had been integrated in to collective switching schemes and it is difficult to review how effective this has been. However, the link between saving money from energy bills through switching energy supplier and saving through reduced consumption needs to be strengthened in future schemes to ensure that all customers and particularly vulnerable customers maximise potential benefit.

4.5 Individuals switching independently

65. As well as those switching through collective switching schemes, we know that a large number of people use price comparison websites and services to facilitate their switch between energy suppliers. Price comparison sites are increasingly becoming a key source of information to guide customer's decisions; in 2010 the Office for Fair Trading found that 73 per cent of customers had used a price comparison website, an increase from 62 per cent in 2009 (across all markets)⁵⁷.
66. Despite high numbers of people using price comparison websites a recent survey for Consumer Futures has found that only around half of consumers go on to switch or purchase directly from these sites. The areas where switching is predominantly facilitated by these sites are car and home insurance and energy supply⁵⁸. In a study carried out for Consumer Focus in February 2013, 18 websites offering energy price comparisons from a total of 99 sites reviewed to investigate the quality of information supplied through a series of mystery shopping exercises⁵⁹.

⁵⁵ Department of Energy and Climate Change:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_fina_2_.pdf

⁵⁶ Department of Energy and Climate Change:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/253862/Helping_Customers_Switch_Collective_Switching_and_Beyond_fina_2_.pdf. Figures differs slightly from the Big London Energy Switch evaluation. DECC figures used here to allow direct comparison.

⁵⁷ Consumer Focus. <http://www.consumerfocus.org.uk/files/2013/01/Comparing-comparison-sites.pdf>

⁵⁸ Consumer futures. <http://www.consumerfutures.org.uk/files/2013/07/Price-Comparison-Websites-Consumer-perceptions-and-experiences.pdf>

⁵⁹ Consumer Focus. <http://www.consumerfocus.org.uk/files/2013/01/Comparing-comparison-sites.pdf>

67. In Ofgem’s 2012 report ‘*Customer Engagement with the Energy Market*’, they found that overall the numbers of people switching was in decline with just 13 per cent of gas customers and 14 per cent of electricity customers switching suppliers in 2011. However, when looking at switching method, proportionally those using price comparison sites has increased significantly⁶⁰ (Table 4). We anticipate this trend will continue making consumer protection and assurance of this route to purchase more important than before.

Table 4: Percentage using online/website price comparison service to switch energy supplier in 2011 and 2012

Fuel type	2011	2012
Gas	16%	27%
Electricity	16%	25%

68. In order to regulate energy price comparison sites, Ofgem manages a Code of Practice governing independent energy price comparison sites – The Confidence Code. As of January 2014 the following websites were accredited by the Confidence Code:

- energyhelpline
- Energylinx
- MoneySupermarket
- myutilitygenius
- SimplySwitch
- switchgasandelectric
- TheEnergyShop
- UKPower
- Unravelit
- uSwitch
- Which? Switch
- TheEnergyShop

69. However, it should be noted that this is a voluntary code and many comparison sites do not operate under this Code of Practice. This is something that Ofgem plan to review as part of their Retail Market Reform under the Third Party Intermediaries Programme which will look to bring in regulatory measures to ensure fair practice.

⁶⁰ Ofgem. <https://www.ofgem.gov.uk/ofgem-publications/39463/customer-engagement-energy-market-tracking-survey-2012.pdf>

5 Collective switching compared to alternative programmes

70. The Big London Energy Switch and other local authority switching schemes funded through the Cheaper Energy Together scheme were acting as pilots to test the different models for delivering collective switching schemes. The intention was to test the appetite for these types of programmes amongst consumers, the delivery method and engagement techniques. Alongside this it was an opportunity to test how the energy market would respond to these schemes and see what savings people could make.
71. Switching energy suppliers' results in financial savings which may be short lived if the customer does not continue to switch again regularly. Improving the energy efficiency of homes and changing energy consumption behaviour is also needed to ensure long term savings. Some commentators have concerns that allocating funding to switching schemes is illogical and money could be better allocated elsewhere in areas which would reduce energy consumption and deliver long term savings. With this in mind a review of how else this funding could have been used was carried out and a brief overview of the benefits that other schemes could have provided for a similar investment is discussed.
72. The following options have been reviewed:
- Provide a subsidy
 - Deliver a programme of behaviour change advice
 - Deliver a programme of insulation
73. It is important to note that the comparisons made in the next section are very high level and only offer figures to enable comparisons to be made between alternative options to the switching scheme. We also recognise that other costs not considered within this report would apply to each of the options discussed. In addition, there were some one-off set up costs associated with the April Big London Energy Switch auction that will not apply to future auctions.

5.1 Provide a subsidy

74. Some argue that collective switching is a relatively expensive way of helping people to switch suppliers and it has been suggested that, for the resource required to organise the auction, the money could be used more effectively if it was divided amongst those participating. On the surface, this does appear to be the case when looking just at those that switched in the April auction.
75. The total budget allocated to the Big London Energy Switch auction which took place in April was £596,655. Dividing the total budget amongst those who registered results in the cost per person allocations shown in Table 5.
76. The average saving through the April auction was £122. So if we only take those who switched into account, a subsidy in this case would have resulted in those people being nearly three times better off (£320). However, when looking at the whole programme, allocating the budget across all registrants, it would result in each person receiving a subsidy of around £20.

Table 5: Cost per participant – April auction

	Number	Cost per person
Registrations	26,433	£22.57
Full registrations (could receive an offer)	19,705	£30.28
Switched through auction	1,861	£320.61

77. However, in order to be a fair programme this subsidy would need to be offered to everyone living within London. The numbers involved in this programme represent a very small proportion of London's 8.3 million population or 3.3 million households. If a £20 subsidy were to be offered to every household in London, a budget of £66 million would be required. Alternatively, if eligibility criteria were applied to target those living in fuel poverty it would still require a budget of £6 million and there is no guarantee that people would use the money towards their energy bills. Equally a one off payment is unlikely to make any long term impact on these people or their energy consumption behaviour. It is also arguable that a £20 subsidy is unlikely to make any significant difference, financially, to a household over the course of a year. Whereas the average saving of £122 could make a significant difference to vulnerable. We can also assume that taking part in the programme may lead to participants being more aware of their opportunities to switch in the future, meaning they should benefit across multiple years.
78. As indicated previously, there were a number of one off setup costs associated with the first auction that will not apply to future auctions. Future switches should therefore be more cost effective and the margin between cost per switches and average annual savings should be less significant. In addition, future switches are likely to result in better competition between suppliers, and therefore greater savings for registrants, now that the RMR has been implemented.
79. There are also other wider, but unquantifiable, benefits which would not be achieved by providing a standalone subsidy to all residents. These include:
- Awareness around energy bills and the opportunity to switch collectively or independently
 - Awareness of energy issues and potential energy behaviour changes
 - A sense of community and doing something as a collective

5.2 Behaviour change programme

80. Providing information and advice about energy efficiency would be another alternative route to reduce energy bills by reducing energy consumption. There is a difference between providing **information** which could include making leaflets, websites, posters etc. available to people, and providing **advice**, which should be tailored to an individual's circumstances and could be over the phone or as part of a face-to-face meeting. The provision of tailored advice is likely to lead to more action on behalf of the individual and therefore result in greater energy and bill savings in the home.
81. Very few studies have attempted to quantify the savings people make as a result of providing information or behaviour change advice programmes. However Affinity Sutton's FutureFit⁶¹ programme recently presented some interesting findings around the impact of advice provision.

⁶¹ <http://www.affinitysutton.com/en/about-us/corporate-responsibility/environment-and-sustainability/our-homes/futurefit-project/>

82. The FutureFit programme aimed to retrofit homes testing the impact of three packages of measures within set budgets and in accordance with the energy hierarchy – packages of £6,500, £10,000 and £25,000. They also wanted to test the impact of providing lifestyle advice to encourage behaviour change around energy consumption. 102 homes were retrofitted, 50 of which received advice in addition to measures and a further 50 homes received advice only. For all properties they looked at real energy use data before and after the interventions and overall the following savings were observed:

- Advice saved five per cent;
- Measures saved eight per cent; and
- Advice and measures combined saved 13 per cent.

83. The advice provided through this programme was extensive and was possible because, as a Registered Social Landlord, Affinity Sutton has greater access to their tenants and the opportunities to provide cost effective advice as part of their standard interactions with residents. However, much of their programme could be replicated across a wider programme of advice. FutureFit delivered the following as part of their advice programme:

- Initial visit and 'energy saving house' leaflet;
- Installation of energy display monitor;
- Installation of thermometer card;
- Gas contractor visits, including information about using heating system correctly; and
- Set of stickers used as reminders around the house.

84. If a scheme such as this was rolled out across London and resulted in a five per cent saving on energy bills, the potential energy savings could average around £64.70⁶² per household. This saving would be sustained over multiple years if behaviours became normalised, in comparison to switching which only guarantees a saving within the fixed term period or while the specific tariff remains the same, unless the participant switches regularly going forwards.

85. As an estimate, if a home visit with advice and information provision, alongside the installation of an energy monitor costs £320 (equivalent to the per switcher cost) then home visits could be provided to 1,861 homes providing an overall saving of £120,406⁶³. This compares to a total saving of £102,980 (15 per cent less) made by those who switched through the April Big London Energy Switch auction. However, savings made by those who receive a home visit may be less than the average figure of £64.70 used above, as this type of scheme is likely to be targeted at vulnerable residents whose fuel bills are likely to be lower and therefore overall savings may be lower than suggested above.

5.3 Insulation programme

86. One of the most effective ways of reducing energy consumption and energy bills is to improve the thermal efficiency of buildings. This section includes some comparisons of the costs of delivering these measures alongside the energy bill savings that could be achieved from these interventions, which can then be compared to the savings made through the collective switching programme.

87. In April 2013, the Big London Energy Switch assisted 1,861 people to switch at a cost of £321 per switcher. This resulted in average savings of £122 per person. The examples shown in Table 6

⁶² This represents five per cent of the average combined London energy bill of £1,294 sourced from DECC. <https://www.gov.uk/government/statistical-data-sets/annual-domestic-energy-price-statistics>

⁶³ 1861 (total switchers) x £64.70 (assumed saving in bills after provision of advice)

demonstrate what energy bill savings could be achieved through the installation of correctly targeted energy efficiency measures with a similar capital cost per property. The three modelled packages of energy efficiency measures, all costing less than £321, would be suitable for many under-performing homes and would result in average annual energy bill savings in the range of £97 to £120 per year.

Table 6: Cost of packages of measures and resulting bill savings

Measures	Average total cost	Average annual fuel bill saving (£/yr)
Loft top up, room thermostat	£304	£103
Draught proofing, chimney draught excluder and room thermostat	£313	£120
Draught proofing, hot water tank jacket and chimney draught excluder	£242	£97

88. The packages of work outlined show that the average savings per household are equivalent to or less than the savings anticipated through those people who switched suppliers. However, we do have to take into account the averages which have been used here in both cases. The average saving that people could expect through the switch is £122, however we know that the savings predicted for those that switched range from minus £200 to £400⁶⁴. In addition, the averages provided for the installed measures are also unlikely to be experienced in every home as it will depend on their energy use in the first instance, what other measures they have installed and their behaviour around energy in the home. For example, vulnerable customers may be under heating their homes before measures are installed and then may heat their home more after the measures have been installed as this is now more affordable for them (“comfort taking”), which would mean that they would not make all of the savings predicted, however, these figures provide a useful comparison in this case.
89. A package of cavity wall insulation and top up loft insulation would typically cost about £696 and would save around £169 per year from energy bills. For the total budget allocated to the April auction, 857 (46 per cent of those that switched) households could have received this package of measures resulting in total fuel bill savings of £144,833. This equates to 30 per cent more than the savings generated through the Big London Energy Switch April auction. Crucially these savings will also be realised year on year as the savings result from a reduction in energy consumption, which also has an impact on carbon emissions.
90. If this package of measures was to be delivered to all 1,861 houses that switched through the Big London Energy Switch it would cost £1,295,431 and would result in £314,509 worth of energy bill savings annually.

⁶⁴ Figures provided by iChoosr, predicted savings calculated based on data provided by customer at point of registration.

Table 7: Cost, energy and bills savings associated with loft and cavity wall insulation

	Average cost	Average saving (£/year)	Average saving (kWh/ year)
Cavity wall insulation	£475	£136	2,624
Loft top up	£221	£34	654
Combined package	£696	£169	3,279
Total for 1861 households	£1,295,431	£314,509	6,102,219
Total for 857 households	£596,000	£144,833	2,810,103

91. The overall savings anticipated through the delivery of insulation measures is greater than the savings made through the collective switch (£144,833 compared to £102,980) despite the fact that less people receive measures compared to those switching suppliers. Arguably energy efficiency measures can go on to help to shield households from future energy price rises by permanently helping to reduce the household's energy demand. In reality this saving could increase year on year if energy prices continue to rise.
92. However, it should be noted that not all houses will be suitable for receiving such measures. For example not all homes have a loft and not all homes have a cavity wall, whereas almost everyone is able to switch energy suppliers and potentially make a saving. iChoosr have found that around 70 per cent of people can make a saving through switching (71 per cent in April, 67 per cent in June). However, this does include people saving very low amounts (less than £20) which possibly wouldn't encourage people to switch suppliers, although some customers do choose to switch at an apparent loss.
93. Lastly, the choice of delivery for these types of schemes may have an impact on how the scheme is taken up and the cost of delivery. For example, this could vary between providing a grant for measures or offering a more in depth service where the installation is organised and paid for by the delivery body. A grant scheme may have less take up from vulnerable residents who may be less able to access such schemes, whereas a delivery scheme could prioritise this group over others to ensure that this group benefit more from the funding. Another option would be to offer a partial subsidy/grant in a similar way to the Boiler Scrappage scheme, which offered a £400 subsidy when replacing F and G rated boilers. A scheme like this would enable more measures to be installed; although it would favour those households which are able to pay for the remainder of the work.

5.4 Conclusion

94. From the analysis, allocating money to switching schemes compare favourably to the other options investigated, both in terms of savings delivered and the number of people engaged. However, it is clear that behaviour change and insulation programmes are likely to have a longer term impact on bill savings, year on year, as they focus on reducing energy consumption rather than just bill savings. Most importantly control remains with the householder reducing their susceptibility to fluctuating energy prices.

95. The energy and momentum from the switching campaign should therefore be capitalised upon and maximised by combining switching activity with other schemes such as behaviour change, insulation and smart metering. This will ensure that people are aware of their energy bills and the opportunity to switch, as well as benefitting from the other interventions available.
96. This packaging up of interventions could work especially well for vulnerable people as this can also be tied in to other programmes which could benefit them. For example a combined programme could include:
- Collective switching/ switching advice;
 - Behaviour change advice;
 - Smart metering;
 - Benefits check/ income maximisation; and
 - Renewable opportunity assessment.
97. An example of a programme which has successfully combined many of these aspects is SHIMMER which was delivered as a pilot in 2010. SHIMMER⁶⁵ used smart meters as a starting point to help fuel poor, low income households to manage their energy consumption and finances. The initial results from the pilot indicate that the combination of measures and services provided through the scheme saved households between £200 and £3,500 per year. The SHIMMER programme combined:
- Solar panels;
 - Smart meter;
 - Information on the cost of energy;
 - Personalised advice on energy, type of housing and family circumstances;
 - Household budgeting tool;
 - Utility switching tool; and
 - Benefits checking tool.
98. We know from the first phase evaluation of the Big London Energy Switch that people liked feeling that they were part of a community by participating in the collective switch. The momentum around energy issues should be optimised to a greater degree to engage people in broader programmes which will deliver greater overall and longer term savings.

⁶⁵ <http://www.energysavingtrust.org.uk/Publications2/Energy-efficiency/SHIMMER-Smart-Homes-Integrating-Meters-Money-Energy-Research>

6 London borough case studies

99. 21 London boroughs participated in the Big London Energy Switch. The branding and messaging for the scheme was developed centrally, however the promotion and targeting of messages around the scheme were left to individual boroughs. To highlight the different approaches taken by boroughs three case studies have been compiled. Ealing, Greenwich and Harrow were chosen as they appeared to be taking a proactive approach and had high registration numbers across all auctions.

6.1 London Borough of Ealing

6.1.1 Drivers behind taking part

100. Ealing Council had been investigating energy switching and collective energy switching since early 2012. This topic was reviewed at one of its scrutiny panels where the options available and the potential benefits were discussed. These types of schemes had the support of Councillors and whilst Ealing was looking at ways in which these could be developed, it was struggling to justify resourcing them.

101. The Cheaper Energy Together Fund and the Big London Energy Switch partnership came at the right time and with the support of Councillors, including the cEaling decided to go ahead and participate in the switch. This was seen as an opportunity to test out this model in a way that would be cost neutral to the council.

6.1.2 Engagement methods

102. Ealing received £23,000 from the Cheaper Energy Together Fund as part of the Big London Energy Switch. The majority of this was allocated to marketing and engagement around the switch and officer time associated with the switch was in addition to this funding.

103. Ealing tested a number of options for engagement around the switch including:

- council tax mailing – inserting a letter to residents
- adverts/articles/inserts in the council's residents' magazine
- information in the newsletter sent to council tenants and leaseholders
- events
- Taxicard letter – coordinated by London Councils
- information on the council website and issued via emails

104. The campaign around the Big London Energy Switch was led by the Sustainability Team in the Regeneration and Housing Directorate, which worked across the council in order to successfully promote the scheme, in particular with the Marketing and Communications team. Gaining political support for the switch made working across departments easier and more successful, which was particularly important given the timescales for this programme.

105. However the Cheaper Energy Together funding came at a very busy time for the borough with other programmes and funding coming online at around the same time, including:

- Pioneer Places funded projects (x2)
- Fuel Poverty Fund project
- Warm Home Healthy People funded programme (COSIE)

106. These programmes were funded by the Department of Energy and Climate Change and the Department for Health and delivering these programmes simultaneously made prioritising the switch difficult. However some links were made across the programmes and the switch was promoted through the COSIE programme which aims to assist vulnerable residents in fuel poverty.

6.1.3 Lessons learnt

107. In terms of engagement, Ealing has taken some key learnings from the delivery of this scheme, the main one being that repetition of message as well as timing and planning is really influential in ensuring maximum engagement with residents.

108. The April auction was timed very well as it enabled information to be sent out to all residents through their council tax bill mailings. The council was able to take advantage of coverage in several editions of its residents' magazine. Ealing recognises that planning for these key communications is important in catching people's attention at the right time in the lead up to the auction.

109. Direct mailings were seen as the most successful way of engaging with residents and leading to registrations, however there was a reflection that it was difficult to set up and plan for the response rate from these mailings. During the promotion of the first auction a direct mailing to those people with Taxicards was sent out and there was a large response rate from this; Ealing recognises that the teams were perhaps not prepared for this influx of queries. During the November auction this situation was improved by the use of the central helpline for offline registrations.

110. Ealing also ran a number of events around the auctions – a two day event in the Town Hall and eight Green Doctor events across the borough. However the team found that these were not well attended and it was difficult to sign people up on site due to lack of information to hand. They recognise that certain audiences may appreciate receiving face to face information, advice and support to register which they hoped that these events would provide; however they were perhaps not the right forum in this instance.

111. Ealing has a well-established network of partners in the borough, however it was felt that these partnerships were not utilised as best as they could be in the promotion of the auctions. This is perhaps a reflection on the time available to promote the first auction and the time resources available. Equally better use might have been made of the political support from local Councillors.

6.1.4 Next steps

112. Ealing Councillors were positive about the first auction and very supportive of promoting switching to residents, but found that the savings made were lower than expected. There is also some concern within the council that it is not sustainable to dedicate officer time that is not externally funded to promoting these schemes in relation to the benefit they bring. Going forwards, they plan to promote switching as part of a wider package of interventions and would like to see future programmes providing information about switching alongside practical interventions such as insulation. Ealing also plans to refresh its webpages to highlight all the options available to people to switch suppliers and save money from their bills and this will include information about the collective switch.

6.2 Royal Borough of Greenwich

6.2.1 Drivers behind taking part

113. The main driver for the Royal Borough of Greenwich's involvement in the Big London Energy Switch was their prioritisation of fuel poverty as part of its Anti-Poverty Strategy. There are three primary target groups identified in the Strategy, one of which is households living in fuel poverty and Royal Greenwich aims to tackle this by increasing the thermal efficiency of homes, boosting household income and reducing fuel costs for residents. The Big London Energy Switch and the promotion of switching were seen as a good fit with this broader agenda and Councillors were very supportive of the borough getting involved.

6.2.2 Engagement methods

114. The borough promoted the switch in a number of ways including:

- council newspaper, Greenwich Time
- newsletter
- email bulletin
- internal mailings to schools – for distribution to parents
- posters in GP surgeries
- social media – Twitter/ Facebook
- flyers – handed out at train stations, council offices, library, town hall etc.

115. Royal Greenwich found that its most successful marketing route was through its council newspaper which is delivered to all homes in the borough, as well as through contact points such as libraries, the council offices and GP surgeries. In the run up to the November auction they ran six half-page adverts in the newspaper and also featured several editorials. Following these features they saw significant spikes in registrations and calls to their helpline.

116. Similar spikes were experienced following their direct mailings. The council did not do any direct mailings to residents ahead of the April auction but in the run up to the November auction used its internal mailing system to distribute letters to parents through primary schools in the borough, which was relatively cost effective, and also wrote to all benefit claimants in the borough. They would have liked to include something in their council tax mailing but unfortunately the timings of previous switches did not coincide with these mailouts. However this will be considered for promotion of future switches. Direct mailings resulted in a big response from residents.

117. Royal Greenwich had a team of staff able to answer queries about the switch and the auction as well as helping people to register offline. The support of this team of staff does seem to have had an influence in reassuring and assisting those who wanted to register offline and Greenwich had the highest number of offline registrations across all the boroughs. While this was resource intensive, it was considered extremely important to ensure that those residents requiring assistance were able to take advantage of the switch.

118. In terms of how else the switch was promoted, Royal Greenwich used its established fuel poverty activity to highlight the auction to residents. A Fuel Poverty Checklist, used by front line staff, helps residents to look at their current situation around energy and acts as a basis for providing advice and signposting to services for referrals to other schemes. Everyone who completed a checklist was sent information about the Big London Energy Switch, to make them aware of the programme and the opportunity to save money on their fuel bills.

6.2.3 Lessons learnt and next steps

119. Royal Greenwich did a lot of work with local community networks in 2011 to promote the completion of the 2011 Census questionnaire and was able to utilise this network again in the promotion of the Big London Energy Switch. Royal Greenwich also has a number of partners within the borough (third sector organisations, community leaders etc.), who were very supportive in promoting the switch beyond the council's own communication channels. These routes are something that could be developed further over future auctions and promotion periods.
120. Director level and Member support has been very influential in the delivery of the Big London Energy Switch and officers have indicated that they would not have been able to deliver the programme without this support. They are positive about the switch and it has raised awareness in the borough and helped those that were nervous of switching. Royal Greenwich has had high numbers of registrations for the April and November auctions and will continue to promote future auctions.

6.3 London Borough of Harrow

6.3.1 Drivers behind taking part

121. Harrow's involvement in the Big London Energy Switch was driven by its fuel poverty agenda and a desire to ensure that its residents were getting best value for money from their energy suppliers. Harrow's involvement with the Big London Energy Switch was initially coordinated by its Environment and Housing Teams. However, once the scheme was successfully awarded the Marketing and Communications Team delivered the campaign.

6.3.2 Engagement methods

122. Harrow coordinated a number of engagement techniques including:

- drop in sessions in shopping centres, libraries, civic centre
- social media – Twitter/Facebook
- newspaper – media releases and advertorials
- website
- flyers – in staff canteen, faith groups, children's centres, etc.
- direct mailings
- press releases
- Harrow People magazine, delivered to 100,000 residents
- MyHarrow e-newsletter, delivered to 38,000 residents

123. Harrow indicated that the events run in the lead up to the auctions were the most successful method used in terms of gaining registrations. Ahead of the April auction the team ran five events and a further five in the lead up to the November auction and estimated that there were around 50 sign ups across each period. In addition, many people indicated that they would register at home following the events. The events were well publicised in advance and people were informed that they should bring their energy bill and supplier details with them which allowed on the day registration, using tablets, to take place more easily. The majority of those attending these events were elderly and so possibly less able to sign up at home.

124. In addition to these events, Harrow sent a letter to residents ahead of the April auction. These were written from ward councillors explaining the switching process and how to sign up. Harrow found that there was a large spike in registrations following this localised and personalised letter.

6.3.3 Lessons learnt and next steps

125. All of Harrow's marketing materials were designed without dates so that these could be used across all the switches without concern about reprinting or leaflets going to waste. This meant that the council had to be very responsive to the unexpected change of date during the autumn auction to ensure the web materials were accurate, but did not need to amend any printed materials. This uniformity of message across the switches led to greater recognition of the brand and potentially a greater sign up rate in the second auction despite a reduced marketing push. However, they also produced a large number of press releases around the November auction. Officers did, however, express a concern that this might lead to over-repetitive messaging and risk people becoming bored with the message and ignoring it.
126. Harrow used a council telephone number on their marketing materials and calls went directly to the Communications Team. As well as being surprised by the volumes of queries, they found that some questions were difficult to answer due to the Communications Team's lack of background in wider energy issues and recognise that where the switch was being delivered by Environment/Energy Teams this problem may not have occurred. Harrow is currently evaluating recent campaigns around collective switching and will be discussing their approach to future switches.

7 April 2013 auction – a summary of outcomes following the auction

127. The first phase of this evaluation consisted of a comprehensive survey to registrants of the Big London Energy Switch auction which took place in April 2013. This involved an online questionnaire, a sample telephone survey for those who did not register an email address, follow up in depth phone call discussions and four focus group sessions. The outcomes of this research is summarised in our first report, published October 2013, and focussed on the marketing activity around the switch, people's views of the switch, as well as satisfaction with the process and the outcomes of the auction. A number of recommendations for future switching schemes were also identified.
128. Following this survey there was interest in revisiting this group to review what happened to participants following the auction. This section summarises the results of a second online survey with this group, fuller details can be found in Appendix 1. Two surveys were created for those that participated in the 9 April Big London Energy Switch auction, one survey for those people who switched following the auction and one for those that did not switch.
- From those that switched we had 305 responses from 847 registrants (35 per cent)
 - From those that did not switch we had 1,169 responses from 8,444 registrants (13 per cent)
129. For those who switched through the auction the focus of the survey was on satisfaction with their new supplier and tariff and whether they think that overall they will be better off financially following their switch. For those that did not switch there was a focus on whether or not they have switched independently and what gave them the impetus to do this. Across both groups we also review what actions participants have taken following the switch to reduce their energy consumption and whether they feel there is a role for local authorities in schemes such as the Big London Energy Switch.
130. The majority (66 per cent) of those who had switched through the Big London Energy Switch April auction are happy with their new supplier. In addition the majority of people (73 per cent) have scored their new tariff with a 3 or 4 rating, on a scale of 1 to 5 where 1 is not happy at all and 5 is very happy. Overall these participants seem to be relatively satisfied with the outcome of the auction.
131. When questioned half of those surveyed were unsure whether they had saved money through switching or not. This could be a reflection of the confusion over the bill credit (applicable to most participants) which was raised in our first report or could highlight that people are unsure how to make this type of comparison.
132. The average predicted saving used by iChoosr following the April auction was £122. However, when asked, most people (17 per cent) think they will save between £50 and £99 However five per cent of people did indicate that they thought they would make savings of over £200.
133. One element of switching energy suppliers that is currently seen as a barrier and preventing consumers from switching is the length of time it takes to carry out the switch. For the majority (67 per cent) of those that switched suppliers through the April auction, the switch took four weeks or longer. There is currently a general expectation that it will take around five weeks to switch suppliers and the length of time to switch does not seem to have negatively influenced satisfaction with the scheme.

134. For those that did not switch through the April auction, 255 (22 per cent) of those surveyed have taken part in at least one of the subsequent Big London Energy Switch auctions⁶⁶, indicating that they are positive about collective switching and willing to test this mechanism a second time.
135. 20 per cent have switched their supplier since taking part in the April auction. Some of these independently of the Big London Energy Switch auctions and some through the June auction (21 people). In order to assess the wider impact of the April auction our survey asked to what extent taking part in the auction influenced people to switch independently. 49 per cent of people “agree” or “strongly agree” that taking part in the scheme gave them the confidence/impetus to switch independently. And 71 per cent of those who switched independently feel that they will be better off financially following their switch.
136. For those that did not switch independently since the April auction the majority have not done so because the tariff they are already on is better than others available on the market (77 per cent). However 22 per cent (115) stayed with their current supplier after receiving a better offer, with 3 per cent (16) managing to actively negotiate a better deal after receiving their Big London Energy Switch offer.
137. When questioned on whether participants would take part in a collective switching scheme again in the future, the majority indicated that they would be “likely” or “very likely” to do this, 87 per cent for switchers and 84 per cent for non-switchers. Overall this suggests that people are positive about switching their energy supplier through a collective switching scheme.
138. Looking at whether people would be willing to switch independently in the future it seems that those who switched suppliers through the auction are less likely to switch independently than those who didn't. 39 per cent of those who switched through the April auction suggested that it was “not very likely” they would switch independently in future compared to 23 per cent of those who did not switch. Equally 74 per cent of those who did not switch say that they would be “likely” or “very likely” to switch independently compared to 57 per cent of those who switched through the auction. This suggests that the April auction encouraged many of those people who would not normally switch independently to switch suppliers.
139. 44 per cent of people responded positively when asked about whether they had done anything to change their energy use behaviour as a result of the Big London Energy Switch. This is an increase on our initial survey (results can be found in our first report) which found that 30 per cent of respondents had changed their behaviours since the switch. This is perhaps a reflection that the amount of time passed since the initial survey has allowed people to take action and make changes.
140. Overall respondents are positive about the London boroughs' involvement in the Big London Energy Switch. 77 per cent of switchers and 56 per cent of non-switchers said that the involvement of their local authority influenced their decision to participate. In addition there is support for local authority involvement in schemes like the Big London Energy Switch with 92 per cent of switchers and 82 per cent of non-switchers responding positively when questioned about this.
141. Overall those who did choose to switch through the April auction are positive about the switch and the process they have experienced by taking part in the auction. People are generally satisfied with their new suppliers and tariffs, and most have not taken more than five weeks to complete the switch.

⁶⁶ June or November

142. For those that didn't switch through the April auction we know that many have participated and switched in the subsequent Big London Energy Switch auctions. We can also infer that around 200 respondents to this survey have switched independently of the auctions and some of those feel that taking part in the auction gave them the impetus to do this, indicating the potential wider benefits of this scheme.
143. Those who have responded to this survey are also positive about switching again in the future both independently or through another collective switch. This indicates that awareness of the benefits of switching has increased within this group, as we know many (70%) of those who took part in the April switch had not switched energy suppliers previously.
144. The majority of participants who have responded to this survey are positive about the local authorities' involvement in this scheme. Many feel that the local authorities' involvement influenced their decision to take part and feel that local authorities should be involved in initiatives like this in the future.

8 November 2013 auction – a summary of registration data and survey results

145. Following our analysis and evaluation of the auction in April 2013 a similar analysis was carried out following the third Big London Energy Switch auction on 19 November 2013. The following section summarises the outputs of this analysis and compares this to the results to the April auction. A more detailed analysis and evaluation is available in Appendix 2.
146. The third Big London Energy Switch auction was originally set for the 16 October. The decision to move the date to November was taken to allow energy suppliers bidding in to the auction to take full advantage of the changes made by Ofgem in the RMR⁶⁷ and create tariffs specifically for the auction. Overall, registration numbers were relatively high, considering this auction was not promoted as heavily as the April auction⁶⁸.
147. The budget and time available from authorities to support this auction was significantly lower compared to the April auction. The majority of boroughs decided not to actively promote the auction in June, however nearly six thousand people registered. The November auction demonstrates that a relatively small amount of resource (approx. £2,000 per participating borough) can stimulate significant interest more than doubling the registrations from the June auction.
148. Overall 13,515 households in London registered and we received data from iChoosr for 11,640 of these and our analysis of this auction is based on these people. 1,491 accepted the offer which represents a 13 per cent conversion rate, slightly higher than the nine per cent conversion rate observed in the April 2013 auction.

Table 8: Outcomes of April and November auctions

	Registered	Switched	Conversion rate	Average Saving
April	26,433	1,861	9%	£122
November	13,515	1,491	13%	£206

149. 1,491 households switched through this auction and the total anticipated savings made by those who switched was £301,524 representing an average saving of £206.38 per switcher. Overall the average savings made by those who switched through this auction are higher than the April auction. This suggests that the ability to offer specific individual tariffs resulted in more competition between suppliers and a better outcome for the customer following the November auction.
150. 77 per cent of people who registered and switched through the November auction have not switched supplier in the past three years or at all. This appears to be one of the areas where collective switching is working well and is seemingly removing some of the barriers to switching. Ofgem research⁶⁹ found that on average 62 per cent of consumers have never switched energy suppliers so it is positive that the Big London Energy Switch seems to be attracting and enabling greater proportions of those who have not switched previously to do so now.
151. Overall the proportions of those registering from vulnerable groups are fairly similar between the two auctions. Across April and November auction around 20% of those registered and switching match at least one of the vulnerability indicators⁷⁰. This is encouraging as less resource was

⁶⁷ <https://www.ofgem.gov.uk/gas/retail-market/market-review-and-reform/retail-market-review>

⁶⁸ Registration numbers for the first three Big London Energy Switch auctions April, 26,433. June, 5,568. November, 13,515.

⁶⁹ Ofgem Customer Engagement with the Energy Market - Tracking Survey 2013 – prepared by Ipsos MORI

⁷⁰ In receipt of benefits, elderly, long term illness or disability, children under five or low income.

available to authorities to promote the November auction. This could also be an indication that sufficient momentum has developed around the Big London Energy Switch scheme and brand and that less active promotion is needed for future auctions.

152. The majority of people participating in the November auction said they prefer to pay by monthly Direct Debit and are on a dual fuel contract. Greatest competition between energy suppliers took place trying to secure this group of customers. This level of competition demonstrates that companies are willing to revisit tariffs and improve upon them through the auction process. However, tariffs for customers on pre-payment meters have not improved significantly through this process. iChoosr estimated that through this auction, across all participating areas⁷¹, only eight per cent of those on dual fuel pre-payment tariffs and 22 per cent of those on electricity only pre-payment meters would be able to make a saving. Proportions of those on pre-payment meters registering for the auction is also low, four and five per cent in the April and November auctions respectively. This compares to an estimated 12-14 per cent across the entire population⁷². It is unclear whether higher numbers alone would encourage energy suppliers to offer better tariffs to this group and there may be a greater role for iChoosr or Ofgem to ensure better tariffs for customers with pre-payment meters through collective switching auctions.
153. Eight per cent of people registered offline for this auction compared to 15 per cent in April. This possibly indicates that the service or process provided by the local authorities in registering people offline during the April auction was more effective than the process being implemented by iChoosr during the November auction⁷³. However the local authority role in this registration process is unlikely to be sustainable without funding from external sources, such as the Cheaper Energy Together funding.
154. When surveyed participants indicated how they first heard about the Big London Energy Switch. **Error! Reference source not found.**9 shows the top five channels given in the April and November auctions. Despite the different budgets available, very similar engagement channels have proved effective across the two auctions. This suggests that these are the most effective options in terms of promoting these types of schemes and generating registrations. Direct communication from the council is amongst the most effective ways to promote the scheme to residents, with the majority of people reporting they heard about the scheme through a form of council led communication.

Table 9: Top five engagement methods across the April and November auctions

	April	November
1	Letter from council	Council magazine/ newspaper
2	Council magazine/ newspaper	Newspaper article
3	Newspaper article	Word of mouth
4	Websites	Email from council
5	Word of Mouth	Letter from council

155. The main thing that people said would increase their satisfaction with the scheme is receiving an offer where they would save money. Following receiving a better offer, the next three areas which people indicate would improve their satisfaction are all linked to the provision of information:

⁷¹ The Big Community Switch, Big London Energy Switch, Ready to Switch, South Lakeland District Council and Norwich City Council.

⁷² Customer Engagement with the Energy Market Tracking Survey in 2013

⁷³ Customers wanting to register offline for the November auction first had to contact their local authority who would then refer then onto the offline registration service run by iChoosr. The April auction saw the local authorities managing this entire process.

- Information from new supplier
 - Information on the switching process
 - Presentation of the offer
156. The concept of collective switching is relatively new in the UK and as people are unfamiliar with this type of scheme, it is likely that more information is required to give customers the confidence to participate and be reassured that the scheme and the offer being made is legitimate.
157. 97 per cent of people who switched through the November auction gave saving money as their main reason for switching. Six per cent of people say that moving away from their current supplier is another motivation for switching. Other reasons included wanting to encourage competition and being a responsible customer. 92 per cent of people who switched are confident that they will make the savings anticipated in their offer.
158. The main reason, people don't switch is that the offer is not good enough. 58 per cent of those who did not switch but could have made a saving and 89 per cent of those who received a negative offer gave this as their main reason for not switching. Those people who did not switch because they did not understand what they needed to do halved between the April and November auctions (ten per cent in April, five per cent in November).
159. From those that responded to this survey, 22 per cent of non-switchers that could have saved and 15 per cent of those that would not have saved have gone on to switch independently. These responses go some way to determining the wider benefits of the collective switching scheme.
160. Between 26-36 per cent of survey respondents say that they have taken some action to reduce their energy consumption as a result of taking part in the Big London Energy Switch. This compares well to the responses given to the same question following the April auction (23 - 30 per cent). Future campaigns should aim to capitalise on this to enable maximum benefits to residents and broaden the wider impact of the scheme.
161. Overall, people are positive about this type of scheme with 97 per cent of switchers and 93 per cent of non-switchers indicating that they would think about registering again in the future.
162. Comparing the outcomes of this survey to the responses following the April auction, the results are broadly similar. The ages, gender and vulnerability indicators of those who registered across the two auctions are consistent; indicating that nothing in the process of promoting the scheme, registration (online or offline) or providing the offer is discouraging any particular group from participating.
163. The offers resulting from the November auction are on average significantly better and didn't have the additional complication of the cash back alongside the tariff compared to the April auction. However, despite these significantly better offers the main reason for not switching is still that the offers are not good enough. It may be that better information provision around what to realistically expect from the process could help and may encourage people to switch with a lower offer.
164. Less resource and budget was allocated to the November auction but significant numbers of people still registered for the scheme. Switching rates have improved from the April auction and satisfaction levels and understanding of the scheme is similar if not a little improved. This suggests that with lower resources the participating boroughs could sustain levels of interest in the scheme and still enable people to switch suppliers and save money on their energy bills, as well as promoting the wider benefits of energy efficiency.

9 Conclusion and Recommendations

165. Energy prices are rising and have risen consistently over the last 10 years and the affordability of energy is becoming a growing concern⁷⁴. Switching energy suppliers presents one opportunity to reduce individual energy prices and stimulate greater competition within the market. Ofgem estimates that currently consumers could save an average of £72 and a possible maximum £158⁷⁵ a year through switching to the best tariffs and through regulation of the energy suppliers, they aim to make it easier for consumers to make better choices and has taken some steps towards this through their RMR⁷⁶.
166. The Government has indicated support for schemes enabling customers to switch suppliers more easily and get a better deal in the process and in DECC's Annual Energy Statement⁷⁷, they stated that they intend to reduce the period of time that it takes to switch making it easier to switch. But collective switching is in its infancy in the UK, and there are still some barriers to the successful implementation of collective switching in the UK.
167. Through the Big London Energy Switch and other schemes run as part of the Cheaper Energy Together fund a number of approaches to collective switching have been tested. When comparing the Big London Energy Switch to these schemes there are several areas where London could learn from other schemes for future auctions. These include considerations around scale, methods used to promote the scheme and gaining registrations through to encouraging switching and increasing conversion rates. However, one area where the Big London Energy Switch has performed well compared to other schemes is engaging with and helping vulnerable customers to switch.
168. This report compared switching to providing a subsidy, delivering a programme of behaviour change advice and delivering a programme of insulation. From this analysis, allocating money to switching schemes compares favourably to the other options investigated, both in terms of savings delivered and the number of people engaged. However, it is clear that behaviour change and insulation programmes are likely to have a longer term impact on bill savings, year on year. We would therefore recommend that the momentum around switching campaigns should be capitalised upon and maximised by combining this activity with other schemes such as behaviour change and insulation.
169. Across all three surveys carried out for this evaluation we found that participants are generally positive about the scheme and appreciative of the opportunity to save money from their energy bills. Overall they are satisfied with the process and found the scheme relatively easy to understand. But for the majority the offers generated through the scheme were too low for registrants to consider switching suppliers. However, many of those who did not accept their offers did go on to switch suppliers following the auctions, either through a subsequent Big London Energy Switch auction or independently. The wider benefits of the scheme are difficult to quantify but include people reporting that they have taken action to reduce their energy consumption or negotiating with their current energy suppliers as a direct result of taking part in the auction.
170. Local authority involvement in the scheme has had a large impact on the outcomes of these auctions. The majority of those people who registered for the scheme heard about it through a form of local authority communication. In addition, of those questioned 77 per cent of switchers

⁷⁴ Ofgem has estimated that over the last ten years, wholesale electricity costs have risen by around 140% and gas costs by 240%. https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/268025/Assessment_Framework_18_Dec_final.pdf

⁷⁵ Department of Energy and Climate Change, Annual Energy Statement: <https://www.gov.uk/government/publications/annual-energy-statement-2013>

⁷⁶ Ofgem. RMR – final domestic proposals. <https://www.ofgem.gov.uk/publications-and-updates/retail-market-review-final-domestic-proposals>

⁷⁷ Department of Energy and Climate Change, Annual Energy Statement: <https://www.gov.uk/government/publications/annual-energy-statement-2013>

and 56 per cent of non-switchers said that the involvement of their local authority influenced their decision to participate in the Big London Energy Switch. However, without the Cheaper Energy Together funding partnering boroughs may struggle to justify time and resources spent on promoting and facilitating future auctions. However, the November auction demonstrates that a relatively small amount of resource can stimulate significant interest in the scheme.

171. This report presents a number of recommendations relating to: the provision of information to customers throughout the entire process from registration to the offer stage; clear offers which represent significant savings to customers; more focus on gaining registrations from pre-payment meter customers and better negotiation of tariffs for this group; and better integration of information on energy efficiency measures and behaviour change. Further discussion will be required to determine the future of the Big London Energy Switch scheme and what the priorities will be for future auctions as well as the resource implications for boroughs around their continuing involvement.
172. Overall the Big London Energy Switch has successfully promoted collaborative working across boroughs, generated a range of engagement activity across London including one to one support where appropriate, the boroughs have worked with a number of partners locally to engage residents and the scheme has successfully engaged with and enabled those in vulnerable groups to register and switch suppliers. Overall 45,742 people registered, resulting in 3,615 people accepting offers and switching suppliers and these switches resulted in savings of £553,729. These savings are higher when accounting for those that have switched independently or negotiated better deals with their existing suppliers and when considering the impact on long term behaviour change regarding energy consumption.

9.1 Recommendations

173. The first phase report listed a number of recommendations⁷⁸ which could improve future switching schemes and the majority of these still stand true following the June and November auctions. Many of the same issues have been raised following the surveys carried out for the second phase evaluation. Based on this analysis we make the following further recommendations:

⁷⁸ <http://www.londoncouncils.gov.uk/policylobbying/environment/climatechange/BLES-EvaluationReport.htm>

Organisation	Recommendation
iChoosr	1. Clear offers with no “cash backs” lead to greater switching rates and less confusion over tariffs. iChoosr should work to secure clear tariffs for future auctions. Including providing information on unit rates to enable direct comparisons with current bills.
iChoosr	2. £100 saving appears to be a point at which people feel that a switch may be worthwhile. iChoosr should aim to encourage tariffs which will save this amount, as a minimum, for as many people as possible.
London boroughs	3. The scheme is most attractive to 40-69 year olds. Future schemes engagement should target these groups to secure maximum sign ups.
London boroughs	4. Pre-payment meter customers are currently under represented in registering for the auctions. Ways to target this group to ensure better representation should be investigated. Greater numbers could be one way of encouraging energy suppliers to offer better tariffs for this group.
iChoosr/ Ofgem	5. Greater effort should be made to encourage energy suppliers to offer better tariffs for pre-payment meter customers through collective switching auctions.
London boroughs/ iChoosr	6. Numbers registering offline are low and were lowest during the November auction. The process for registering offline needs to be streamlined and an adequate way of resourcing this to offer the support needed should be in place.
London boroughs	7. Local authority engagement channels appear to be the most effective and people respond positively to this. Cost effective local authority engagement channels should be prioritised in future auctions and the local authority’s role should be made clearer to the customer and the advantages and disadvantages outlined.
London boroughs	8. Word of mouth referrals around the Big London Energy Switch almost doubled between the April and November auctions. The London boroughs should capitalise on this momentum ahead of future auctions, through effective use of community groups and networks
London boroughs and iChoosr	9. Information about energy efficiency and the options for reducing energy consumption should be made available throughout the process. This should be upfront alongside engagement information, offer letters and any other follow up communication.
London boroughs and iChoosr	10. Information provision throughout the process is one area which could increase switching rates and satisfaction levels. Feedback around information has been prominent throughout all our surveys and could easily be rectified. Areas where clearer information could help are: <ul style="list-style-type: none"> • In the initial communication be clear about the benefits, the role of the local authority and the likely realistic outcomes • Following registration be clear on the process and the timeframes • In the offer letter present clearly the information about the offer, how it has been calculated, what to do if you have a question and what steps you need to take. • Following accepting the offer, information about what to expect next from the new supplier and any other information for example around the Feed In Tariff or Warm Home Discount. <p>Some of this is already available on the Frequently Asked Questions (FAQs) section of the Big London Energy Switch website however more upfront information sent via email at key points where contact is already being made may help some people and increase switching rates.</p>