



**Energy for Londoners
Switched On London's Perspective**

Why London needs a fully Licensed Energy Company

Switched On London welcomes Sadiq Khan's decision to set up Energy for Londoners (EFL), a new not-for-profit energy company for the capital. EFL has the potential to transform our city's energy sector and to take bold action on fuel poverty and climate change while putting power back in ordinary people's hands. This short briefing outlines Switched On London's vision for EFL and explains how a fully licensed energy company can achieve this as effectively as possible.

EFL should prioritise three aims:

- tackling fuel poverty;
- promoting clean energy;
- and democratic control.



**CLEAN, AFFORDABLE ENERGY,
FOR PEOPLE, NOT FOR PROFIT**

Fuel poverty

According to the government's current definition of fuel poverty, fuel poverty rates in the capital have remained within a band of around 12 to 15% since 2003¹. Meanwhile, the severity of fuel poverty in London is worsening: the aggregate fuel poverty gap (the total reduction in costs

required so that no households would be considered fuel poor) is substantially higher than a decade ago.

EfL could help alleviate fuel poverty through the following measures:

Fair, affordable tariffs

- Like Robin Hood Energy in Nottingham, EfL should offer tariffs that, in general, are substantially cheaper than average market rates.
- EfL should offer a special cheaper London tariff to London customers, in order to prioritise tackling fuel poverty in the capital.
- Prepayment meter users should not pay more than direct debit customers.

Prepayment meters

- EfL must not cut off energy access to vulnerable customers.
- EfL must not force prepayment meters onto people who do not want them.

Energy efficiency

- Some of the operating profit generated by EfL should be reinvested in household energy efficiency in London for those with the greatest need.

Clean energy

Sadiq Khan has committed London to 100% clean energy by 2050 and to meeting 25% of energy demand from decentralised sources by 2025.

EfL could help London's clean energy transition by committing to providing 100% clean energy as soon as possible. It could realise this commitment through the following measures:

Expanding renewables

- EfL should act as a vehicle for long-term investment into new renewable generating capacity by the GLA.
- This should include an ambitious solar strategy as advocated by Greenpeace², committing to increase London's solar PV capacity to at least 750 MW by 2020 and direct investment in other new renewable technologies inside and outside of the capital, including offshore wind.
- EfL should maintain at least partial ownership of new renewable generating capacity it finances. This would ensure that some of the revenue from generating capacity that EfL finances could be reinvested and would expand the democratic control over the energy system.
- Owning generation assets will also be crucial in efficient hedging of future energy prices. Integrated energy companies have the best chance of surviving in the long-run.

Supporting community energy

- EfL should support community energy projects in the capital through offering Power Purchase Agreements (PPAs) with payment terms that encourage the rapid expansion of the community energy sector. Offering competitive but long-term payment terms to local renewables can create a business model for community energy projects hit by the cuts to FiT.
- This will also help to hedge against energy price volatility.

¹ <https://www.gov.uk/government/collections/fuel-poverty-sub-regional-statistics>

² <http://www.greenpeace.org.uk/sites/files/gpuk/Solar-London-Election-2016-Report.pdf>

Democracy



JAMES TAYLOR



Public trust and satisfaction with the Big Six energy utilities is at an all-time low. Too often these large companies are unaccountable, non-transparent and unresponsive to the needs of customers. In contrast, local authorities remain generally trusted institutions with popular brands.

The current GLA administration has made clear commitments on fuel poverty and climate change, but there is nothing to stop a future administration from changing policy. Only by ensuring that the company is democratic and directly accountable to Londoners can the GLA ensure that Efl continues to reflect the needs and priorities of citizens over the long term.

The growth of community energy projects across the capital demonstrates a desire among Londoners to have real decision-making power and control over the energy system. These new and exciting models should inspire the GLA to adopt a pioneering approach to democratic city energy that can serve as an inspiration to cities across the world.

A more detailed description of how Efl could be democratised has been presented to the GLA in a previous briefing entitled *Energy Democracy The Switched on London Perspective*. In sum, Efl could give energy users and workers more of a say through the following measures:

Board of directors

- Efl should be governed by a board made up of one third elected London residents, one third workforce representatives and one third politicians from local government.
- A system should be devised to guarantee that board representatives include at least 50% women and a proportionate ethnic mix.

Advisory borough assemblies

- All London residents should be given opportunities for participation through annual assemblies held in each region across the city.
- These assemblies should provide a forum for discussion, questions and critique, with Efl representatives in attendance.

Digital democracy

- There should be total transparency with all Efl documents published online that do not compromise the integrity of the business model or the privacy of any individual.
- Efl should establish an online democratic forum for people to suggest, comment and vote on policy proposals and priorities for the company.
- Online proposals backed by 1% or more of London's population should be discussed by the Efl board. Proposals backed by 5% or more of London's population should be put to a direct democratic online referendum.

Why London needs a fully licensed supply company within two years

Fuel Poverty

White labelling would not allow Efl full control over tariffs, instead tariffs would have to be negotiated with a third party. This would mean the company lost the creative ability to try out different tariffs, targeted at the fuel poor.

White labelling would mean that any revenues raised would be shared with a third party, decreasing funds available for lowering future tariffs or investment in energy efficiency and new renewable energy generation capacity.

Democracy

Decision-making power over a white label company would largely reside with those governing the third-party supplier.

London institutions – whether the GLA and/or councils – would have limited oversight over the energy supplier and its practices.

The democratic procedures advocated overleaf could not be incorporated into a white label scheme.

A fully licensed energy supply company could build its own customer base, workforce and identity, facilitating the participation of Londoners in the governance of the company and generating opportunities for discussions about climate change and fuel poverty.

Economic Activity

A fully licensed energy supply company based in and operated from London would create economic activity and skilled jobs in London – ensuring that our energy bills contribute to local employment and growth. Unite the Union and UNISON have backed Switched on London's demands in part because they see the potential for a public energy company in London to act as a key institution in the low-carbon transition. White-labeling risks continuing the process of extracting wealth from our communities.

Switched On London and its supporting organisations are calling on the GLA to set up a fully licensed supply company. In the cases of Nottingham and Bristol, this was approximately a two-year process. Because of the urgency of the fuel poverty and climate crises, we are calling for a fully licensed London company to be up and running within this two-year window.

Clean energy

A white label company would not serve as a vehicle for significant investment in new renewable energy generation or energy efficiency measures in London.

A white label would not be able to partner with London community energy projects or offer Power Purchase Agreements.

London as a world leader

If London wishes to position itself as a world leader in cutting-edge energy transitions and run public-public energy partnerships nationally and internationally, a white label is insufficient. Many local authorities across the UK are already white labelling, and sometimes with suppliers that have little in the way of a clean energy portfolio, and no interest in democratic governance. London has the opportunity to do something truly innovative, inspiring others across Europe and beyond to realise the potential of energy democracy. This opportunity can only be realised with a fully licensed company.

Developing expertise and capacity locally

Managing all aspects of the energy supply business would allow the GLA to develop in-house skills that would be cheaper in the long run and more permanent.

The low carbon economy is clearly here to stay, and a big part of our future. It is essential that we build up public sector capacity in London to operate and regulate this sector. The white-label approach doesn't build skills or capacity in London, while a fully license approach creates the space and skills needed for further growth.

A Sense of Attachment and Trust

Having the company based in and operated from London creates a sense of ownership and attachment to the company among Londoners, making the company more attractive to sign up to.

The Big 6 have left made many people distrustful of energy companies. Because a white label is in large part a branding exercise that to some extent disguises the real supplier, there is a risk that instead of building trust with London residents, a white label approach is seen as a con.