

CASE STUDY



Social housing providers launch a not-for profit energy company

Scotland, UK

"By removing profit from the equation, we are able to make energy fairer for all the society"
Dawn Muspratt, Co-founder and CEO, Our Power

The Summary

Our Power is a not-for-profit energy supplier, created and owned by different Scottish social housing providers, community organisations and local authorities. The main aim of this energy provider is to reduce heat and fuel costs by passing benefits from the energy sector to their communities.



The Context

Around 3.5 million households in England, Scotland and Wales live in fuel poverty. Government interventions to tackle fuel poverty in the UK have focussed on reducing use through improving energy efficiency in homes and

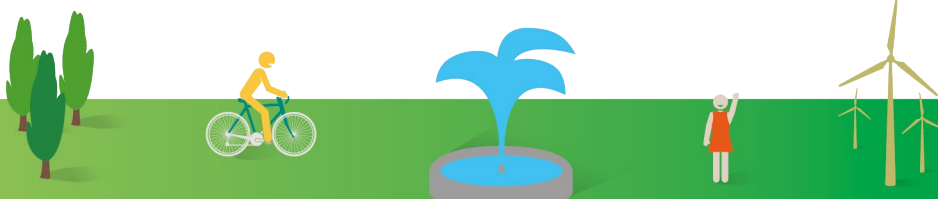
providing energy advice services. This is broken down into 11% of English households, 23% of Welsh households and 30.7% of Scottish households. Scotland's remote and rural areas are more affected by fuel poverty than urban areas, for example in the Western Isles 71% of households live in fuel poverty an area with not only the highest incidence rate of fuel poverty in the UK but the worst in Western Europe.

Energy poverty does not only impact the capacity of a household to afford to heat its home but also has an impact on people's health. It is estimated that over 9 600 frail and vulnerable people across the UK are at risk of dying in winter months due to cold homes; 80 people per day. Additionally, paying for energy might mean a household spends less on food, increasing the risk of malnutrition.

The Challenges

North Scotland is an area with particularly high levels of fuel poverty and higher tariffs than other parts of Great Britain as a result of higher transmission and distribution costs for power. With a large percentage of the population being off gas grid and therefore dependent on electric power as their source of heat, this proves detrimental and increases the risk of fuel poverty. Our Power aims to reduce the gap in the tariff in North Scotland by taking lower margins from these tariffs.

The main challenge for Our Power is generating sufficient scale that enables it to deliver significant impact across Scotland. Achieving that scale is often not easy for social enterprises. The third sector is often reliant on funding that does not enable growth nor sustainability.



The Model

Our Power Energy Supply Ltd is an energy supply company. It was launched in 2016 by a number of progressive Scottish social housing providers to make energy fairer and reduce levels of fuel poverty. But Our Power is more than just an energy supplier: it wants to deliver meaningful social impact with positive outcomes for individuals and communities.

It is a social business, carrying out an economic activity for the benefit of the community: reducing fuel poverty, and dependence on fossil fuels while shielding people from rising energy prices, through reducing the cost of energy, improving energy efficiency and developing local sustainable energy resources.

Our Power has one tariff, regardless of payment method. The objective is to replace pre-payment and credit meters with smart meters that allow customers to see how much energy they're using, as they use it. This allow them to manage their household budgets and plan more effectively. Smart meters are installed for all customers and operate under a 'friendly credit' basis for pre-payment customers. This means householders will never find themselves 'cut off' and without gas or electricity outside of office hours.

The People Behind

The company was funded by different Scottish social housing providers. Today 43 member organisations in Scotland are signed up.

Working closely with members, and in particular their fuel poverty advisors, Our Power actively engages in fuel poverty interventions across member communities including the promotion of direct switching as well as offering this across the wider community.

Our Power members are also training their technical staff to install smart meters with 15 engineers having been trained to date. This is being rolled out across the membership and this gives Our Power a supply of engineers to meet the growing number of smart meter installations.

The Clients

The main beneficiaries of Our Power are the customers. Thanks to this initiative, low income households are protected and offered lower prices and advice services.

Local communities also benefit from Our Power activities: their operating base is in the community of Craigmiller in Edinburgh, a regeneration area with some of the highest levels of unemployment and poverty in the City. As the business scales and grows it will be able to offer more jobs in the area.

Housing associations are able to maximise rental income: Our Power's business model improves members' business efficiency through improved and integrated working practices and collaboration.



The Money

Our Power received GBP 1 million investment from the Scotland Social Growth Fund in 2015. GBP 4.5 million came from private investors: people could invest in Our Power to support the development of the business, thanks to a bond offer scheme eligible for Social Investment Tax Relief. The minimum chip was GBP 500, with an expected return of 6.5% gross per year. Our Power has 3 directors on the Community Benefit Society and 2 on Energy supply who receive GBP 5 000 per annum and the Chair works 2- 3 days per week for GBP 20 000 per annum. All other directors are volunteers with the exception of the CEO.



The Replication Potential

In the UK only, 4 non-profit energy providers are currently operating.

Creating a non-profit energy company, by following Our Power model is something more local authorities could be in the position of doing. By involving different local actors, willing to work for the benefit of the community and reduce energy poverty, new partnerships in the energy sector could be created.



The Impact

Over the last 12 months Our Power has saved customers an average of GBP 75 compared to a standard variable tariff from UK's "Big 6" suppliers. In some instances, this corresponds to 2% of the household income and an average of 8% saving on their fuel bills. The GBP 75 saved equates to a customer being able to heat their home for 65 more days using gas and 100 more days if using electricity during the peak winter months from November to February.

Working closely with its social housing members, and in particular their fuel poverty advisors, Our Power actively engages in fuel poverty interventions across member communities. Through working with Our Power, social housing providers are provided with an efficient void utility service which aims to optimise the letting times of void (empty) properties, thus maximising rental

income. The average rental income in Scotland across the social housing sector is GBP 73 per week, and for every week a property is empty the rental income is lost to the landlord. Social landlords invest their profits back into their communities either in the form of social regeneration, capital improvements or new build properties, consequently, increasing profits means increasing investment in communities.

"We're committed to driving costs down, offering lower prices for the most vulnerable members of our community" Dawn Muspratt, Co-founder and CEO, Our Power

The Figures

- ✓ 3.5 million households in England, Scotland and Wales living in fuel poverty
- ✓ GBP 75 average saving per customer over 1 year
- ✓ 43 social housing member organisations
- ✓ GBP 1 million investment from the Scotland Social Growth Fund
- ✓ 430 kg of carbon saved thanks to recycling

The Next Steps

The company is now growing from a start-up working with social housing providers in Scotland into a Social Enterprise, delivering an energy supply service across Great Britain and undertaking direct switching campaigns. Current targets to the end of 2021 are:

- ✓ In year profit of GBP 2.5 million;
- ✓ GBP 100 million revenue;
- ✓ 240 000 meter points on supply, with smart meters;
- ✓ Five operating customer service hubs in regions of high unemployment providing 200 new jobs;

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