# Project Outline

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| **Project Title :** | Energy supply (OVO communities offering) |
| **Sponsor :** | Darren Woodiwiss | **Date :** | 15/01/2015 |

## Background

As part of a vision for creating a local energy market where rather than national PLC’s control the generation, distribution and sales of energy into Market Harborough I would like to request that we undertake to establish a local supply company.

Having previously investigated the “Energy Supply” market it became clear that the “Balancing and settlement” code maintained by OFFGEM was a barrier to this market. OFFGEM recognised this and in 2009 brought in “Energy Supplier Lite” which exempted companies from the onerous BSC 11.2 code by allowing the market entrant to use the systems in place with the big six.

Initially the proposal was that the Big Six would be required to offer this as a service but after a single response that said “they did not feel it was a great idea” it was made into a voluntary offering. By 2014 no “Energy Supplier Lite” licenses had been issued.

OVO energy was established to become a disruptive influence in the British energy market and made their mark in the parliamentary energy select committee hearings where they rebuffed many of the statements made by the big six on margins within the industry. Late last year they launched:

[Ovo communities](http://www.ovoenergy.com/energy-plans/communities/)

Which allows for new “Energy Suppliers” to establish using OVOs systems, they provide the facility for anyone from a community group selling energy for a small margin (This current proposal) through to becoming a full “Energy Supplier Lite” licensed company with our own billing systems.

I had previously identified a new start company called “Open Utilities” who were offering a peer to peer energy purchase system (you choose where to buy you energy, ie the scool at the end of your road) but it seems they are about a year away from a go live and the fact there are no significant local renewable installations to buy from might be a problem.

## Project Synopsis

In order to help build a local circular energy market where we can generate, and with this project, supply energy at competitive prices in our locality. The OVO communities offering allows us to create revenue stream from energy sales and at the same time reduce the bleed of wealth from our local economy.

I propose that we create a SPV to market the opportunity of buying energy (Gas & electricity) from a local company to support local projects.

The Initial top line figures verbalised by OVO are wholesale energy cost + 3% fee to OVO + Harborough Energy profit margin

OVO allow us to set four of our own tariffs and to offer two or all of theirs. As part of this we can also configure the energy mix. So, in search of an analogy, do we become a good energy or Ecotricity?

Good Energy have always offered 100% green energy

Ecotricity started with the standard mix offered by the grid and invested heavily from their higher profits into their own generation capacity.

The delivery of this project will be mainly a marketing exercise to persuade local consumers to switch suppliers to a local company, backed by a national where any profits will be used to fund projects in Market Harborough.

A next step to consider will be the deregulation of retailing water to commercial premises.

## Outline financials

Based on our 1000 accounts yielding a 3% return and assuming the average energy bill is £1000 I have assumed as return of (1000 x 1000) = 1,000,000 x .03 = £30,000:

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| --- | --- | --- |
| **Description** | **Income** | **Expenditure** |
| Marketing effort ??? |  | £10,000.00 |
| Annual income, year 1 climbing to & year 2 onwards | £30,000.00 |  |

## SWOT analysis

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| --- | --- |
| **Strengths** | **Weakness** |
| * Raises the profile of HE in our target area
* Creates a predictable income stream (circa £30K PA)
 | * Low margins
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| **Opportunities** | **Threats** |
| * Eligible for ECO payments to retrofit insulation
* Creating a database to market share offers to
* Ability to link locally owned generation PPAs to lower the wholesale price we pay
 | * Diverts volunteer resource from other fund raising activities
* Not achieving the 1000 customer target in year 1
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## Sustainability rating

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| --- | --- | --- |
|  | **Comments** | **Score****-5 to 5** |
| **Social** | Gives our customers a small saving on their energy bills and the chance of energy saving interventions. | 3 |
| **Economic** | Give a reasonable revenue stream but also every pound of profit retained stops that money escaping our local economy and increases local wealth. | 3 |
| **Environmental** | This project is carbon neutral, it will neither reduce or increase carbon emissions | 0 |

## Summary

Given that this project gives so many positives and only has one real threat, the failure to gain enough customers, I see this as a project that should be investigated with a view to commencing marketing operations As soon as possible.

## Project Status

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| --- | --- | --- | --- |
| Accepted/Rejected |  | Date : |  |
| **Reason** |
| [A statement from the board as to why the project proposal was accepted/rejected] |