

Sandwell Metropolitan Borough Council

Action Taken Under Delegated Powers

Proposed installation of energy saving equipment to 4 high-rise blocks.

1 Summary Statement

- 1.1 Sandwell MBC has been approached by VCharge, a company working on behalf of National Grid to help balance demand for electricity.
- 1.2 The proposal is for VCharge to fit controls to existing electric heating systems at no charge to the residents or the Council.
- 1.3 This will enable VCharge to manage the timing of electricity demand of the connected appliances. Residents will retain the ability to set the operating periods for the heating system.
- 1.4 VCharge claim the system can deliver estimated heating bill savings of around 30%.
- 1.5 4 high rise blocks have been identified containing a total of 306 flats and all flats have electric storage heating. Resident consultation is yet to be carried.
- 1.6 The controls will remain in operation for a period of at least 10 years and a contract will be put in place to set out the responsibilities for all parties.
- 1.7 The existing heating systems are anticipated to last for at least another 10 years.
- 1.8 The contract arrangement between VCharge and National Grid is exclusive and no other company can offer this opportunity.

2 Recommendations

- 2.1 That residents are consulted on the proposal.
- 2.2 Should the project be positively received by residents and subject to negotiation, the council should seek to enter into contract with VCharge for the project as detailed below.

In accordance with the authority delegated to Directors to act on matters within the authority delegated to them under Part 3 of the Council's Constitution, I intend to take the action(s) recommended above.

I ~~do~~/do not have an interest to declare in this matter

Interim Director of Neighbourhoods

Date 2.3.2017

If the Constitution requires the decision to be taken in consultation with a Cabinet Member, the following signature box should also be included. If a dispensation has been granted to the member a copy should be provided to the Democratic Services Unit with the signed copy of the document.

I confirm that I have been consulted on the above proposals and have no objection to their proceeding.

I do/do not have an interest to declare in this matter.

A dispensation has/has not been granted to me in respect of this matter.

Cabinet Member for Housing

Date

Contact Officer

Philip Deery

Asset Manager

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3. Background Details

Sandwell MBC has been approached by VCharge, a company working with National Grid to help balance demand for electricity.

For National Grid the increasing demand for electricity means they face a challenge to “keep the lights on” by balancing supply and demand on the grid.

VCharge have secured a contract with National Grid to provide grid balancing services and their approach to SMBC is looking to identify high rise blocks containing storage heating systems.

The funding VCharge receives from National Grid will enable them to fit controls to existing storage heaters, regardless of their age, at no cost to social housing landlords or their residents.

Ashcroft, Birchcroft & Elmcroft (known as the Crofts), Smethwick and Marmion House, Wednesbury collectively contain 306 flats, all with storage heating systems.

Storage heaters use electric elements to heat well-insulated clay or ceramic “bricks”. The heaters are typically programmed to be charged at night to take advantage of traditionally low cost Off-Peak electricity rates and the heat is released over the course of the following day.

This method of operation does not suit everybody and it clearly isn't the most responsive of heating systems. Sudden changes in weather patterns can lead to wasted energy when heaters are energised but the heat is not subsequently required or when a sudden temperature drop calls for the need to use supplementary heating like fan heaters and oil-filled radiators.

The controls will enable VCharge to constantly monitor the temperature in every heater in every room and to develop a plan on a room-by-room basis to provide the comfort levels demanded

by each resident. The system allows tenants to choose what they want to achieve in each room and to do this they will have access to either a dedicated website, smartphone app, or be able to speak directly with the VCharge team to choose when and how they want their heating system to work.

It should also be noted that competition in the energy market means that consumers now have access to many different electricity tariffs and the increased availability of renewable energy means that wholesale electricity prices are much more variable.

The controls will enable VCharge manage the electricity demand of the connected appliances and enable them to be switched on or off in less than two seconds.

The idea is the heaters will be energised at the optimum time and to the optimum heat capacity for the local conditions, not simply be restricted to overnight charging as is currently the case. Clearly the system will meet National Grid's requirement to avoid charging heaters during times of peak demand across the grid.

VCharge claim that, as long as residents choose a suitable tariff, the new system can achieve estimated heating bill savings of around 30% when compared to current usage.

Resident consultation is required to understand the impact this system might have on individual energy bills. Currently each resident has the right to choose their preferred energy supplier and this project will not change that but it should be noted not all utility companies are likely to provide a tariff best suited to this scheme.

We will ensure independent advice and information is given through the consultation process so residents can understand the implications of participating in the project.

To provide the independent advice and information we will utilise the services of Energy-Extra, a not-for-profit organisation created through a partnership of nine Housing Associations and Local Authorities, including SMBC. Energy-Extra currently provide free, impartial energy advice to residents from all tenures across Sandwell and partner organisation areas.

Whilst all of the blocks are owned by the council, Marmion House is currently managed by Riverside under a Private Finance Initiative (PFI) agreement. The Riverside management team have been made aware of this proposal and are keen to be involved.

It should be noted that since making their initial offer in the latter part of 2016, VCharge have become part of the OVO Group which also includes OVO energy, an energy supply company. OVO Energy has advised they have a tariff for domestic customers that is designed to support residents participating in this project, however, we have made it clear the project agreement will only be for the installation of controls and will not restrict residents of these blocks to one specific supplier.

The contract with VCharge known as a Load Control Agreement would be for a 10 year period.

The council's Legal Services section has reviewed the Load Control Agreement and foresees no major problems although any contract with a term of more than 4 years will require submission of an exemption report.

The council's Strategic Investment Unit (SIU) have advised that this project is unlikely to meet the requirements for appraisal as the council are not committing any funds, we are not bidding for funding and there is no match-funding involved.

VCharge will install and maintain the controls at no cost to the council but may require our assistance over time such as assistance to gain access to properties. At the end of the agreement Vcharge will not seek to recover the equipment which is likely to remain functioning and the Council would have the option to negotiate with a new operator to continue the service.

The blocks identified are in areas more likely to house fuel poor residents based on the Indices Multiple Deprivation.

The heating systems are generally in good condition and most are likely to last the duration of the project, where heaters are found to be old and in poor condition VCharge have put aside some funds to replace these complete with VCharge controls. Should the cost of replacements be significantly higher than currently estimated SMBC may be required to contribute towards the heater

replacements to ensure the make the project remains financially viable.

The Head of Business Development from National Grid has confirmed that the company has a bi-lateral contract with VCharge to trial the product and that no other company can offer this service at present. It is an exclusive arrangement and not part of any larger National Grid funding offer.

Other options/considerations

As ever there is an option to do nothing but the benefit of this offer is the opportunity to save resident's money at no cost to the resident.

As an alternative to electric storage heaters we could consider installing gas central heating to the blocks at an estimated cost of around £4000 per flat. For the Crofts this could amount to around £1,080,000 and for Marmion House around £144,000.

Source Documents

None