

GREATER LONDON AUTHORITY

REQUEST FOR MAYORAL DECISION – MD2405

Title: Energy for Londoners Supply Company (EfLSCo) Branding, Awareness activities and Research

Executive Summary:

The London Environment Strategy sets out the Mayor's commitment to deliver the Energy for Londoners Supply Company (EfLSCo) to offer fairer energy prices to all Londoners, especially the fuel poor. In May 2018, the GLA issued a tender aiming to partner with an existing energy supplier. As part of the procurement process, the project team has carried out dialogue with bidders. An invitation to submit final tenders will be issued in the early part of 2019. In parallel, we are progressing with detailed planning in the areas of branding and customer awareness and pre-acquisition activities to ensure the timely launch of EfLSCo.

This Mayoral Decision seeks approval for expenditure relating to branding and customer awareness and pre-acquisition activities for the launch of EfLSCo. These activities include (i) proceeding with development of the branding with an external branding agency partner, (ii) procurement of a further specialist agency in early 2019 to deliver customer awareness and pre-acquisition activities, and (iii) the requisite budget for research and testing to ensure these activities are fit for purpose to support the EfLSCo objectives.

Break clauses will be inserted into the contract and the work sequenced as necessary so that there is no unnecessary spend before key decisions on the partner and future supply company are made.

Decision:

That the Mayor:

Approves the allocation and expenditure of revenue funding of up to £1,266,000 as follows:

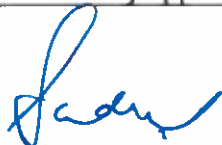
1. Up to £236,000 on brand development support from a specialist branding agency to deliver an effective and impactful visual identity that will enable the company to cut through and meet its objectives;
2. Up to £950,000 on customer awareness and pre-acquisition activities development (including procurement of a specialist agency and production of creative assets) to ensure that the hardest to reach Londoners most in need of the service are properly engaged; and
3. Up to £80,000 on consumer research and testing to support the development of a brand and customer awareness and pre-acquisition activities. This will ensure all decisions and investments are driven by insights, to facilitate the delivery of all objectives in the most effective manner.

Mayor of London

I confirm that I do not have any disclosable pecuniary interests in the proposed decision, and take the decision in compliance with the Code of Conduct for elected Members of the Authority.

The above request has my approval.

Signature:



Date:

4/2/19

PART I - NON-CONFIDENTIAL FACTS AND ADVICE TO THE MAYOR

Decision required – supporting report

1. Introduction and background

- 1.1 The Mayor's ambition is for London to be zero carbon by 2050. The Mayor also wants the energy market to work better for Londoners, delivering fairer prices, helping Londoners manage their energy use and make the best use of smart metering. London has particularly acute problems: ten per cent of Londoners are in fuel poverty, levels of pre-payment meters (PPM) are high, levels of switching are low, and London has low levels for the installation of energy efficiency measures, smart meters, and solar panels.
- 1.2 Despite the recent national political interest in this sector, the problems are still there. In October, Ofgem published their 2018 state of the market assessment finding more than 60 per cent of people are typically paying about £320 more for their energy than customers on the cheapest fixed-term tariffs. They also found that 35 per cent of consumers earning less than £16,000 have never switched energy provider, compared to 30 per cent of other customers.
- 1.3 For these reasons, the Mayor committed in his Environment Strategy to deliver the Energy for Londoners Supply Company (EFLSCo) as the best means of delivering fairer tariffs to Londoners, particularly the 342,000 households living in fuel poverty.
- 1.4 Previous decisions (MD2187 and MD2319) have sought approval of expenditure on technical expertise related to the procurement of EFLSCo. This decision seeks approval for expenditure to develop and deliver the branding, customer awareness and pre-acquisition activities for the launch of EFLSCo, to maximise its success at start-up.
- 1.5 In May 2018, the GLA issued a tender aiming to partner with an existing energy supplier to deliver the EFLSCo. We are nearing the final stages of this procurement process and have had extensive dialogue with bidders to understand more about their bids. This involved meetings to clarify roles and responsibilities in relation to customer acquisition as well as associated awareness and pre-acquisition activities to ensure customers sign up to EFLSCo. Due to the extensive lead time involved in developing consumer branding and marketing collateral, GLA will initially take the lead on branding, customer awareness and pre-acquisition activities for launch while the successful bidder will handle all marketing and customer acquisition activities after launch.
- 1.6 We have undertaken extensive research and benchmarking of the energy market and their offers in London to inform the level of expenditure sought through this decision. This research has indicated that energy companies typically spend £350k (for smaller suppliers in smaller markets) to several million pounds a year (for companies such as the big 6) on developing and running customer awareness activities.
- 1.7 This decision request is informed by:
 - The work of GLA officers and embedded external energy market advisors within the Environment Unit, plus input from the GLA Marketing and Creative team;
 - GLA officers' analysis of consumer-facing branding and customer activities run by energy companies in London and across the UK, looking at a variety of suppliers from large to mid-tier suppliers and new entrant companies with social or public-sector heritage;
 - GLA's media agency (Wavemaker) analysis of the energy market landscape in London including a perspective on the desired activities and investment required to achieve our objectives for the branding, customer awareness and pre-acquisition activities of EFLSCo;

- GLA Intelligence officer analysis of existing in-house research pertaining to energy switching and perceptions of GLA energy messaging, as well as ongoing research needed to support our brand and objectives for EFLSCo; and
- TfL Commercial Procurement advice on procurement.

1.8 This decision seeks approval of expenditure of up to £1,266,000, to develop and deliver the branding, customer awareness and pre-acquisition activities for the launch of EFLSCo, encompassing:

- **Brand development:** this is a novel project for the GLA that requires development of a consumer and public facing brand which will be launched at a pan-London level. Our requirement is to develop a new brand from scratch in an energy market that is cluttered and complex with a variety of energy supply companies. For EFLSCo to be successful we need to be able to launch a robust and data-driven consumer brand that is suitable for its audience, that appeals to Londoners and that stands out. It is important that the GLA has full control of the delivery of the brand as this is essentially the image of the newly launched company that will be associated directly with the Mayor of London. The development and delivery of such a brand requires a specific brand development skillset and expertise in the energy market sector. We have undertaken a procurement process with TfL to identify a suitable and experienced branding agency to meet our requirements. Following the procurement, which included detailed written bids and pitch presentations from several specialist branding agencies, we have identified a suitable branding agency at a quoted cost of up to £236,000. Once we secure approval via this Mayoral Decision we will contract the branding agency. We will do this in a structured and sequenced way so that research and focus groups are carried out first to provide insight on what might help customers switch. The branding agency will also deliver all elements of the new brand including: identity and name, creative templates, communications and messaging priorities, and specific branding guidelines.

This work will be sequenced, and break clauses put in the contract so market analysis, research and development are carried out in a first phase, with brand assets and collateral in later phases. Each phase will only be commenced once there is appropriate confidence and decisions have been made that a successful EFLSCo Service provider has been secured. We will ensure any analysis, research and development will contribute to the development and delivery of the Mayor's wider energy and climate change programmes. Upon development, the brand collateral will need to be used by the EFLSCo Service Provider in all Customer facing portals (website, bills and other written communication, etc) as well as customer acquisition portals (advertising, direct marketing, etc).

- **Customer awareness and pre-acquisition activities development:** further to extensive internal research and market analysis, it is evident that EFLSCo awareness raising needs to start from the day the company begins operation and builds towards a pan-London (hard) launch in 2019. Raising awareness of a newly established brand in the energy supply market requires not only extensive and holistic expertise but also specific energy sector experience, which means we need to procure this service via a specialised integrated agency. While customer acquisition and ongoing customer retention activities and the associated costs of this will rest with the energy supplier, given the timings of the EFLSCo procurement, the GLA will enable the delivery of activities in time for launch. These will focus on raising awareness to support the energy supplier which is responsible for customer acquisition. Investment these types of activities is commonplace, even for smaller suppliers or those in white label relationships or with public sector heritage.

The objectives of the customer awareness and pre-acquisition activities include: (i) driving up-front awareness of the new EFLSCo brand; (ii) taking consumers to the point of conversion/switching to drive initial customer numbers. These activities are likely to involve a wide variety of channels including both GLA-owned channels and paid media channels (as is common practice across retail energy companies). Our internal research on energy sector activities in London reveals that small to mid-sized energy brands seeking to succeed in the marketplace routinely spend several hundred thousand up to several million pounds per year on

customer activities to drive the business results that allow those organisations to succeed. We will put suitable break clauses into the contract so we do not incur any unnecessary spend, and only progress with spend once we have confidence, and key decisions have been made, that a successful EFLSCo service provider has been secured.

- **Consumer research and testing:** developing a robust consumer brand requires extensive in-market consumer testing at all stages of the brand development process. Similarly, this applies to ensuring that any awareness and pre-acquisition activities are developed in line with current energy market regulation and requirements. We have worked extensively with GLA intelligence to take stock of all existing relevant research, and to define our precise research and testing requirements. The desired research and evaluation programme requires a spend of up to £80,000 on several stages of qualitative and quantitative research including (i) proposition/name testing and refinement; (ii) creative adaption of customer facing executions; and, (iii) post launch activities analysis for further refinement. We expect to work closely with the GLA Intelligence team, the research agency contracted by the GLA, the agencies to ensure the research is as practical as possible and feeds directly into the development work being undertaken with our agency partners.

Proposed next steps

- 1.9 Further to the brand development support, we will proceed to final contract with the successful branding agency immediately following approval of this decision. The agency will be contracted for a cost of up to £236,000, which is highly competitive amongst all bids received, to deliver all elements of the branding detailed in our specification, in time to shape the development of the customer awareness and pre-acquisition activities. We will put break clauses into the contract and sequence the work as necessary so that there is no unnecessary spend before key decisions on the partner and future supply company are made.
- 1.10 To meet its objectives, the GLA will also procure services including an integrated specialist agency to develop and deliver customer awareness and pre-acquisition activities. Based on prior procurement experience and related energy sector marketing benchmarks, we estimate the cost of this work to be up to £950,000 (including agency fees, creative asset design and production). This will also include the purchase of the requisite media space to place adverts across a proposed period of six-month. We will put break clauses into the contract and sequence the work as necessary so that there is no unnecessary spend before key decisions on the partner and future supply company are made.
- 1.11 We will work with the GLA Intelligence and GLA Marketing teams to finalise all elements of the £80,000 research plan spanning early proposition testing in early 2019 to support the branding development, though to name testing and exploration of creative executions with the procured agency leading up to EFLSCo's launch. The research plan will conclude with post-launch activities analysis.

2. Objectives and expected outcomes

- 2.1 The purpose of EFLSCo is to offer fairer energy tariffs for Londoners, especially those in fuel poverty. The budget expenditure requested through this Mayoral Decision is essential to ensure its success. Without a clear brand and a compelling launch, EFLSCo will not be impactful or a fit-for-purpose consumer energy brand that will be financially sustainable and achieve its objectives.
- 2.2 EFLSCo is a novel project for the GLA, but also for the broader energy market through the Mayor's aim to deliver above and beyond a standard white label partnership. Research and expertise in developing both the branding and marketing will ensure that this is a project that can be associated with the Mayor of London. The commercial and social objectives of EFLSCo must be carefully combined through the development of the EFLSCo brand, which will in turn then reach and communicate with targeted residential energy consumers via pre-launch activities. These seek to

raise awareness, inform, educate, and ultimately encourage the action of broad consumer switching to the EfLSCo energy brand, with the acquisition of customers being managed by the winning energy supplier.

2.3 In order to achieve the above objectives, we seek to deliver the following outcomes to support the successful launch of EfLSCo:

- A brand suitable for its London audience, developed with data from research and testing results;
- An integrated set of customer awareness and pre-acquisition activities to drive awareness of the new EfLSCo brand and take consumers to the point of conversion/switching to drive initial customer numbers. This will be aligned with Mayoral objectives and guidelines as wellbeing applicable locally for London boroughs; and
- Research and testing results to support the development of the brand and all pre-launch activities to ensure the EfLSCo awareness is data-oriented and robust as well as be used more broadly within the Energy for Londoners programme to inform switching behaviour.

3. Equality comments

3.1 Under section 149 of the Equality Act 2010, as public authorities, the Mayor and GLA are subject to a public-sector equality duty and must have 'due regard' to the need to (i) eliminate unlawful discrimination, harassment and victimisation; (ii) advance equality of opportunity between people who share a relevant protected characteristic and those who do not; and (iii) foster good relations between people who share a relevant protected characteristic¹ and those who do not.

3.2 The public-sector equality duty requires the identification and evaluation of the likely potential impacts, both positive and negative, of the decision on those with protected characteristics. This may involve removing or minimising any disadvantage suffered by those who share a relevant protected characteristic and taking steps to meet the needs of such people. In certain circumstances compliance with the Act may involve treating people with a protected characteristic more favourably than those without it.

3.3 The GLA will take appropriate steps to identify any potential negative impacts expected on those with protected characteristics. It is likely that those with protected characteristics will gain from the positive benefits of this scheme in equal measure should they choose to switch to the proposed GLA supply company, and there will be equality of access to participate in the delivery and benefit from the scheme, without discrimination.

3.1 An equality assessment was done as part of the wider Energy for Londoners programme and the Mayor's Fuel Poverty Action Plan and the principles of this apply here. Given the disproportionate impacts of high energy prices on the most vulnerable Londoners we expect there will be a positive effect, through this programme of activity, in tackling social and health inequality as well as catalysing greater awareness of energy use and the opportunities for people to reduce their energy consumption.

3.4 In parallel to pre-acquisition and awareness activities, engagement with those in or at risk of fuel poverty will be done through direct borough channels, which we have identified to be more efficient. These include better data and targeting, referral and advice, home visits and other direct information for the most vulnerable.

¹ These are: age, disability, gender reassignment, pregnancy and maternity, race, gender, religion or belief, sexual orientation and in certain circumstances marriage and civil partnership.

4. Other considerations

Project costs

4.1 The expected detail of the expenditure is as follows:

Branding, Customer pre-acquisition and awareness activities	Proposed Cost
Brand Development	
Delivery of branding deliverables as per specification by winning branding agency	£133,000
Additional in-house research and testing capability to directly complement brand development by branding agency	£103,000
Customer pre-acquisition and awareness activities development	
Specialist agency fees, including PR and partnerships development	£100,000
Creative production costs (designing and delivering specific advert formats to final execution, ready to go live in the market)	£200,000
Paid media space across a six-month launch period in order to provide advertising spots in which to place the adverts created for the pre-acquisition and awareness activities. Paid media channels to include: <ul style="list-style-type: none"> • offline channels: print, outdoor, transport, direct mail collateral • online/digital channels such as search, social media banners, website banners, video on demand, email direct marketing. 	£650,000
Consumer Research & Testing	
Refined consumer proposition testing, including messaging around fuel poverty. Qualitative focus groups and quantitative Londoners polling sample.	£27,500
Specific testing of logo/naming/branding, and communication priorities. Qualitative focus groups and quantitative Londoners polling sample.	£27,500
Execution testing (messaging, layout, calls to action). Hall test (short interview) qualitative sampling and quantitative London polling.	£20,000
Post launch activities analysis to assess effectiveness and guide further adaptation of marketing executions. Qualitative interviews.	£5,000
TOTAL	£1,266,000

Risks and issues

4.2 The risks relating to this request are due to the complex and novel nature of the project, the usual risks of managing external contracts and will be managed in accordance with GLA procedures. The risks and mitigation of these is set out below:

Risks	Likelihood (out of 4)	Impact (out of 4)	Rating	Treatment/mitigation
Branding development risks				
Very tight timeline to develop the	3	4	12	The contract with the winning branding agency will specify exact timing of

branding deliverables prior to launch impacts on quality				deliverables and approval points required in sequence such that branding work progresses as required to be ready in time for entering the mobilisation phase with the winning energy supplier.
Having a redundant set of branding assets due to EflSCo energy supplier procurement being unsuccessful	2	3	6	We will mitigate this risk by working closely with the appointed branding agency to ensure that work is carefully sequenced, and break clauses are put in the contract. We will ensure that no unnecessary spend is made before key decisions are made. We will also ensure that all research will contribute to the development of the Mayor's wider energy and climate change programmes.
Customer awareness and pre-acquisition development risks				
Winning bidder in supplier procurement not aligned with pre-acquisition and awareness activities	2	3	6	The launch strategy and associated pre-acquisition activities will be developed with robust consumer testing and data support. We will work closely with the winning energy supplier, across the mobilisation period to align our messaging.
Complexity of upcoming specialist agency tender impacts on market response (i.e. ability of agencies to meet EflSCo objectives)	2	4	8	Agency bids and pitch presentations on the now-complete branding procurement show a very enthusiastic and positive response from the industry toward EflSCo. The tender document for the upcoming specialist agency procurement will be created with input from GLA marketing officers, with focus on creative deliverables that are practical and actionable.
Research risks				
Research plan is insufficient to provide required level of confidence in the launch plans	2	3	6	The GLA Intelligence research plan covers essential areas of consumer research. We will work with the specialist agencies to augment the main research plan with extra pieces of bespoke research as part of their agency methodologies, where necessary.
General project risks that could impact launch				
Boroughs set up their own energy companies / partnerships	2	2	4	Eight boroughs have signed expression of interest letters to work with the GLA to reach out to their residents, especially people living in fuel poverty. Further activity will be undertaken to galvanise support and where boroughs have their own energy companies, to align activities.
GLA itself having to engage directly with a large number of customers	2	3	6	Ongoing customer acquisition/retention rests with the winning energy supplier who will set up all customer facing portals

5. Financial comments

5.1 Mayoral approval is being sought to spend up to £1,266,000 as follows:

- Up to £236,000 on brand development support from a specialist branding agency;
- Up to £950,000 on customer awareness and pre-acquisition activities development (including procurement of a specialist agency and production of creative assets); and
- Up to £80,000 on consumer research and testing to support the development above listed activities.

5.2 It should be noted that MD2319 highlighted the future requirement to call upon the capital budget to fund the costs for activities listed in 4.1 (above) and officers would seek the appropriate approvals to swap budget and commit this expenditure.

5.3 The project costs listed in 4.1 (above) are of a revenue nature. The EflSCo programme budget is currently made up of £2,756,000 capital for 2018-19, therefore there is a need to swap £1,266,000 from the capital budget into revenue. The spend will be incurred in 2018-19 will be approximately £460,000 and the remaining £806,000 in 2019-20.

6. Legal comments

6.1 As previously set out in MD2187 and MD2319, the GLA's principal purposes, under section 30 of the Greater London Authority Act 1999, are promoting economic development and wealth creation, promoting social development, and promoting the improvement of the environment, all in Greater London. The GLA has power under section 30 of the Greater London Authority Act 1999 to operate in the area of energy supply and related matters, on the basis that such operation is calculated to produce social and environmental benefits.

6.2 Further, the Authority also has a subsidiary power pursuant to section 34 of the Act which covers the procurement of support to provide assistance as described above.

6.3 The foregoing sections of this report indicate that:

- The decisions requested of the Mayor concern the exercise of the GLA's general powers, falling within the GLA's statutory powers to do such things considered to further or which are facilitative of, conducive or incidental to the promotion of economic development and wealth creation, social development or the promotion of the improvement of the environment in Greater London; and
- In formulating the proposals in respect of which a decision is sought officers have complied with the Authority's related statutory duties to:
 - Pay due regard to the principle that there should be equality of opportunity for all people;
 - Consider how the proposals will contribute towards the achievement of sustainable development in the United Kingdom; and
 - Consult with appropriate bodies.

6.4 In taking the decisions requested, the Mayor must have due regard to the Public Sector Equality Duty; namely the need to eliminate discrimination, harassment, victimisation and any other conduct prohibited by the Equality Act 2010, and to advance equality of opportunity and foster good relations between persons who share a relevant protected characteristic (race, disability, gender, age, sexual

orientation, religion or belief, pregnancy and maternity and gender reassignment) and persons who do not share it (section 149 of the Equality Act 2010). To this end, the Mayor should have particular regard to section 3 (above) of this report.

- 6.5 The services required must be procured by Transport for London Procurement who will determine the detail of the procurement strategy to be adopted in accordance with the GLA's Contracts and Funding Code. Officers must ensure that appropriate contract documentation is put in place and executed by the successful bidders and the GLA before commencement of the services.

7. Planned delivery approach and next steps

- 7.1 The proposed timeline for the overall activity is as follows:

Activity	Timeline
Contract signature with successful branding agency	February 2019
Issue tender to procure a specialist agency	February/March 2019
Energy supplier invitation to submit final tender submission deadline	End January 2019
Specialist agency contract signature	March/April 2019
Energy supplier contract signature (after the standstill period expired)	Spring 2019
Mobilisation with EFLSCo energy supplier	Spring 2019 onwards
Progress customer awareness and pre-acquisition activities with appointed agency	Spring 2019
EFLSCo and soft launch go live (owned media/soft launch)	Summer 2019 TBC
Full launch of EFLSCo (paid media channels)	Autumn 2019 TBC

Appendices and supporting papers:

None.

Public access to information

Information in this form (Part 1) is subject to the Freedom of Information Act 2000 (FOI Act) and will be made available on the GLA website within one working day of approval.

If immediate publication risks compromising the implementation of the decision (for example, to complete a procurement process), it can be deferred until a specific date. Deferral periods should be kept to the shortest length strictly necessary. **Note:** This form (Part 1) will either be published within one working day after approval or on the defer date.

Part 1 Deferral:**Is the publication of Part 1 of this approval to be deferred? YES**

If YES, for what reason: YES – the approval can be published but the numbers and timings should be withheld until after the launch in Autumn/Winter 2019 so that the various procurements are not compromised (by advertising how much GLA is prepared to spend to potential suppliers).

Until what date: (a date is required if deferring) **31 December 2019**

Part 2 Confidentiality: Only the facts or advice considered to be exempt from disclosure under the FOI Act should be in the separate Part 2 form, together with the legal rationale for non-publication.

Is there a part 2 form –NO

ORIGINATING OFFICER DECLARATION:

Drafting officer to
confirm the
following(✓)

Drafting officer:

Simona Webb has drafted this report in accordance with GLA procedures and confirms the following:

✓

Sponsoring Director:

Lucy Owen has reviewed the request and is satisfied it is correct and consistent with the Mayor's plans and priorities.

✓

Mayoral Adviser:

Shirley Rodrigues has been consulted about the proposal and agrees the recommendations.

✓

Advice:

The Finance and Legal teams have commented on this proposal.

✓

Corporate Investment Board

This decision was agreed by the Corporate Investment Board on 4 February 2019.

EXECUTIVE DIRECTOR, RESOURCES:

I confirm that financial and legal implications have been appropriately considered in the preparation of this report.

Signature

M. J. Bellamy

Date

4.2.19

CHIEF OF STAFF:

I am satisfied that this is an appropriate request to be submitted to the Mayor

Signature

D. Bellamy

Date

4 / 2 / 2019.