

LONDON POWER

July 2021

Annual Review 2020 – 21



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MAYOR OF LONDON

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**Greater London Authority
July 2021**

Published by
Greater London Authority
City Hall
The Queen's Walk
More London
London SE1 2AA

www.london.gov.uk

enquiries 020 7983 4100

minicom 020 7983 4458

ISBN

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Foreword from the Mayor of London, Sadiq Khan

Every year, Londoners spend around £3.5bn on household gas and electricity bills. Many are overpaying and could save money on their bills simply by switching suppliers. Yet according to the energy regulator, Ofgem, Londoners are less likely to switch than people living in other parts of the UK. At the same time, London has one of the highest levels of pre-payment meter use. These Londoners pay more for their energy and are unable to get the best deals.

This is unfair. No Londoner should be charged over the odds for their energy. That is why, in my 2016 manifesto, I promised to set up a not-for-profit energy company for London. It was clear Londoners were getting a raw deal from the energy market. Many were facing high bills, confusing tariffs, and poor customer service.

My aim, therefore, is to make sure the energy market better serves the needs of all Londoners. I believe everyone should have access to fair, affordable electricity and gas prices. This is vitally important, especially for the 15%¹ of Londoners living in fuel poverty, who face higher prices and spend more of their income on bills.

All Londoners should be entitled to excellent customer service from their energy companies. They should also be able to access energy efficiency support and funding. In addition to these goals, I want London to be a zero-carbon city by 2030. And energy has a big part to play in achieving this ambition.

I set up London Power in January 2020 as a vehicle to help meet these objectives. It is a different kind of energy company, with customer needs at its heart. Its aim is to

¹ Based on the Low Income Low Energy Efficiency (LILEE) indicator, according to the fuel poverty detailed tables 2021: <https://www.gov.uk/government/statistics/fuel-poverty-detailed-tables-2021>

make energy work better for Londoners, particularly those from low-income backgrounds. It offers customers green energy and guaranteed fair prices over the longer term. Already by the end of March 2021, more than 5,500 Londoners have signed up to London Power. However, the impact of the coronavirus pandemic just after launch affected our plans to raise brand awareness to drive customer acquisition and growth. My ambition now is for many more Londoners to join, as London recovers.

Of course, many Londoners will continue to work from home as the city opens up again. Through our fair priced energy plans, London Power can support them and help those struggling to make ends meet. As London Power grows, even more Londoners will be able to benefit from energy that is always fair, affordable, and green.

A handwritten signature in blue ink, appearing to read 'Sadiq Khan', with a small number '2' written below the 'h'.

Sadiq Khan

Mayor of London

Introduction to London Power

We launched London Power in January 2020 as an energy company exclusively for Londoners. After our first full year, we now have more than 5,500 happy customers enjoying fairer, more affordable and greener power. This review covers the 15 months from our launch through to the financial year end in March 2021. Future reviews will cover the financial year.

The London Power vision

Always fair – We guarantee fair prices now and for the future, and don't force renewing customers onto a high-priced variable rate.

Always affordable – London Power offers a range of affordable price plans below Ofgem's energy price cap. Our pre-payment and variable tariffs are competitive and offer excellent value.

Always green – We believe that all energy should be green, as we move to a zero-carbon future. With London Power, all the electricity you use is matched with power generated from renewable sources like the sun and wind. Our standard offer also includes carbon offsetting for all the gas you use for an even greener footprint. Customers can even opt to pay a little extra to support tree planting in London to speed up the transition to net zero.

Exceptional customer service – We combine the GLA's knowledge of Londoners with the award-winning customer service of Octopus Energy.

Founded by the Mayor of London – Londoners can trust that we'll look out for their best interests for the long term. London Power is not for profit. Any surplus we make will be reinvested into programmes to achieve the Mayor's social and environmental goals for the city.

Energy market context

The first 15 months of London Power has been dominated by the Covid-19 pandemic. This has affected the energy market in several ways.

London Power continued to operate throughout the pandemic with minimal change to our customers. Our customer service team were all able to work effectively from home. As a result, our email response times have remained very fast and customer satisfaction levels high.

Wholesale energy prices have been volatile since London Power launched and continue to be so. They fell to record lows at the start of the pandemic as lockdowns started and global demand for energy dropped. Prices then recovered through the summer as restrictions were loosened. Since then they have continued to increase to exceed pre-pandemic levels.

These changes have been reflected in the levels of Ofgem's price caps for customers on standard variable tariffs (SVT). At the start of 2020 it was £1,143 per year for the average household. This then plunged to the lowest level ever seen of £1,042 from 1 October and subsequently increased to £1,138 from 1 April 2021. The combination of a low-price cap and increasing market prices means the gap between SVTs and the cheapest market tariffs for switchers has shrunk.

Market-wide energy switching reduced year-on year in 2020 by 6.5%². It was the first time energy switching had fallen from the previous year since 2014. This was mainly due to low levels of switching around March to May 2020, at the start of the pandemic. There was also lower switching through the winter, due to the low savings available compared to SVTs.

² Energy UK electricity switching December 2020 report: <https://www.energy-uk.org.uk/publication.html?task=file.download&id=7793>

The number of active energy suppliers available also fell through the year as some suppliers left the market. This included local authority-owned suppliers, Bristol Energy and Robin Hood, who sold their customers to Together Energy and British Gas respectively. These companies were set up from scratch which is different to the partnership model we use at London Power.

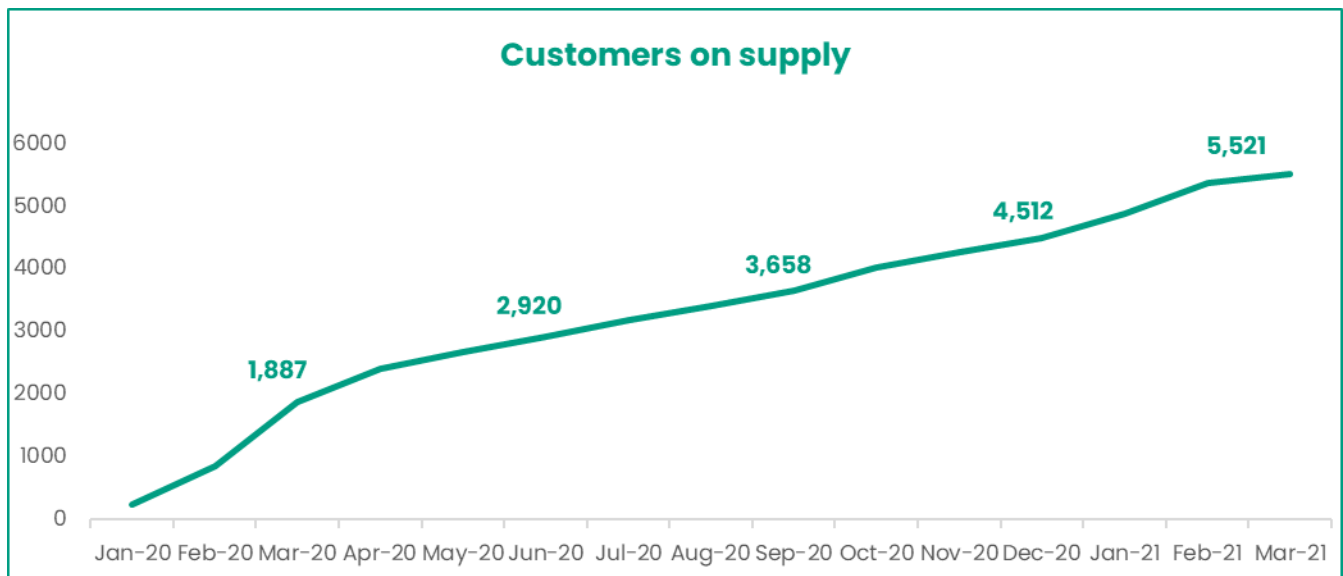
This year, for the first time ever, renewables overtook fossil fuels to become Britain's biggest source of electricity. Wind, solar, hydro and biomass sources combined to provide 39% of electricity consumed, while coal generation hit record lows. London Power proudly supplies 100% renewable electricity to support the move from fossil fuels to green energy sources.

First year highlights

London Power has had an eventful and promising first year, with thousands of customers signing up to our services. We can measure our impact in terms of financial savings to Londoners, carbon savings to the environment, and other social and environmental benefits.

Customers on supply

We had 5,521 customers (London households) on supply at the end of March 2021. After launching in January 2020, the number of customers rose most sharply for the first two months of operation. This was supported by a London-wide multichannel marketing campaign which included 'out of home' advertising to raise awareness of the London Power brand.



Several external factors have impacted on London Power's growth since. Most notably, the Covid-19 pandemic from March 2020 onwards impacted Londoners who had to stay at home. Our marketing campaign was put on hold, with all Mayoral/GLA communications focused on the Covid-19 pandemic. This meant we were unable to maintain building brand awareness and attract new customers.

Overall energy market switching levels were also lower in 2020 than 2019 due to the pandemic, which has had a negative impact on London Power’s acquisition rate.

Average customer bill savings

A major objective of London Power is to save Londoners money on their energy bills. We offer fairer prices for the long term, through a customer’s initial contract and via our ‘rate rollover guarantee’. The latter ensures that customers remain on the cheapest similar tariff available which contrasts with the ‘tease and squeeze’ tactics of many competitors offering an attractive low-priced initial contract rate, only to hit renewing customers with a high variable rate.

We’ve helped our customers make big savings since we launched. Our average customer has saved £175³ per year, while customers on our cheapest plan have saved an average of £207⁴. This is a huge saving considering energy use and bills increased in the pandemic as more Londoners worked from home. In total, our customers have now saved an estimated £688,000⁵ by switching from their previous energy supplier.

Carbon savings

London Power is founded on the principles of providing greener energy and reducing London’s carbon footprint. We provided 100% renewable electricity as standard on all our tariffs right from the start and in summer 2020, we deepened our green offering with **my london carbon neutral plan**. This provides gas carbon

³ Compared to the energy price caps. Based on a medium usage dual fuel household, as defined by Ofgem’s Typical Domestic Consumption Values. Average annualised savings for dual fuel customers on supply between 13th January 2020 – 31st March 2021.

⁴ Compared to the energy price caps. Based on a medium usage dual fuel household, as defined by Ofgem’s Typical Domestic Consumption Values. Average annualised savings for dual fuel customers on *my london fixed yearly plan* between 13th January – 31st March 2021.

⁵ Compared to the energy price caps. Based on medium usage, as defined by Ofgem’s Typical Domestic Consumption Values. Average savings for customers between 13th January – 31st March 2021.

offsetting in addition to 100% electricity for customers who want carbon neutral energy. As a result, our customers have each saved 1,120⁶ kg of CO₂ per year on average by joining London Power. That's equivalent to planting 560⁷ trees for each household. In total, we've saved the environment 3,390⁸ tons of CO₂. That's equivalent to taking 1,700 cars off the road for a whole year.

Customer satisfaction

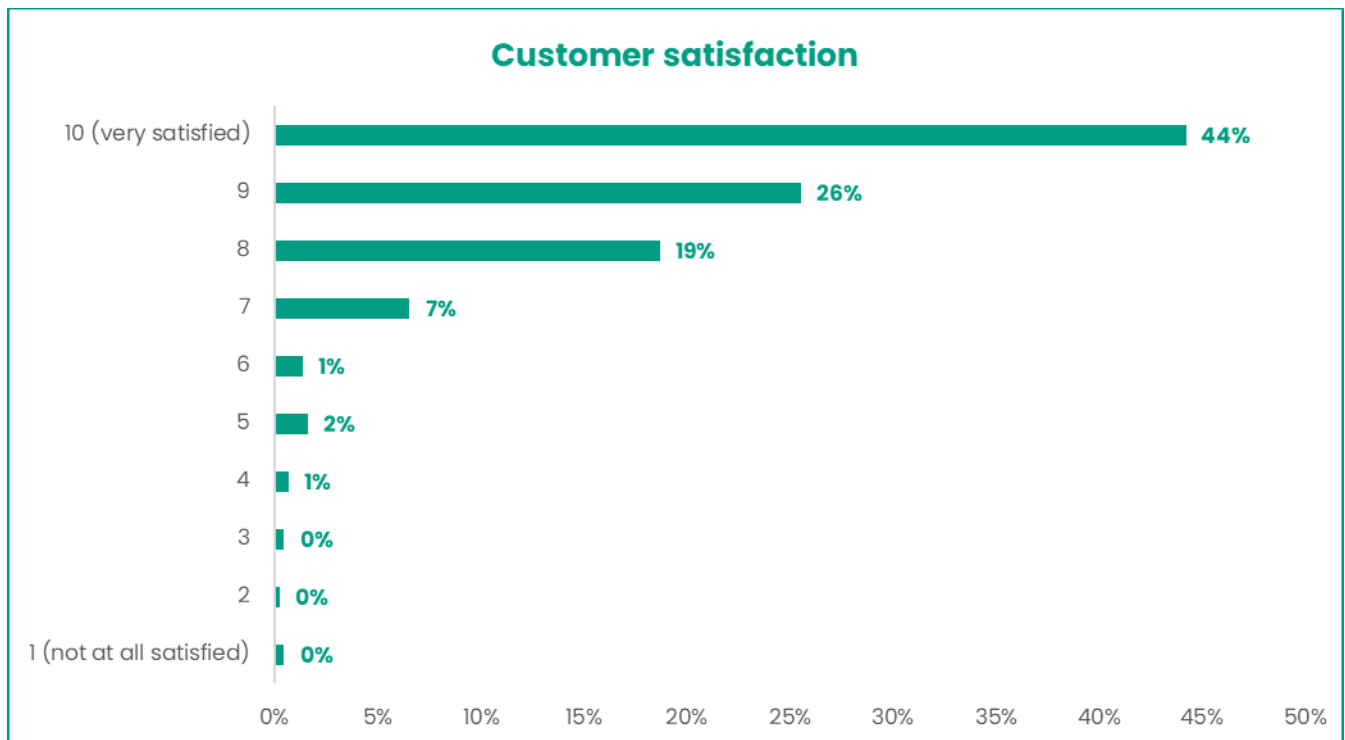
We created London Power to better meet Londoners' energy needs in comparison to the traditional, large energy suppliers. Since launch, our customers have told us they are very happy with our services. Some 44% reported being very satisfied (scoring 10/10) and 95% gave a positive overall satisfaction score of 7–10. This is a much higher level of satisfaction than in the wider energy supply market, where only 76% of customers are satisfied with their supplier⁹.

⁶ Compared to the standard UK grid mix, as calculated from the 2020 Greenhouse Gas Conversion Factors. Based on a medium usage dual fuel household, as defined by Ofgem's Typical Domestic Consumption Values. Average annualised savings for dual fuel customers on supply between 13th January 2020 – 31st March 2021.

⁷ According to the Forestry Commission each tree locks up the equivalent of 2kg of CO₂ per year.

⁸ Compared to the standard UK grid mix. Based on medium usage, as defined by Ofgem's Typical Domestic Consumption Values. Average savings for customers between 13th January – 31st March 2021.

⁹ According to the 'Consumer Perceptions of the Energy Market Survey' for Q4 2020: <https://www.ofgem.gov.uk/publications-and-updates/consumer-perceptions-energy-market-q4-2020>



We've also been good at keeping our customers. In fact, 98% of our customers up for renewal in the first quarter of 2021 decided to stay with London Power.

In the customer survey, 56% of surveyed customers said they'd recommend London Power to a friend or family member (scoring this 10/10). An impressive 72% of London Power customers are 'promoters' of the brand (score 9-10) too. In an industry not known for positive brand affinity or hugely positive satisfaction, this is a great result in our first year. For instance, the proportion of London Power 'promoters' is over double the national average of 33%¹⁰ across all suppliers.

As of March 2021, London Power's rating on Trust Pilot was 4.9 (Excellent). Some 96% of 167 reviews gave London Power a full rating of 5 out of 5 for overall satisfaction.

¹⁰ According to Ofgem's energy supplier performance scorecard: <https://www.ofgem.gov.uk/publications-and-updates/energy-supplier-performance-scorecard-2021>

Customer testimonials



**Testimonials from our customer survey. All names have been changed.*

Other areas of impact

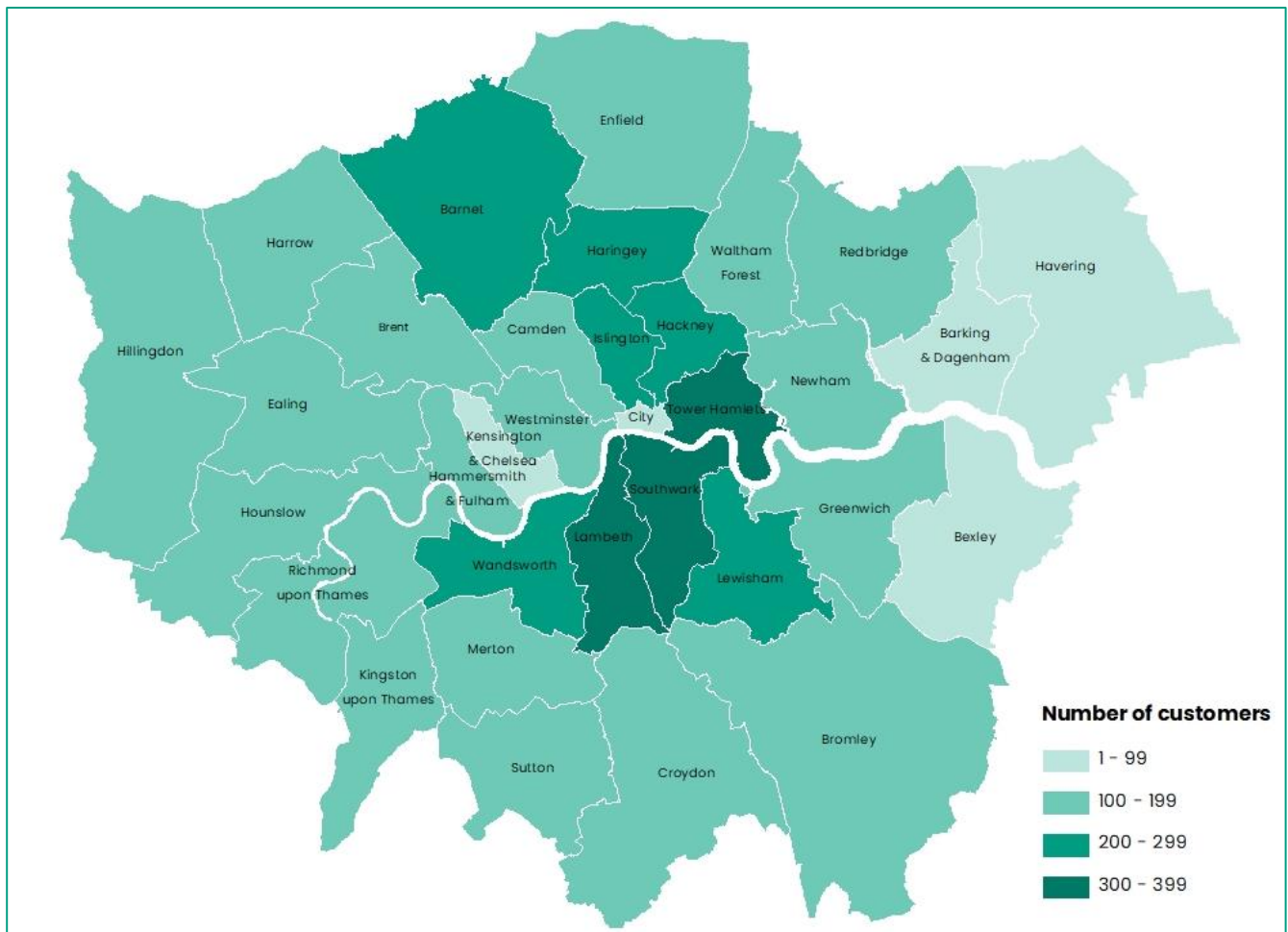
Longer term, we aim to do even more to reach our social environmental goals for London. In summer 2020, we launched the **my london tree plan** which provides a donation toward London tree planting schemes, as well as carbon neutral energy.

Additionally, London Power is a not-for-profit energy company. That means we'll reinvest any surplus we make into programmes to boost the supply of clean energy and alleviate fuel poverty across London. As we grow in size and scale, and recoup our set up costs, we will track and quantify this reinvestment, as we want to make sure it has the most positive social impact possible.

Who are our customers?

Spread across London

We created London Power to give a broad cross-section of Londoners access to fairer, more affordably priced green energy. The map of our customers across boroughs shows we have customers across the capital. At the end of March 2021, the boroughs with the most London Power customers were Lambeth, Tower Hamlets and Southwark. Lewisham, Hackney, Wandsworth, Barnet and Islington followed closely behind. We will continue to work closely with boroughs to promote the benefits of London Power to their residents.



Customer attitudes toward switching

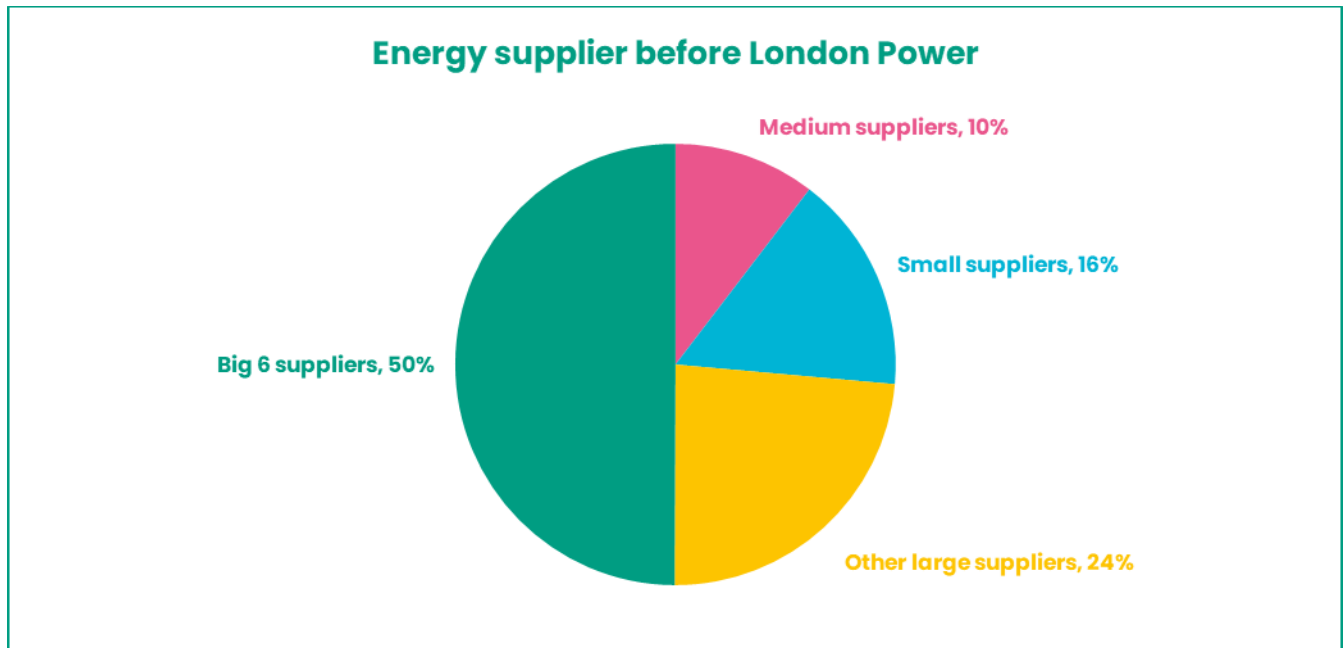
Historical supplier tactics mean that consumers must regularly compare energy prices and consider switching to continue getting a good deal. Londoners have usually been less likely to switch¹¹ than in other parts of the UK. Our aim is to increase switching across the board. We want to reach Londoners who've never or rarely switched suppliers and are thus likely to be on a high-cost standard variable tariff.

A recent survey of London Power customers revealed that 24% had not switched energy supplier in the past three years. A further 7% had never switched supplier before. This shows that we are reaching Londoners who weren't frequent switchers and demonstrates that London Power's offer is motivating Londoners to consider switching when they hadn't before.

Prior energy supplier

London Power was launched to provide an alternative to the Big Six. The energy market is becoming less dominated by these energy suppliers, and it is moving toward smaller, more entrepreneurial, and customer-centric companies. The London Power customer profile supports this trend, with 50% of London Power's customers having switched from a Big Six supplier (British Gas, E.on, EDF, npower, Scottish Power, SSE). Another 24% switched from other large suppliers such as Bulb and Ovo.

¹¹ A 2020 study from Compare the Market showed that only one in seven households switched, 64% below the national average: <https://www.comparethemarket.com/energy/content/londoners-turned-off-from-switching-energy/>

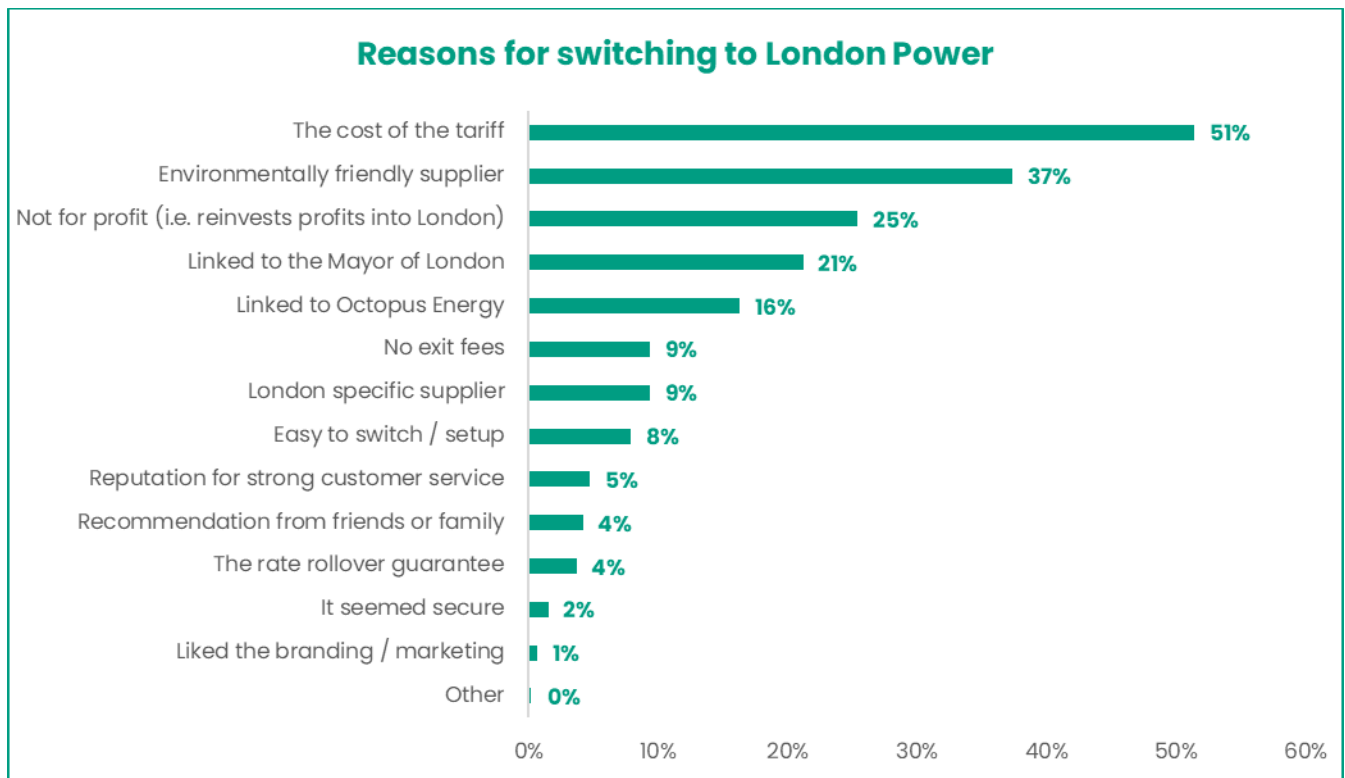


Reasons for switching to London Power

We launched London Power with the core principles of fair, affordable, green energy for all Londoners. These are reflected in the reasons our customers decided to switch to us. In our survey, the top three reasons given were:

- the excellent tariff costs (51%)
- our green credentials (37%)
- the fact that we reinvest profits back into London (25%)

The fact that London Power is linked to the Mayor of London, and our excellent service are also important.



Vulnerable customers

London Power was launched to help vulnerable Londoners and those living in fuel poverty. Working in partnership with Octopus Energy, London Power is committed to providing an excellent service and fair, affordable, green energy to lower income and vulnerable Londoners. As of March 2021, 242 of our customers were on the [Priority Services Register](#). In addition, London Power offers the £140 Warm Home Discount (WHD) to help meet energy costs, and as of March 2021, the WHD was offered to 208 customers. Moreover, London Power refers customers who need more help to the Mayor's [Warm Homes Advice Service](#) to help receive energy efficiency improvements, lower bills, and maximise their income. In the future, we aim to work even more closely with these schemes to improve our services to these customers.

As of March 2021, we had also offered the cheapest pre-payment tariff available on the market for six months in a row¹² since launch. This has allowed our pre-payment customers to save an average of £132¹³ per year.

Finally, we will reinvest any surplus profits into community schemes, deepening our commitment to serving fuel poor and lower income Londoners.

¹² Based on data from Citizens Advice between October 2020 and March 2021.

¹³ Compared to the energy price caps. Based on a medium usage dual fuel household, as defined by Ofgem's Typical Domestic Consumption Values. Average annualised savings for dual fuel customers on *my london top-up plan* between 13th January 2020 – 31st March 2021.

London Power performance

Key service metrics

As part of our aim to provide the very best customer service, our provider Octopus Energy, has agreed to meet various challenging service metrics under our service level agreement (SLA). These are monitored and checked every month. So far, our provider has performed very well against the SLAs, giving London Power customers a high level of service.

Our SLAs cover a range of areas, including operation of back-end systems, meter readings and billing, and customer service. The customer service SLAs are our highest priority, as the overall customer experience provides a reflection on whether underlying processes are operating smoothly (and if not, what impact this is having on customers). Our customer service SLAs are in three broad categories: complaints, response times, and overriding experience.

Complaints

We track complaints in several ways:

- overall number of complaints
- complaints referred to the Energy Ombudsman
- upheld complaints which lead to compensation

Number of complaints

Any customer who reports dissatisfaction with the service they have received is logged as a complaint – this does not need to be a formal complaint lodged by a customer. To allow for standardised measurement each month, we track this as ‘Complaints per 100,000 customers’. Our SLA is to not exceed 1,000 complaints per 100,000 customers – i.e. no more than 1% of customers complain each month. Our service provider has met this SLA for all 15 months since launch.

Complaints referred to the Energy Ombudsman

As of March 2021, London Power has had no complaints handled by the Energy Ombudsman. If a customer has a complaint open for over 8 weeks, they can refer this complaint to the independent Energy Ombudsman. We notify customers that they can escalate the complaint at this point if they wish.

Upheld complaints which lead to compensation

As of March 2021, no complaints have led to compensation via formal routes. Our customer service team does have the discretion to offer goodwill payments where a customer has been inconvenienced, however these are offered to maintain a positive customer experience, not as a result of formal compensation and are rarely required.

Response times

Prompt response to customer enquiries is key to maintaining customer satisfaction. We monitor both email response times and speed to answer calls.

Email response times

Our service provider has consistently met our SLA on email response times, with 97% of emails since launch responded to by the end of the next business day.

Speed to answer calls

Performance on speed to answer calls has been strong, with calls answered on average within 34 seconds. This is even better than the best scoring telephone waiting time of 51 seconds according to the latest Which? energy survey (achieved by Together Energy).

Overriding experience

Overriding experience is monitored by our score in the Which? customer satisfaction survey and through our customer happiness index.

Which? customer satisfaction Survey

The Which? energy customer satisfaction survey is run annually, capturing the experiences of more than 7,000 customers. London Power is not yet captured in this survey, but our licensed supplier Octopus Energy scored 80% in the latest Which? Survey, comfortably above the SLA level. They continue to be a Which? Recommended supplier for the fourth year in a row.

Customer happiness index

After every customer interaction with London Power, customers are asked if they were satisfied by our response. Overall, 83% of surveyed customers said they were satisfied, well above our SLA levels.

Financial position

London Power was created as a partnership between the Mayor of London and Octopus Energy. The information in this section relates only to the GLA's costs and income relating to London Power.

Running costs and income

Our income is based on the number of customers on supply, and we use these funds to support our running costs. Like many start-ups, our income is currently below our monthly running costs, pending growth, so further expenditure is funded by a loan. As we expand, we expect our income to exceed our monthly running costs, allowing us to start repaying this loan. Once it's been repaid, we will reinvest any surplus into social and environmental programmes in London.

Our running costs from launch in January 2020 to the end of March 2021 were £438,000. Over the same period, our total income was £144,000. This is growing every month as we gain more customers, while our running costs remain relatively stable.

The benefit to customers, in terms of bill savings, over this period was £688,000, considerably greater than GLA costs, giving an overall net benefit. This customer benefit will continue to grow year on year as customers renew and new customers join, increasing the overall benefit to Londoners.

Set-up costs

In addition to our ongoing running costs, in the first year of operation London Power incurred some one-off costs related to the set-up and launch of the company. These costs cover our procurement and legal costs, staff time throughout the company set-up, the costs of developing the London Power brand and the costs of our launch marketing campaign. In total, from the project's inception in 2017 to

March 2021, these costs come to £2.3m¹⁴. These costs are much lower in our partnership model than if a fully licensed supplier model had been pursued.

¹⁴ Of this, £1.1m were incurred following the incorporation of London Power Co. Limited and so sit on the company accounts. The remainder was incurred during procurement (including early feasibility studies), prior to the existence of London Power Co. as a limited company, so were paid by GLA budget.

Looking ahead

We founded London Power to stop Londoners paying too much for their energy bills and support those living in fuel poverty. That's why we've made sure that our offers work for all, including low-income and vulnerable Londoners.

We have delivered on these ambitions and have helped more than 5,500 London households in our first full year. London Power customers are overwhelmingly choosing to stay with us once they've joined too. As we emerge from the pandemic and look towards a green recovery, we want even more Londoners to benefit from fair, affordable green energy.

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