

Guidance Note - Setting up an Oil Club



The Consumer Council



Action for Warm Homes



Derry City Council
Comhairle Cathrach Dhoire
Derry Cittie Council

Introduction



Bryson Energy is the regional energy agency for Northern Ireland and was formed in 2007 through a merger of the three local energy agencies - Belfast, Western and Foyle. It is part of the Bryson Charitable Group and is a social enterprise and charity.

In 2010, in conjunction with the Northern Ireland Housing Executive and the Consumer Council for Northern Ireland Bryson carried out a feasibility study, which looked at the potential of various energy brokering models. As a result of this research, the three organisations agreed to work together on an oil brokering trial in the North-West in the autumn of 2012 as part of a strategic framework of energy initiatives aimed at further assisting Northern Ireland's households to benefit from lower energy costs, more flexible payment options, advice, information and access to grants and incentives.

The following Guidance Note is based on Bryson Energy's experiences in setting up and running an oil club in the North-West during the heating season of 2012-13. It has been devised in response to many requests to Bryson from communities across Northern Ireland for advice and assistance in setting up such a Club.

In providing the following information, Bryson Energy takes no responsibility for any omissions or recent changes in procedures by any of the organisations referred to and we would advise that, in all matters, organisations contemplating setting up an oil club should take their own legal and financial advice.

All figures are correct at time of going to print - September 2013.)

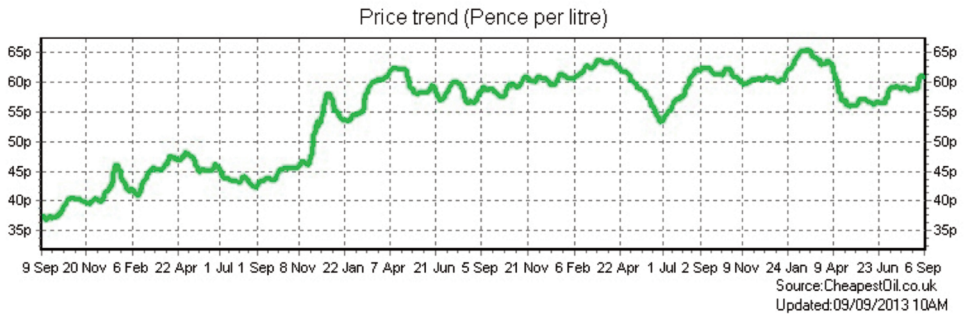
Background

68% of households (495,560) in Northern Ireland (82 per cent in rural areas) use oil also known as Kerosene or 28-second oil to heat their homes.

Home heating oil prices vary depending on market conditions. This includes changes to the international price of crude oil, the cost to refine the product, the cost of marketing and distribution, the profits of refiners and wholesalers, the time of year and competition from suppliers across the region. Prices are quoted per litre of oil.

Just a decade ago, oil prices were around 20p per litre but have increased steadily since practically doubling from 32p per litre in April 2009 to over 60p per litre currently for a 900 litre order.

Oil prices in Northern Ireland 2009 - 2013



These huge increases have placed a lot of hardship on families already struggling as a result of the economic recession and have therefore exacerbated the high levels of fuel poverty (42%+) already being encountered in Northern Ireland. The home heating oil market in Northern Ireland is not regulated like gas and electricity and there are currently around 300 oil suppliers.

All of these factors plus a public perception that oil prices are only going to continue to rise has led to a huge interest this year in community oil clubs.

Bryson Energy Pilot

In the heating season of 2012-13, Bryson Energy, in co-operation with a number of organisations including the General Consumer Council, NEA (NI), Derry City Council, Derry Credit Union, Fold Housing Association and advised by the Northern Ireland Housing Executive commenced an oil brokering club in the North West aimed at securing lower prices for oil through bulk buying.

It was agreed that for the first time, this initiative would attempt to address the three main causes of fuel poverty simultaneously:

- Energy efficiency in the home
- Level of income through benefit maximisation assessments
- Cost of fuel through brokering reductions in oil prices."

Based upon our experiences, the following Guidance Note has been compiled to assist other communities to set up similar self-help initiatives.

How to start

Setting up a community oil club is not difficult. It lends itself best to small compact areas, streets or villages but can be bigger depending upon the organisation of the Club and the time at your disposal.

Advantages

- Reductions on the cost per litre of home heating oil for members. This can average between 3p and 5p per litre or between £30 and £50 per 1,000 litres which is equivalent to £80 - £140 per annum for an average 3 bedroom house using approximately 2,700 litres per year;
- To secure all deliveries (small and large) **at the same price** per litre thereby facilitating more cost effective budgeting;
- To reduce the widespread practice among fuel poor households of purchasing oil more expensively in plastic containers. Oil drums can cost over 10p per litre more than the price paid for bulk orders. For 1,000 litres, that is £100 more. As the average 3 bedroom household uses approximately 2,700 litres per annum, this amounts to around £270 extra, if purchased in plastic drums;
- Fewer tanker road miles is also more environmentally friendly, reducing the carbon footprint of your community.

What to do first

- Identify your area of concern or community.
- Draw up an information leaflet explaining what is proposed and inviting residents to take part.
- Draw up a short membership form, to collect members' names, addresses, patterns of purchasing oil (frequency, amount and methods of payment), preferred contact details (preferably mobile phone for group texting as people may not check emails frequently). Facebook may also be an option, if all members are signed up.
- You may choose to charge a nominal fee to cover administration costs such as bulk texts, staff time, advertising, etc., if you wish. If you are a community group with some resources, you may be able to cover this internally.

- There is no specific break-even point or optimum number of members. You need to have enough members in a compact enough area to make it attractive to oil suppliers to supply all at one time. Make too small and there's no real incentive. Make too big and the incentive of savings from local deliveries for suppliers decreases as you are just giving them what they already have.
- Seek the support of your local Council, councillors + MLAs as this will give increased clout with oil suppliers when you commence. Don't expect oil suppliers to welcome your initiative and some may even refuse to quote.
- Set a commencement date for ordering oil and notify members of the date and frequency of orders by text - monthly is the norm for most Clubs but you may chose to order fortnightly, if you have a bigger Club.
- Encourage your members to order at the same time, if possible, so as to exert greatest purchasing power.
- Those who need oil, notify Club of their order by text and when the total orders have been compiled, the Club contacts oil suppliers to broker the best price for that bulk order.
- You may wish to notify all your local oil suppliers what you are proposing to do, or alternatively, you can wait until you get your first order quantified and then simply ring round for the best price. Don't be put off by suppliers who tell you it won't work.
- Quoted prices can be compared to the Consumer Council for Northern Ireland online oil price watch, which looks at oil prices in all areas of NI
<http://www.consumercouncil.org.uk/oil-price-watch>

As this is an average figure, you can also compare your quotations to local suppliers' advertised rates in each postal code area at **<http://www.cheapestoil.co.uk/Heating-Oil-NI.aspx>** However, as this site is managed by members of the oil supply industry just use for comparison purposes and seek your own prices.

- If price is acceptable, the Club then notifies residents of the price and preferred supplier for that week by group text, the price validity period, the confirmed minimum load for purchases at no financial penalty and the payment methods acceptable to that supplier.
- Householders confirm their order, if agreeable, and Club then makes the order giving the supplier the residents' details, etc. Unfortunately, you must get confirmation from householders as you don't want misunderstandings such as oil being ordered and delivered to houses and then residents changing their minds or refusing to pay, etc.

- You need to secure the same price per litre for smaller loads as for 900 litres as this makes the Club more attractive to people who cannot afford to buy large bulk loads.
- Residents should **always** remain responsible for paying suppliers using the selected supplier's accepted payment method e.g. cash on delivery, direct debit, saving stamps, Paypoint, etc.

Depending upon the degree of organisation and trust among members, the Club may decide to make one payment to the supplier. This will obviously be more attractive to a supplier when giving a price as it will save him collecting from everyone but it is a real risk to the Club in handling cash or if someone does not pay. Most Clubs therefore leave the matter of payments between householder and supplier.

Budgeting

- It has been shown that fuel poor families benefit most from an oil club if it has a means of budgeting integrated within it. Many residents, especially those on low incomes, are unable to afford the lower brokered price e.g. a price of £270 for 500 litres instead of £300 is still too much for most people to pay up front. Budgeting is therefore required as well.



- Identify all existing means of budgeting in your area. Check with your local credit union and encourage residents to join their credit union. These have been shown to offer the cheapest interest rates for loans to members as opposed to all other methods. Some credit unions now offer a specific fuel loan, which members must clear before applying for another. Check with your local credit union what is available.
- If there is an oil stamps scheme in your area, this is another useful way to budget. Check with your local Council.
- Issue members of your Club and participating oil suppliers with a set of guidelines outlining the responsibilities of all parties including those of the Club itself.

Beware

- Members submitting speculative oil orders just to get a price from you and then using that to get a reduction from their regular supplier. While this may be good for them, it will waste your time and erode the size of your bulk order on which the lowest supplier based his price and he may therefore seek to increase this. This leads to more hassle for you and confusion for members.
- Some oil suppliers will include an additional £12 fee for credit card payments so may not be the cheapest after all. Get the cash price with VAT included so that you can compare like with like.
- Some suppliers will want to charge more per litre for delivering smaller loads. However, the point of the oil club is that they are delivering in a small compact area thereby removing the need for an additional charge for small loads. Be firm with them on this as it's a crucial part of your club.
- Oil suppliers will charge commission for using Paypoint cards to pay for oil and customers are also tied to that one oil supplier and cannot move to another supplier.
- Loyalty schemes for paying for oil have been shown to be the most expensive.
- Oil drums can cost over 10p per litre more than the price paid for bulk orders. For 1,000 litres, that is £100 more.
- Check that the load you order is accurately delivered and that members receive a properly documented receipt as errors have been known.
- Be aware of Trading Standards Service guidelines on oil deliveries. These state that:

“An oil metering system fitted to a road tanker is plated with the 'minimum delivery' that can legally be delivered. It is an offence to use a road tanker metering system for deliveries below the plated minimum. Most road tanker metering systems are plated with a minimum delivery of 500 litres. Although some newer ones are now being passed as fit for use for trade and plated with a minimum delivery of 250 litres. It is not possible under the present legislation to plate a meter with a minimum delivery below this as the permissible errors (in conjunction with the dilation of the delivery hose) will be exceeded.....No advertisement should therefore suggest that an amount less than that on the plate can be legally or accurately delivered.”



The difficulty for you in this is that you will not know what types of meters are on the fleet of the chosen oil supplier or which lorry (a 500L minimum meter or a 250L minimum metre lorry) will deliver your load. While Trading Standards emphasize that errors can be small, nonetheless you should be aware of the position and if you chose to deliver very small loads, carry out spot check deliveries to make sure that they are accurate. However, to insist on a minimum of 500 litre loads at approximately £300 will reduce the attractiveness of your club to members, who may not be able to afford the brokered price.

- Check the period of price validity for your successful supplier – normally 2/3 days but can vary.
- VAT for heating oil for domestic and residential use or for non-business use by a charity is 5%. Therefore loads can be brokered as one bulk load but must be clearly ordered for individual householders. Another reason for letting individual householders take care of their own bill.
- Oil Federation members have signed up to a Customer Charter. However, small local suppliers may be more amenable to a community oil club in our experience. It's your choice who to include.

Further useful information



Even if you are unable to join a local oil club, you should always shop around for the best oil price.

For maximum central heating efficiency, install heating controls i.e. thermostatic radiator valves, room thermostats, 7 day digital timers for independent control of heating and hot water.

Have your boiler serviced annually as this increases its efficiency and reduces oil bills.

When changing your boiler always purchase a high efficiency condensing boiler which can save up to £300 per annum over a conventional one (Sutherland Tables, July 2013).

If your boiler is over 15 years old, check with the **Bryson Energy Advice line (FREEPHONE 0800 14 22 865)** if you are eligible for the Boiler Replacement Allowance.

Insulate your home to the maximum guidelines.

Top up Loft insulation – 300 mm.

Check that all cavity walls are insulated and that insulation has not become wet and fallen down in the cavity.

Solid walls - there are now cost effective energy efficient options for solid wall houses. Check with members of the National Insulation Association.

Useful contacts

Bryson Energy Advice Line

Tel: 0800 14 22 865

www.brysonenergy.org

Warm Homes

Tel: 0800 988 0559

www.warm-homes.com

General Consumer Council

Tel: 0800 121 6022

www.consumercouncil.org.uk

Consumer Council online oil price watch looks at oil prices in all areas of NI -

<http://www.consumercouncil.org.uk/oil-price-watch/>

Northern Ireland Oil Federation

Tel: 0845 6002105

www.ni.oil.com

Oil Firing Technical Association (OFTEC)

Tel: 0845 65 85 080

www.oftec.org

National Insulation Association

Tel: 08451 636363

www.nationalinsulationassociation.org.uk

The Cavity Insulation Guarantee Agency (CIGA)

Tel: 01525 853300

www.ciga.co.uk

Age NI

Tel: 028 9024 5729

www.ageuk.org.uk/northern-ireland

Gas Safe

Tel:(0)800 408 5500

<http://www.gassaferegister.co.uk/>

Bryson Energy, part of the Bryson Charitable Group (September 2013)

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Building Better Futures



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Derry Citty Council