# Introduction

Extra Energy exists to revolutionise the energy market, saving customers across the country hundreds of pounds every year. We've already saved UK consumers over £150 million in just three years of operating, and have strong ambitions to continue this plan.

Extra Energy has invested heavily to get the business model right for its customers. Extra Energy has created its own technology, building its own customer management and billing system which are bespoke to the UK energy market. This enables Extra Energy to offer a much lower cost-to-serve than its competitors, and the technology also allows Extra Energy to bring products to the market much more quickly than the Big Six, meaning these savings can be passed on to customers directly, and extremely quickly.

Our business model is not based on having customers on Standard Variable Tariffs. We do not want any customers to be on these deals unnecessarily, and actively encourage them to fix or switch. Our customer communications are both regular and transparent; we want customers to know what our best deal is, and we want to encourage them to get independent advice. This is how we can ensure customers are engaged in the market, are better educated, and are getting the best possible deal.

There are unparalleled challenges in the energy market both for suppliers and for customers, but at Extra Energy we firmly believe that if we all work together, in partnership with third party groups, the regulator and the Government, we can encourage customers to engage in the market, and to switch and to save money.

We already know that the ambition to encourage customers to switch is starting to come to fruition. Last year, nearly 5 million domestic accounts switched to a different supplier, an increase of 26% from the previous year. But we also know that we can go further, ensuring more people switch and ensuring that the number of customers stuck on expensive Standard Variable Tariffs is at an absolute minimum. Because the problem is not simply that customers are on these Standard Variable Tariffs – in fact sometimes they are essential – and that is why suggestions such as auto-switching are not the answer. The problem primarily lies with engaging customers, and it is here that energy suppliers need to work harder and be more transparent.

There are still more than 20 million consumers on Standard Variable Tariffs in the UK, with the Big Six having the lion's share of their customers on these expensive tariffs, with minimal effort being made to shift this pattern. In contrast, just 14% of Extra Energy's customers are on Standard Variable Tariffs, far less than the Big Six, and the majority of similar challenger suppliers.

Extra Energy is different to the rest of the market in this respect, particularly the larger suppliers. The Big Six in particular have a business model which is based on customers being on Standard Variable Tariffs. This is how they make such vast profits, and their businesses would be significantly compromised were fewer customers to be on these tariffs.

Extra Energy's perspective on the state of the industry, with a focus on Standard Variable Tariffs, can be split into three areas:

- 1. Standard Variable Tariffs are a necessity
- 2. SVT customer bases vary
- 3. Extra Energy's business model

#### 1. Standard Variable Tariffs are a necessity

The first point to note is that Standard Variable Tariffs are absolutely fundamental to the UK energy market, and there is a necessity for them to exist. So eliminating the option of these tariffs is not a possibility, but instead we need to focus on engaging customers to the point that they understand which tariff they are on, and whether they are able to get a better deal.

Standard Variable Tariffs allow suppliers to build in risk, and to plan ahead. And they also have benefits for customers. Most importantly, Standard Variable Tariffs give customers an extended period of time to make a choice, meaning they don't have to rush into a new contract immediately but can make the best possible choice. And we can also recognise that they provide customers with flexibility, not locking them into a fixed contract, and the price can also fluctuate with wholesale prices, meaning it can decrease.

#### 2. SVT customer bases vary

Due to the nature of the tariff, and the fact that many consumers choose to roll onto Standard Variable Tariffs while they make an informed decision on their next deal, the number of Standard Variable Tariffs customers fluctuates significantly, and can be larger than normal at a particular time, for instance when a vast number of renewals passes.

Extra Energy has grown at an unprecedented rate. We are the fastest growing supplier ever in the UK, and one of the fastest growing businesses in the whole UK market. We have taken the time to understand our customers, who are by their nature switchers. We know that our customers are very active and generally tend to be well engaged in the market. This means that the volume of customers on Standard Variable Tariffs with Extra Energy is minimal, and our ambition is to keep this rate consistent, or to decrease.

## 3. Extra Energy's business model

The vast majority (86%) of our customers are on fixed tariffs. Having customers on fixed tariffs provides more certainty and security for our customers, who know what they will be paying and for how long.

Extra Energy's business model is fundamentally not based on customers being on SVTs. Those that are on SVTs are only on these tariffs for a very short period of time, generally in the period when their fixed tariff has ended and they are making an informed decision on their next deal.

# Extra Energy's Plan – Engaging all customers

Extra Energy has a number of processes and initiatives in place to ensure all customers are fully engaged, and that all customers can be reached through these various methods. Extra Energy's current plan includes:

- 1. Marketing of SVT product
- 2. Clear communication ahead of renewals
- 3. Renewals process
- 4. Transparency

Full details of each of these initiatives are as follows:

## 1. Marketing of SVT product

Extra Energy's business model is fundamentally not based on customers being on Standard Variable Tariffs. Unlike other energy suppliers, Extra Energy has never actively marketed its Standard Variable Tariff offering directly. When customers are nearing the end of their tariff, they are shown the best deal Extra Energy can offer, and encouraged to compare this deal to other tariffs on the market.

While we accept the need for Standard Variable Tariffs in the UK energy market, Extra Energy aims to engage its customers so that they best understand which tariff they are on and whether they are able to get a better deal, and this ambition is working with the majority (86%) of our customers on fixed tariffs.

## 2. Clear communication ahead of renewals

Prior to customers being contacted before their tariff is up for renewal, all customers are sent a marketing email, which highlights the benefits of being on a fixed tariff with Extra Energy, as well as showing all the fixed tariffs Extra has available in the market.

This communication method is designed to provide customers with an additional prompt to remind them to look out for their renewal email, and to ensure customers have ample time to make a decision.

Extra Energy has invested heavily to ensure this process works as quickly and efficiently as possible following the trial and adaptation of this approach. Through the testing of this marketing email, this has proven to have a positive result in engaging more customers to take action.

Extra Energy has spent a significant amount of time actively monitoring the behaviours of customers ending their fixed priced tariff, optimising this process to ensure communications are sent out at the most effective time to encourage the best end to end process for engagement. It is also incredibly important to ensure that those customers who are harder to reach are targeted

effectively, and Extra Energy uses data to analyse the impact and results these emails have on every customer, using this information to inform how regularly such communications are sent out.

### 3. Renewals process

Over our three years of operating in the UK market we have taken the time to understand our customers, and we know that the significant majority of them are active energy switchers who are, by nature, extremely tech savvy. With that in mind, Extra Energy has trialled, tested and invested in establishing the most effective renewals process for our customers, with the objective of reaching every customer successfully, particularly those who we know are harder to reach.

The process is quick, simple and easily accessible. Whenever a customer's account is due for renewal, Extra Energy takes every possible step to communicate with the customer and relay the best deals available for them, with this communication taking place between 49 and 42 days in advance of their deal coming to an end.

That is why all renewal letters contain a link to our website which directly goes to a dedicated landing page for renewals. This page shows customers the best possible price they can get with Extra Energy, saving the customer both time and money.

Moreover, on this page all customers are clearly informed that if they do not take advantage of getting the best possible deal then they will be rolled onto a standard variable tariff – which is not what we want. Customers are also advised to seek independent advice on their energy bills which provides ample opportunity for an informed decision to be made, and for them to switch away from Extra Energy if there is a better deal available elsewhere.

Through using this method Extra Energy is able to reach our customers and offer them all the information and advice they need in an accessible way. There is, of course, always more to build and expand upon. Extra Energy fully intends to do this through assessing the continuous feedback from our customers and analysis from our own monitoring on how many customers we have on standard variable tariffs. We are committed to continuing to provide a quick, simple and easy renewals process.

#### 4. Transparency

We seek to be transparent, open and honest with our customers. In order to achieve the best possible service and improvements for our customers we actively monitor and engage our fixed price ending customer's behaviour. This is to ensure that the communications we send to our customers reach them at the optimum time so that we are able to engage with our customers well in advance of any change to their tariff.

For example, on every bill sent to all our customers, we state the best possible deal that Extra Energy can offer to the customer. The exact same applies to our customers' annual statements,

which detail the best deal from Extra Energy, and also encourages customers to look at all energy providers in the market.

Moreover, whenever prices increase or decrease, Extra Energy informs every single one of its customers. We remind customers that they should not be on a standard variable tariff and highlight that moving to a fixed price tariff with Extra Energy, or even elsewhere, would often save the customer money.

This highlights Extra Energy's unwavering commitment to transparency through regular communication in order to ensure that every customer is on the best possible deal. Our central goal is for our customers to not be on standard variable tariff if they do not need to be, or want to be. For this to happen, more engagement with customers is required and we work incredibly hard to ensure we communicate regularly with every customer to keep them informed. We want customers to save money, and being on a fixed tariff provides more security for customers and also for us as their supplier, meaning we can pass any savings directly to our customers.

We are continuously seeking to improve our processes in order to better engage with our customers. Feedback from our customers will be vital in ensuring that we are always transparent and open with our customers and we hope to continue seeing a decrease in the number of customers who do not need to be on standard variable tariffs, or are unaware that they are on this tariff, as a result.

# Planned activity for the future

Extra Energy is constantly trialling and testing methods for engaging customers, and adapting these initiatives as required. There are several plans currently in motion, which Extra Energy will be rolling out soon, as well as numerous plans in the pipeline.

Extra Energy's plans for the near future are currently focused around the below initiatives.

#### 1. Warm Home Discount

Extra Energy will shortly be opening up the group of customers who can access the Warm Home Discount to a wider pool of customers. We are now notifying all of our vulnerable customers who we think could qualify. If customers think they might be eligible, they will be able to check and apply online. We want to ensure that any disadvantaged customer can find out if they qualify for this discount. This has begun with an email marketing campaign.

We will also feature the Warm Home Discount on the front page of our website, so this scheme is prominently positioned and everyone visiting Extra Energy's website is aware of the support available.

Our communication to customers focuses on a wide range of services as well as the Warm Home Discount, as part of our campaign to engage all customers and particularly those who are harder to reach. We are detailing how we offer energy saving advice and assistance with payments for those who are struggling. And we are explaining the option to sign up to our free Priority Service Register and offer all our customers a free tariff 'health check'. This invites customers to speak to Extra Energy customer service experts, who can review if they are on the best tariff for their usage.

This is an important part of Extra Energy's plan to engage every single customer and involves communicating these available support services and options to the entire customer base during 2017. This will ensure everyone has the same opportunity and no one falls through the cracks.

#### 2. Smart meters

Like all energy suppliers, Extra Energy is working on a smart meter roll-out programme, which is beginning in Q1 2017. The smart meter programme has specifically been designed to help households track and manage their energy consumption.

But Extra Energy wants to use this opportunity to go further and engage even more customers. Extra Energy plans to advise all customers through email campaigns that they have the opportunity to access a smart meter, and our approach to the roll-out will particularly focus on targeting those customers who are known to be less engaged than the majority of our customers. We plan to reach those who might not have all the information to hand about the benefits they are entitled to. The communications will emphasise that the installation of these is entirely free and to be encouraged.

# Conclusion

Extra Energy is pleased to have worked with Which? to publish this plan of action on how we will continue to improve our engagement with disengaged customers.

We want to be known for excellent customer service, as well market leading prices. It is Extra Energy's view that a significant part of good customer service is to ensure all customers are kept up to date with what the best deals are for them, as well as assistance managing their existing account.

We know that this is a complicated market and one that changes constantly. This is why we take seriously our role in providing expert advice on how to manage energy consumption and bills. As a result, we continually test and review our approach to how we engage our customers, as has been outlined in this document. And as such, we commit to continually to regularly review our processes and would be delighted to work with Which? again a year from now to publish an updated version of this plan.