

Report

End of Fixed Term Communications Trial

Publication date:	27 September 2019	Contact:	Annabelle Bonus, Senior Behavioural Insights Practitioner
		Team:	Behavioural Insights Unit, Office for Research and Economics
		Tel:	0203 263 9822
		Email:	Annabelle.Bonus@ofgem.gov.uk

This report contains the results of Ofgem's End of Fixed Term Communication Trial conducted in March 2019. It is part of a wider trialling programme, conducted jointly between the Future Consumers team and Behavioural Insights Unit, designed to explore ways of increasing consumer engagement in the domestic retail energy market.

This randomised controlled trial with around 20,000 customers from one energy supplier tested whether sending an additional communication to customers on fixed term energy tariffs affects the proportion of customers who make a decision to switch to a new tariff. This report describes the motivation, design, analysis and results of the trial.

What to do if you can't access parts of this document

If you are unable to access some of the information in this document and need it in a different format:

- Annabelle.bonus@ofgem.gov.uk
- 0203 263 9822

We'll consider your request and get back to you as soon as possible

© Crown copyright 2019

The text of this document may be reproduced (excluding logos) under and in accordance with the terms of the [Open Government Licence](#).

Without prejudice to the generality of the terms of the Open Government Licence the material that is reproduced must be acknowledged as Crown copyright and the document title of this document must be specified in that acknowledgement.

Any enquiries related to the text of this publication should be sent to Ofgem at: 10 South Colonnade, Canary Wharf, London, E14 4PU. Alternatively, please call Ofgem on 0207 901 7000.

This publication is available at www.ofgem.gov.uk. Any enquiries regarding the use and re-use of this information resource should be sent to: psi@nationalarchives.gsi.gov.uk

Contents

Executive Summary	4
Timely reminders prompt switching among fixed tariff customers	4
Background	4
Trial design.....	5
Results.....	5
Conclusions	6
1. Introduction	7
Context: Ofgem’s Consumer Engagement Programme	7
2. Intervention design	9
Section summary	9
Applying behavioural science to customer decisions at the end of energy tariff	9
Designing the End of Fixed Term Tariff Communication	12
User testing	14
The EFTC	15
3. Trial design.....	16
Methodology	16
Aim and research questions	19
Supplier and tariff selection.....	19
4. Results.....	21
Section summary	21
Impact of the EFTC on switching rates.....	21
Impact on switching by sub group.....	22
5. Conclusions.....	27

Executive Summary

Timely reminders prompt switching among fixed tariff customers

Background

Ofgem's consumer engagement trialling programme¹ began in 2016 following the Competition and Markets Authority's investigation into the energy market.² Building on previous consumer engagement research, it was designed to find new ways of increasing consumer engagement in the domestic retail energy market, using new licence powers that allowed Ofgem to require energy suppliers to take part in trials.³

Around 46% of GB energy customers have chosen a fixed term tariff.⁴ These tariffs provide a fixed price per unit of energy and usually last for between one and three years. Many customers on these tariffs will switch to another before, or shortly after, they end. However, some customers do not take action and are automatically placed on the supplier's default tariff. This is usually a Standard Variable Tariff (SVT), which tend to be more expensive for the same energy consumption. Ofgem wanted to test whether a simple communication could decrease the number of customers defaulting on to a SVT at the end of their fixed term tariffs.

In response, Ofgem designed the End of Fixed Term Communication, or EFTC, trial. This trial complements other Ofgem trials which also focusing on increasing engagement, but targets customers on fixed contracts, rather than those on SVTs. More information about the consumer engagement trialling programme, what we learned about consumer engagement and findings from the other trials can be found in our summary paper: **'What works in increasing engagement in energy tariff choices?'**⁵

¹ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

² <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

³ <https://www.ofgem.gov.uk/publications-and-updates/implementation-standard-licence-condition-32a-power-direct-suppliers-test-consumer-engagement-measures-decision-make-licence-modifications>

⁴ Ofgem's State of the Market Report 2018

https://www.ofgem.gov.uk/system/files/docs/2018/10/state_of_the_energy_market_report_2018.pdf

⁵ <https://www.ofgem.gov.uk/publications-and-updates/what-works-increasing-engagement-energy-tariff-choices>

Trial design

The EFTC was a letter or email sent to customers currently on a one year fixed tariff with a partner supplier. It was designed using behavioural science to overcome the barriers that many customers face when changing energy tariff, such as being confused by how to switch, or forgetting to search for a new deal. Key insights and how they were applied include:

- Too much information is overwhelming and can lead to people ignoring it altogether: we **simplified the information** to the bare minimum the customer needs to make an informed decision
- People have busy lives, and can easily forget a task, despite intending to do it: we **reminded** them about it very close to the date the tariff was ending
- It is sometimes hard to see the link between current actions and future consequences: we made the **consequences** of defaulting onto the a SVT clear
- People respond differently depending on who gives them a message: we made sure the communication came from a **compelling messenger**- the customers' current supplier
- If people develop a specific plan, they are more likely to follow it through: we provided a **breakdown of the steps** to help them switch tariff
- People go out of their way to avoid losses: therefore, we made **the potential loss** associated with defaulting onto an SVT more salient.

The trial was designed as a two-arm randomised controlled trial. Eligible participants were randomly allocated to two trial arms, one of which received an EFTC and the other that did not. This was to allow us to collect robust evidence about the impact of the EFTC on switching rates. We measured the number of customers who chose to switch tariff (either to a new tariff with their current supplier or switching to another supplier) over a six-week period after sending out the communication.

Results

The results show that the EFTC had a clear impact on rates of switching, with customers who received an EFTC being nine percentage points more likely to switch than those that did not. Switching increased from 19% in the control group to 28% in the intervention group.

The EFTC boosted switching among a range of customers, including those who had been on a SVT in the past, those who had been with their current supplier for a long time, and those on the Priority Services Register who may be more vulnerable.⁶

Conclusions

This trial shows that a simple, timely, behaviourally designed communication can substantially increase switching rates among customers at the end of tariff. They imply that communications sent to customers at the end of tariff should be:

- Kept short and simple, and use clear, direct language
- Sent at a point in time which will make sense to the customer
- Broken down to include the steps the customer needs to take in a simple, clear sequence
- Made action-focused- with the action the supplier wants the customer to take at the top of the letter
- Based on an understanding of behavioural science.

⁶ The Priority Services Register entitles utility customers to additional services and support. Customers eligible for the PSR include those of pensionable age, those with children under five years old, and customers with a disability.

1. Introduction

Context: Ofgem’s Consumer Engagement Programme

1.1. In 2016, the Competition and Markets Authority (CMA) completed its investigation into the energy market⁷ and concluded that the British energy market is a two-tier market, in which a large proportion of customers on Standard Variable Tariffs⁸ pay substantially more for their energy than those customers who switch regularly between suppliers’ competitive acquisition tariffs (usually, fixed tariffs).⁹

1.2. The CMA recommended a package of remedies to tackle this consumer detriment and address weak customer response in the energy market, one of which included a recommendation that Ofgem establish an ongoing programme of research (using randomised controlled trials where appropriate) to identify new and more effective ways of prompting consumer engagement in the retail market. Ofgem established the Behavioural Insights Unit and set up an evolving programme of consumer engagement trials.¹⁰ A new licence condition¹¹¹² was introduced to give Ofgem the powers to require energy suppliers to test methods of increasing consumer engagement in the energy market.

1.3. Randomised controlled trials (RCTs) are a robust evaluation method which allow researchers to definitively see the impact of an intervention, service or policy. They work by randomly allocating eligible participants to either a treatment group that receives an intervention or a control group that does not. The difference in the outcomes of both groups is then measured and analysed after a period of time to determine the effectiveness of the intervention. The End of Fixed Term Communication (EFTC) trial described in this

⁷ <https://assets.publishing.service.gov.uk/media/5773de34e5274a0da3000113/final-report-energy-market-investigation.pdf>

⁸ the default product that customers remain on unless like they make an active decision to switch tariff

⁹ While there a wide variety of tariffs open to UK domestic energy customers, they tend to fall into two broad types: The first is competitive acquisition tariffs, which tend to be for a fixed term of between one and three years. These tariffs are those where the price per kilowatt hour (kWh) of energy is fixed for the duration of the contract. The other type is a default tariff, which tend to be SVTs. With a SVT tariff the cost per kWh can go up or down, and there is no end date. An individual customer’s cost of energy will vary with their consumption, but generally, a customer on an SVT will spend more on energy than one with the same consumption on a fixed term tariff. For simplicity, in this report, we will refer to the first type of tariff as ‘fixed term’ tariffs, and the second type as ‘SVTs’.

¹⁰ <https://www.ofgem.gov.uk/consumers/household-gas-and-electricity-guide/how-switch-energy-supplier-and-shop-better-deal/prompting-engagement-energy-tariff-choices>

¹¹ https://www.ofgem.gov.uk/system/files/docs/2017/01/slc_32a_decision_final_website.pdf

¹² <https://www.ofgem.gov.uk/licences-industry-codes-and-standards/licences/licence-conditions>

report forms part of a programme of ten trials that Ofgem has developed over the past three years under the Consumer Engagement programme.¹³

1.4. The overall aim of the Consumer Engagement programme is to identify what works in increasing engagement in customers' energy tariff choices. In this specific project, we wanted to find out more about what works in encouraging customers to make an active choice and choose a new fixed term tariff when their current fixed tariff is coming to an end.

1.5. The following sections outline the research method, the trial results, and finally, the conclusions from this trial.

¹³ For details of the other trials in this programme see the summary paper: 'What works in increasing engagement in energy tariff choices?' <https://www.ofgem.gov.uk/publications-and-updates/what-works-increasing-engagement-energy-tariff-choices>

2. Intervention design

Section summary

This section outlines the design of the research, including the methods used in the trial, how the intervention was designed, and how the trial partner was selected. It includes details of both the quantitative trial design and the accompanying qualitative research.

Policy context: customer decisions at the end of energy tariff

2.1. If a customer on a fixed tariff does not make an active choice to switch before the end of the contract, they will be automatically defaulted on to their supplier's SVT.¹⁴

2.2. Until recently, the only communications that energy suppliers were mandated to send their customers coming to the end of their tariff was the End of Fixed Term Tariff Notice¹⁵ (EFTN). The EFTN is a letter or PDF sent to energy customers around 40 days before their fixed term energy tariff ends. Before December 2018, the majority of the content of the EFTN was mandated by Ofgem. From February 2019, Ofgem introduced five narrow principles around communications between energy suppliers and their customers.¹⁶ This allows suppliers more flexibility as to the content and timing of the EFTNs.

2.3. Before these principles were introduced, EFTNs were mandated to include a substantial amount of information, and to arrive with customers around 42 days before the end of their tariff. It was then up to suppliers to determine whether any additional communications were sent to customers. Evidence gathered by Ofgem earlier in 2018 suggested that many suppliers do send additional reminders, but some only sent the mandated EFTN. There did not appear to be any robust published evidence or good practice

¹⁴ Some suppliers default customers onto a fixed default tariff following Ofgem's 2017 decision: some suppliers move people onto a fixed default tariff since Ofgem's decision in Oct 2017

<https://www.ofgem.gov.uk/publications-and-updates/decision-default-tariffs-domestic-customers-end-fixed-term-contracts>

¹⁵ There are a number of different terms used for the EFTN used by different suppliers, including Product End Notice and Statement of Renewal Terms.

¹⁶ <https://www.ofgem.gov.uk/publications-and-updates/domestic-supplier-customer-communications-rulebook-reforms>

about encouraging engagement amongst energy customers at the end of tariff. However, other regulators have done trials in similar circumstances, reminding customers to take action.

2.4. For example, in 2015, the Financial Conduct Authority (FCA) carried out a trial in partnership with a large UK financial institution involving over 20,000 savings account customers whose interest rate was about to decrease or had just decreased.¹⁷ All of these customers had already received a letter two to three months before the rate decrease informing them of this. The FCA investigated the effects on switching behaviour of:

- an additional letter which reminded customers of the rate change ('reminder'),
- different messages in the reminder designed to mitigate the effects of behavioural biases, and
- the timing of the reminder, and in particular, whether the reminder was sent before or after customers' interest rate decrease.

Overall, the results show that reminders make a notable difference to switching behaviour in savings accounts around the time of interest rate decreases. The very fact of getting a reminder is more important than the precise phrasing of the reminder and can increase switching by at least 8% relative to not receiving a reminder. Specifically, switching increased by between 6 to 8 percentage points 20 weeks after the rate decrease, relative to a base switching rate of approximately 50% to 70%.

2.5. Ofgem wanted to collect further information about the behaviour of customers who had come to the end of their fixed tariff. Qualitative evidence collected in 2018 suggests that making an active choice for a fixed tariff once is not always enough to prompt regular engagement in the energy market.¹⁸

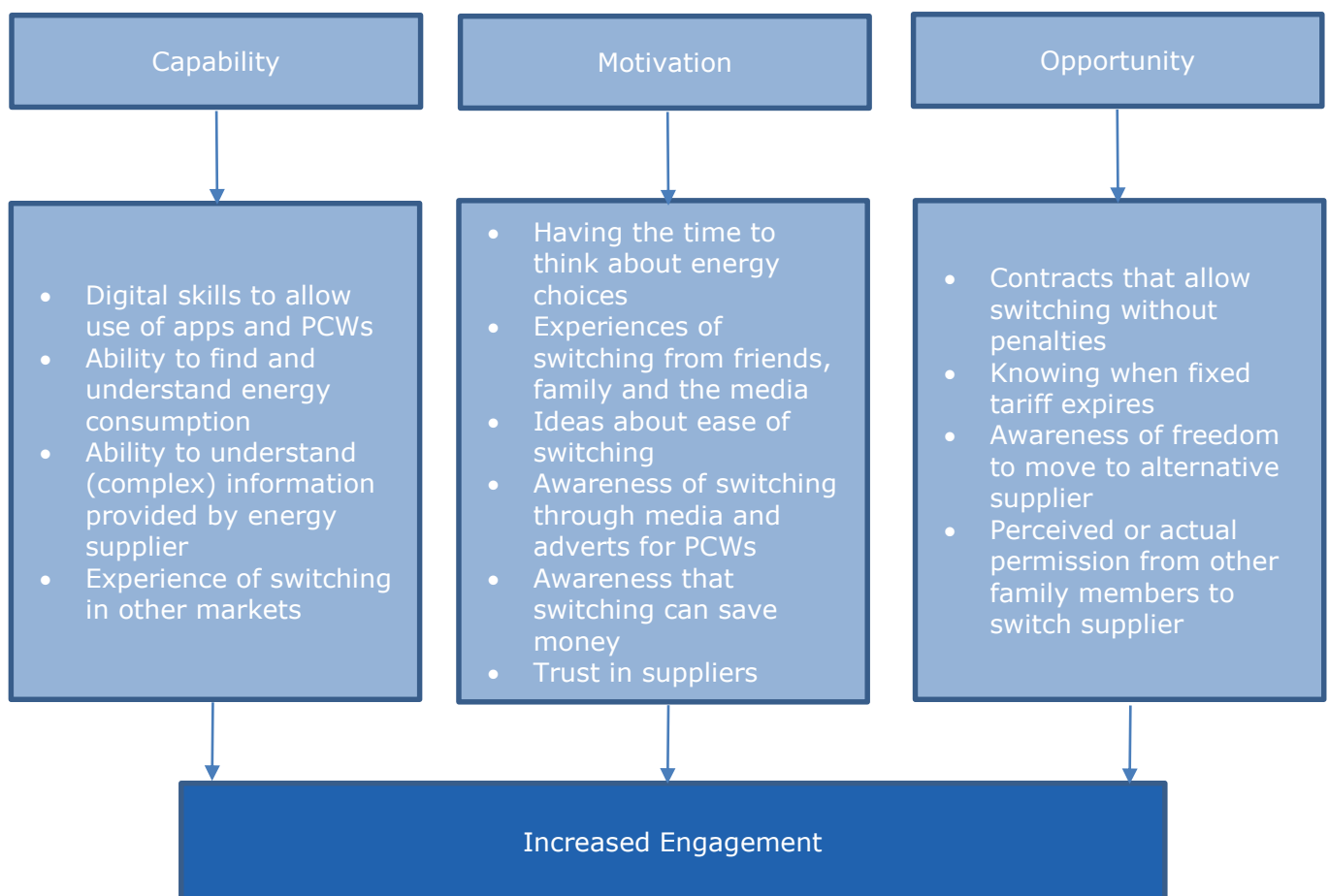
2.6. Based on this evidence, Ofgem decided to develop an intervention based on behavioural science to see if a simple communication can increase engagement among fixed term tariff customers coming to the end of tariff. In 2016 Ofgem established a dedicated Behavioural Insight Unit with the aim of applying behavioural science to Ofgem's

¹⁷ FCA (2015) Occasional Paper no. 7, <https://www.fca.org.uk/publications/occasional-papers/occasional-paper-no-7-stimulating-interest-reminding-savers-act-when>

¹⁸ Ofgem (2018) Sustained Engagement in the Energy Market <https://www.ofgem.gov.uk/publications-and-updates/sustained-engagement-energy-market>

policy problems. Behavioural insight is based on the premise that human behaviour is not always rational. In the case of energy tariff switching, there are often substantial amounts of money that can be saved over a year from switching energy tariff, there is help and advice about which tariff to switch to from independent third parties, and switching tends to be a relatively straightforward process. Yet as of April 2019, 53% of electricity customer accounts and 51% of gas accounts excluding customers on prepayment, were on default tariffs.¹⁹

2.7. There are a number of frameworks that can be used to help researchers understand why people behave in the way they do. One of the most established, the COM-B framework²⁰, is based on the premise that to carry out a particular behaviour, people need the capability, the motivation and the opportunity to do so. The below diagram gives an indication of the range of barriers and drivers that may affect a customer’s engagement in their energy choices:



¹⁹ Ofgem’s data portal - [Ofgem's data portal](#)

²⁰ Michie S, Atkins L, West R. (2014) ‘The Behaviour Change Wheel: A Guide to Designing Interventions’, London: Silverback Publishing. <http://www.behaviourchangewheel.com/>

2.8. Qualitative research done by Ofgem in 2018²¹ with customers who have switched tariff before, but are now on an SVT, found that these switchers are not fully aware of what tariff they are currently on, confused by the language around bills, and found the time and energy spent to find the best deal not worth the saving. The same research found that regular switchers valued the feeling of saving money on their energy tariff, and created their own prompts to make sure they did not forget to switch.

Designing the End of Fixed Term Tariff Communication

2.9. The initial stage of this trial was the development of the End of Fixed Term Communication using behavioural insight. There is a strong evidence base for using communications to encourage behaviour change, particularly with occasional behaviours, and where there may be a gap between people's intentions and actual behaviour. For example, evidence generated by the Department of Health in encouraging patients to attend their NHS health check appointments.²²

2.10. Customers who are already on fixed energy tariffs will have made a choice in the recent past to choose a fixed tariff. Therefore, they are already likely to be more engaged in their energy choices than a customer who has been on an SVT for a long period. However, this doesn't mean that they will continue to regularly switch tariffs. There are many reasons why customers do not make optimal choices about their energy tariff, and may not take action even after receiving an EFTN. Some of these will be about customers' capability (for example, can they read well enough to understand the EFTN), but some will be about their unconscious motivations. To design the communication, we held two internal workshops.

2.11. As part of the initial workshop, we agreed on the behaviour we were aiming to change: **We want customers to be more engaged in their energy tariff choice and make an active choice to switch to a new fixed tariff either before the end of their current tariff, or as soon as possible afterwards.**

2.12. We used the second workshop to gather ideas for applying behavioural science to the issue of engagement at the end of the tariff:

²¹ Ofgem (2018) Sustained Engagement in the Energy Market <https://www.ofgem.gov.uk/publications-and-updates/sustained-engagement-energy-market>

²² <https://www.healthcheck.nhs.uk/commissioners-and-providers/delivery/invitation-letter-and-results-card/>

- Too much information is overwhelming and can lead to people ignoring it altogether: we should simplify the information to the bare minimum the customer needs to make an informed decision
- People have busy lives, and can easily forget a task, despite intending to do it: we should remind them about it at a meaningful point in time
- It is sometimes hard to see the link between current actions and future consequences: we should make the consequences of defaulting on the a SVT clear
- People respond differently depending on who gives them a message: we should make sure the communication comes from a compelling messenger, such as a customer's current supplier
- If people develop a specific plan, they are more likely to follow it through: we should break down the steps to help them make a plan for switching tariff
- People go out of their way to avoid losses: therefore, we should make the loss associated with defaulting onto an SVT more salient.

2.13. Therefore, we designed the letter to be:

- **Short and simple:** we aimed to keep the text of the communication to less than half a page of A4. We included a prominent headline with the key message
- **Action focused:** we used language that was clear, and broke down the actions into small, sequential steps
- **Salient:** We increased the personal salience of the message ("your tariff ended on 28 February")
- **Direct:** We used clear behavioural instruction so readers would be clear about what they needed to do ("Switch now")
- **Timely:** The arrival of the communication was designed to coincide with the end of the customer's current tariff, so the date mentioned on the communication would be very recent
- **Social:** We included a social norms message ("Join over 60% of our customers who choose a new fixed term deal at the end of their tariff")
- **From a trusted and compelling messenger:** The communications were sent from the customer's incumbent supplier, who they will have an existing relationship with.

2.14. Other interventions developed as part of the consumer engagement programme have been more directive, and signposted cheaper tariffs customers may wish to switch to. Given the fact the participants in the EFTC had already made at least one active decision to participate in the energy market, we hypothesised that they would not require this level of

information in order to make a further active choice. This would make the intervention easier to replicate in the future if proved to be successful.

User testing

2.15. Before the trial began, Ofgem carried out qualitative research in the form of eight semi-structured interviews with energy customers on fixed term tariffs. The interviews were 30 minutes long, testing two versions of a letter. The versions were identical apart from a key difference, the first contained the opening paragraph:

*Your [fixed tariff name] ended on 7 December. You're now on the Standard (Variable) tariff, which is one of our **more expensive** tariffs*

And the second contained this variation to the second paragraph:

Your [fixed tariff name] ended on 7 December. You're now on the Standard (Variable) tariff.

2.16. The interviews asked participants to imagine they had received the hypothetical letter (mocked up to appear as if it was from their current supplier) in the days following the end of their fixed energy tariff. We asked them for their reaction to the letter, the understanding of what the letter was communicating, and for feedback on the letter itself. Key insights included:

- Customers were surprised and annoyed that they were going to be automatically moved on to a more expensive tariff
- Without the 'more expensive' wording, customers were unsure about what a Standard Variable Tariff is. The majority of participants saw the word 'expensive' as a call to action that would encourage them to switch
- None of the participants considered this type of letter from their supplier as marketing
- All of the participants were able to understand the letter, identify who it was from and why they had received it. Whilst a number said that they would have switched already and therefore not received the letter, they could all see the value in reminding customers who would not have done so pro-actively.

Following the qualitative research, we decided to proceed with the version of the letter with the reference to SVT tariffs being more expensive. The wording was slightly tweaked in the final version in feedback from the participating supplier.

The EFTC

2.17. The final version of the communication was agreed based on evidence from behavioural science, feedback from the supplier about what works with this group of customers, and the results of the qualitative interviews with customers. The final version of the EFTC is shown below:

Switch now. Your energy tariff ended 28 February

Dear

Your **Simply Fixed Renewal Feb19** tariff ended on 28 February 2019. You're now on a **more expensive** Standard (Variable) tariff. However, you can move to another tariff at any time, without paying any exit fees.

It's not too late to switch to a new fixed term tariff. Act now and see what you could save on your gas and electricity.

Join 60% of our customers who **choose a new fixed term energy deal** at the end of their fixed tariff. Don't lose out on any savings you could make.

Choose another tariff with us, or with a different energy supplier– it's simple, straightforward and hassle-free. If you've switched recently, please ignore this letter.

The switching process



Choose a cheaper tariff



Contact the chosen supplier to switch



You can get your bills the same way



You'll pay in the same way



Your energy supply won't be interrupted

It really is easy to find a new energy deal. If you'd like help with choosing a new tariff with us, please go to [our website](#) or contact us on [0800 135 2700](#) so that we can tell you about the best tariffs we can offer you.

Alternatively, you can search for other tariffs using a price comparison website.

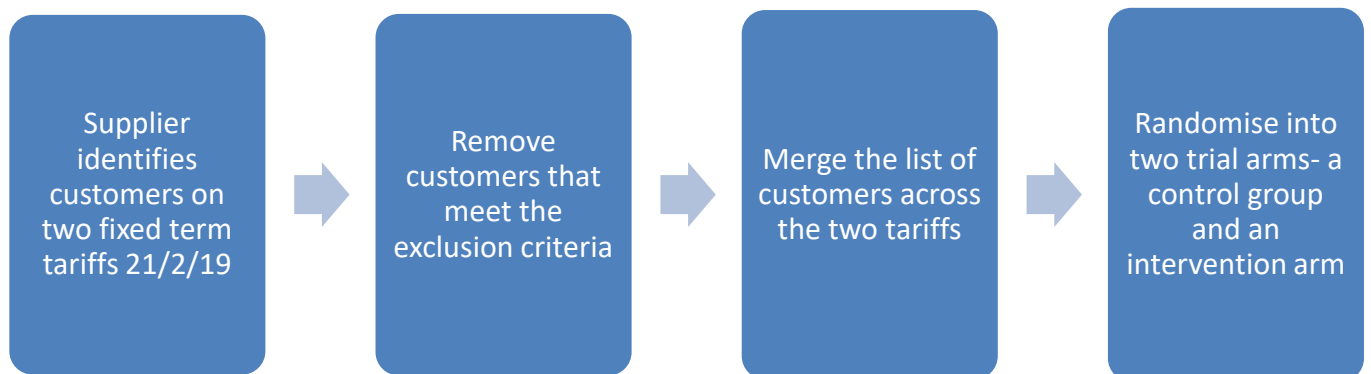
Yours sincerely

3. Trial design

Methodology

3.1. This trial was a two arm randomised controlled trial.²³ Trial participants were drawn from customers from two fixed term tariffs with a large energy supplier (referred to throughout as supplier A) in late February 2019. The customers eligible for this trial were those who had not made the decision to switch a few days before the end date of their fixed tariff (on 26 February- the tariffs were due to end on the 28 February, this difference was to allow time for the letters to be sent). The letters were sent by first class mail on 28 February and the emails on 1 March.

3.2. The below diagram shows the steps to generate the sample:



This process resulted in a final sample size of 21,371 customers randomly allocated into two equally-sized trial arms:

1. An intervention arm which received an EFTC on or around the 1 March 2019 (n=9,777)
2. A control group which did not receive an EFTC (n=9,776)

²³ See Ofgem’s Guidance on running trials for more details on what a randomised controlled trial is and how to design one:
https://www.ofgem.gov.uk/system/files/docs/2017/08/ofg985_guidance_on_running_trials_web.pdf

In all other respects, customers in the two trial arms would have been treated identically. All customers would have received the standard End of Fixed Term Notice from their supplier about five weeks before the trial started.

3.3. Customers received the ETFC as either a letter or an email, depending on their existing communications preferences. Of those in the intervention arm, 626 received an EFTC by email, and 9,150 received it by letter.

3.4. A number of customers were excluded from the trial. These customers were excluded to simplify the running of the trial and to make sure letters were not sent to customers who would not be able to participate in the trial. These included:

- Customers who had already switched to a new tariff
- Customers with special communication requirements
- Customers with very low annual consumption (below 25 kWh per year, these are presumed to be empty properties)
- Customers with a non domestic supply contract at the same address
- Customers who are recently deceased
- Addresses with three or more meters
- Customers who have notified their supplier that they wish to opt out of direct marketing²⁴
- Customers on non-standard or prepayment meters.

3.5. Sample sizes for randomised controlled trials are calculated before the start of the trial using a 'power calculation'. These allow researchers to ensure they have sufficient numbers of trial participants to have a good chance of being confident in the results of the trial. Other trials in Ofgem have been powered to detect a one percentage point difference between the intervention and control group. In this trial this was changed to two percentage points (as this was a trial with more engaged customers and we expected a more substantial impact). We assumed 0.05 significance and 80% power.²⁵ Information from the supplier based on customer behaviour following the end of similar tariffs in 2018 implies a baseline (ie with no additional intervention) switching rate of 16% in the 30 days after tariff end. Using this information, we were able to establish we would need a sample

²⁴ It was decided to exclude these customers following advice from the Information Commissioner's Office

²⁵ Power, or beta, is the term used to describe the probability of detecting an effect from the intervention compared to the control group, assuming the effect is really there. Significance, or alpha, is the term used to describe the probability that an effect occurred by chance alone.

size of 5,536 participants per trial arm or greater for the trial to be considered well-powered.

3.6. The randomisation was carried out by the supplier shortly after the sample was drawn in line with the instructions provided by Ofgem. All eligible customers were identified on 26 February 2019 and then randomly allocated into two equal sized arms. This means that there was an equal chance of a customer being allocated into the control or intervention arm.

3.7. An internal ethical review of both the qualitative and quantitative elements of the methodology was carried out before the trial started. The intervention was designed so that the letters did not mention that it was a trial, and therefore customers were not aware they were part of a trial. Therefore, they did not consent to their involvement. This was to make sure their response was as true to real life as possible, and would not be affected by being aware they were part of a research project. This review considered this low risk as the EFTC appeared as a routine communication from the customer's current supplier, and only contained information that had already been sent to customers as part of their End of Fixed Term Notice.

3.8. This trial, like the others in the Consumer Engagement programme, uses a customer's choice to switch²⁶ energy tariff as a proxy for engagement in the energy market. This is because switching is easy to capture through data provided by the energy suppliers, and a clear decision point for customers. However, we recognise that engagement in the energy market is complex, and includes many aspects, including:

- A customer's beliefs and attitudes: for example, the understanding that switching energy tariffs is possible, having trust in the switching process, a belief that switching is a worthwhile activity
- Measurable behaviour: for example, using price comparison websites to search for alternative tariffs, contacting your supplier to find out about alternative tariffs, requesting a smart meter.

²⁶ The data recorded is actually the customer's request to switch. Some switches do not complete for various reasons, such as the customer being ineligible to join their requested tariff, or being in debt to their current supplier.

3.9. Therefore, the outcome we measured was whether a trial participant requested to change energy tariff during the six-week²⁷ trial window (measured from 1 March to 12 April). We also collected other supplementary information, such as the participant's annual energy consumption and meter type.

Aim and research questions

3.10. The aim of the research is to find out what works in changing behaviour among energy customers at the end of their fixed term tariff.

3.11. The EFTC trial was designed to answer the following research questions:

1. What is the impact on switching rates of an End of Fixed Term Communication compared to a control group? (primary research question)
2. Which types of tariff were chosen by trial participants?
3. Did switching rates differ by participant characteristic (Priority Services Register²⁸ status, annual energy consumption, account management)?
4. To what extent is there a difference between the realised savings from switching amongst those who switch in the control group compared to those who switch in the intervention groups?

Supplier and tariff selection

3.12. Before commencing the EFTC trial, Ofgem organised a process for identifying a partner energy supplier, based on our standard process for these types of trials²⁹:

²⁷ 6 weeks was chosen to allow customers time to act and switch tariff after receiving the EFTC and to capture any lag in external switching (which tends to take some time to be recorded by an incumbent supplier after being requested by a customer)

²⁸ The Priority Services Register entitles utility customers to additional services and support. Customers eligible for the PSR include those of pensionable age, those with children under five years old, and customers with a disability.

²⁹ <https://www.ofgem.gov.uk/publications-and-updates/decision-selection-criteria-mandatory-supplier-testing-measures-promote-domestic-consumer-engagement>

3.13. The first stage was to create a long list of potential partner suppliers. We identified suppliers following a Request for Information for data on their roll-over rates (the number of customers who lapse onto the default tariff following the end of of their fixed tariff).

3.14. The suppliers were then shortlisted to be trial partners based on the following factors:

- Their rates of fixed term customers defaulting onto SVTs – with those with higher than average rates were shortlisted
- Their involvement in either previous Ofgem trials – those not involved were shortlisted
- Their involvement in non-trial-based consumer engagement measures.

3.15. Ofgem approached the three short-listed suppliers and gave them the opportunity to provide representations on their reasons for not being able to take part in the trial. Following assessment of representations against the selection criteria the supplier was selected. Coincidentally, this supplier also volunteered to partner with Ofgem on this trial.

3.16. Ofgem worked with Supplier A to identify tariffs with enough customers that would allow us a high enough sample size to run the trial. Two suitable tariffs were selected as they were available on the open market, had a sufficient number of customers to allow an adequate sample size for the trial, and were maturing at the right time to align with the time scales of the research. They also matured on the same date which allowed us to contact all participants concurrently and be confident that no other factors would be influencing participant behaviour. These were one year fixed tariffs open to domestic customers.

4. Results

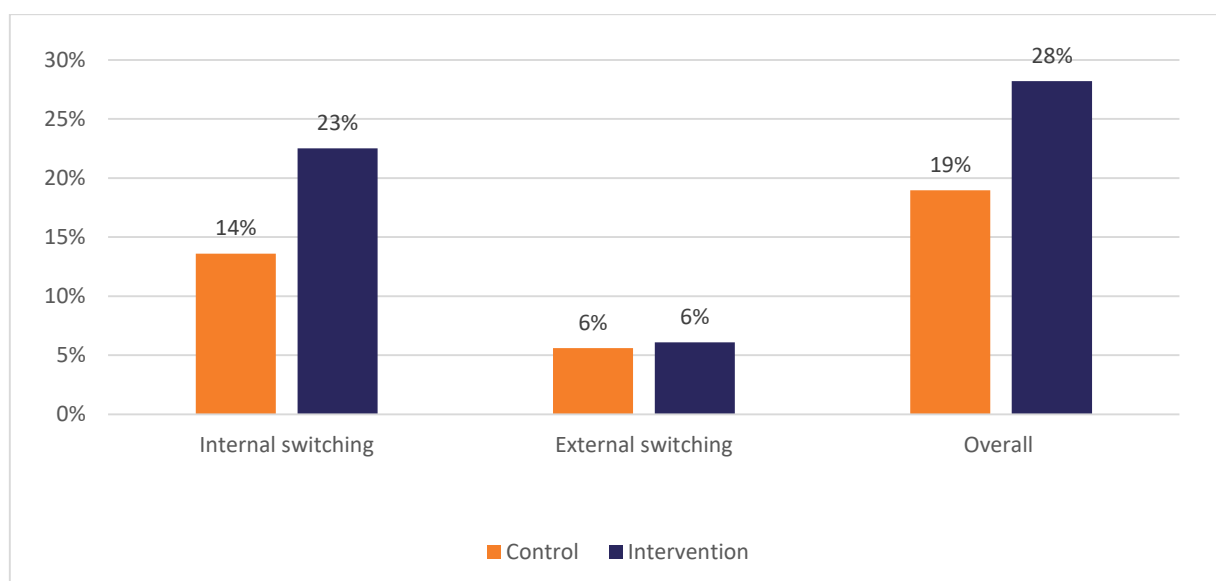
Section summary

This chapter outlines the key results from the End of Fixed Term Communications Trial, including the overall impact on switching rates, and how switching varied by subgroup.

Impact of the EFTC on switching rates

4.1. The results show the communication had a clear impact on switching rates, which were 9 percentage points higher in the intervention arm over the six week period. This difference is statistically significant (ie we can be confident that the result is not down to chance alone) at the 95% level. Customers could either switch to a new tariff with their existing supplier, we refer to this as an internal switch; or to one with a new supplier, we refer to this as an external switch. External switching rates were almost identical in both arms, but internal switching rates much higher in the intervention arm. This implies that the EFTC drove internal, rather than external, switching.

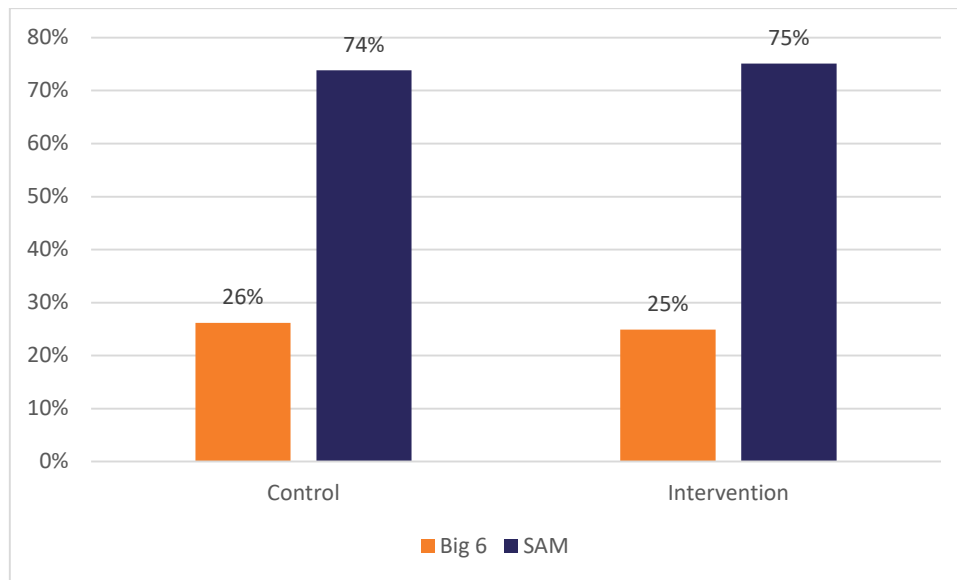
Figure 4.1: Switching rate by trial arm



N=19553

4.2. Of those customers that switched supplier, around three quarters chose a small or medium sized supplier, and around a quarter chose a larger supplier.

Figure 4.2: Choice of supplier by trial arm



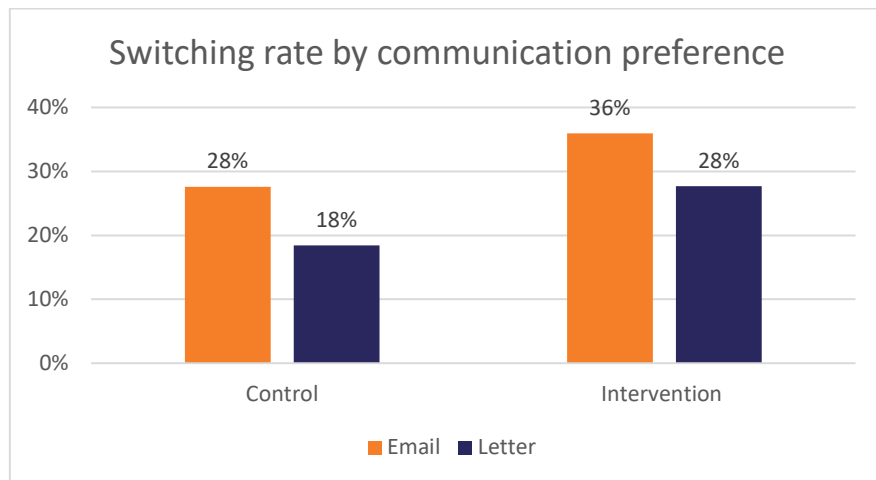
N=4612

4.3. All of the participants in the EFTC trial had been on a one year fixed term tariff with Supplier A. Of those participants who chose new internal tariffs, around 8 in 10 customers chose another one year fixed term tariff.

Impact on switching by sub group

4.4. The vast majority of customers in the trial chose to receive communications from their supplier by letter (94%). However, the results above imply that the EFTC had a clear impact however it was delivered. Exactly half of all the EFTC emails were opened, and the unique 'click through rate' was 22% after four weeks (these are emails which are 'clicked on' after they had been opened).

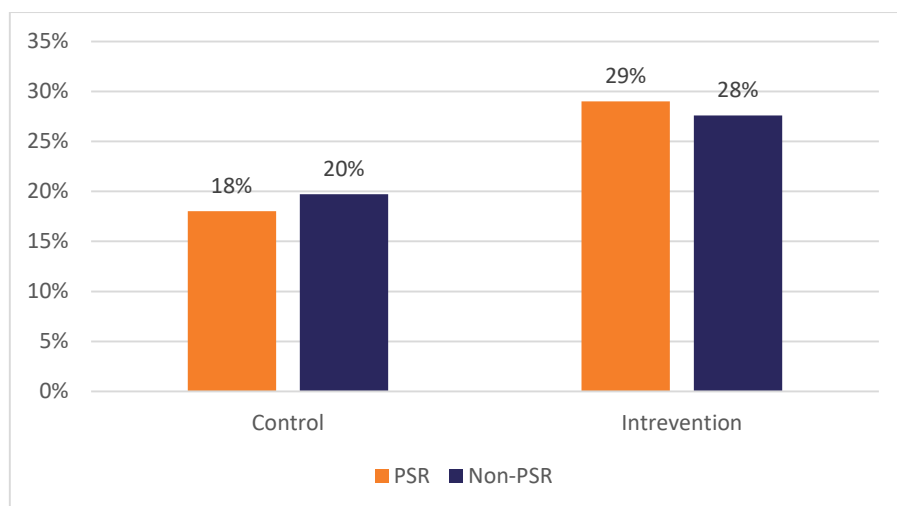
Figure 4.3 Switching rate by communication preference



N=19553

4.5. Switching rates were substantially higher for customers who received the EFTC, whether they were on the Priority Services Register (PSR)³⁰ or not. This implies that the EFTC is effective for customers on the PSR. However, it should be remembered that supplier PSR data tends to be incomplete. While the best indicator to provide a proxy for customer vulnerability, it does not capture the full picture.

Figure 4.4: Switching by PSR status

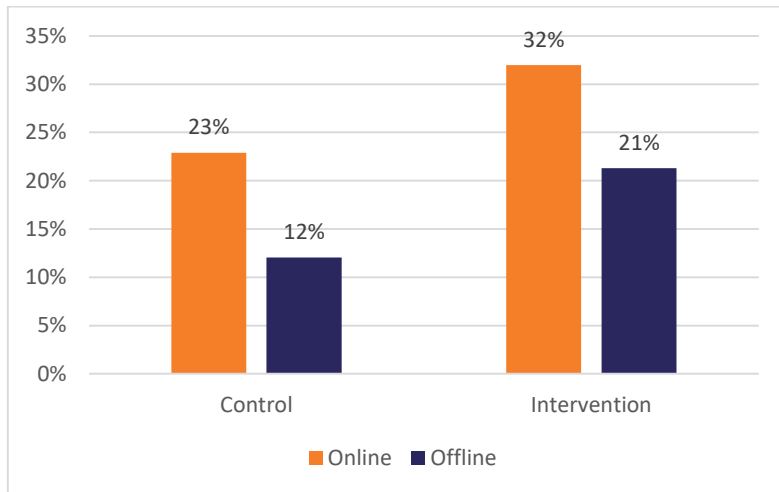


N=19553 (10931 not on the PSR, 8622 on the PSR)

³⁰ The Priority Services Register entitles utility customers to additional services and support. Customers eligible for the PSR include those of pensionable age, those with children under five years old, and customers with a disability.

4.6. Switching was substantially higher in the intervention group than the control for customers who manage their account both online and offline. This implies the EFTC was effective for both these types of customer.

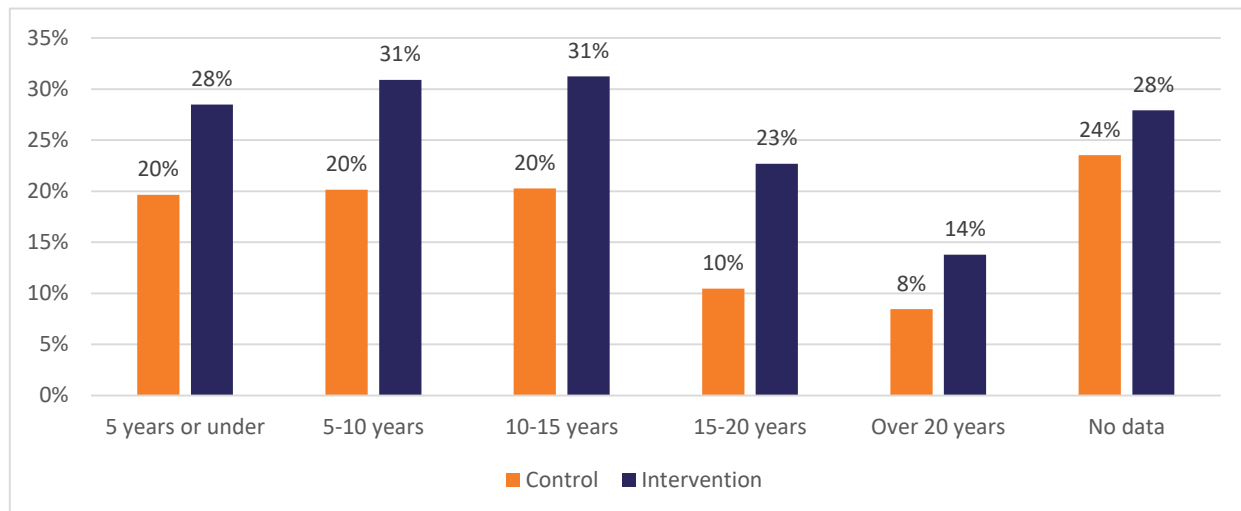
Figure 4.5: Switching by account management



N=19553

4.7. The average length of time trial customers had been with Supplier A was 17 years. These results imply that customers who had been with Supplier A for a shorter time were more likely to switch. They also imply the EFTC is effective for both new and long-standing customers.

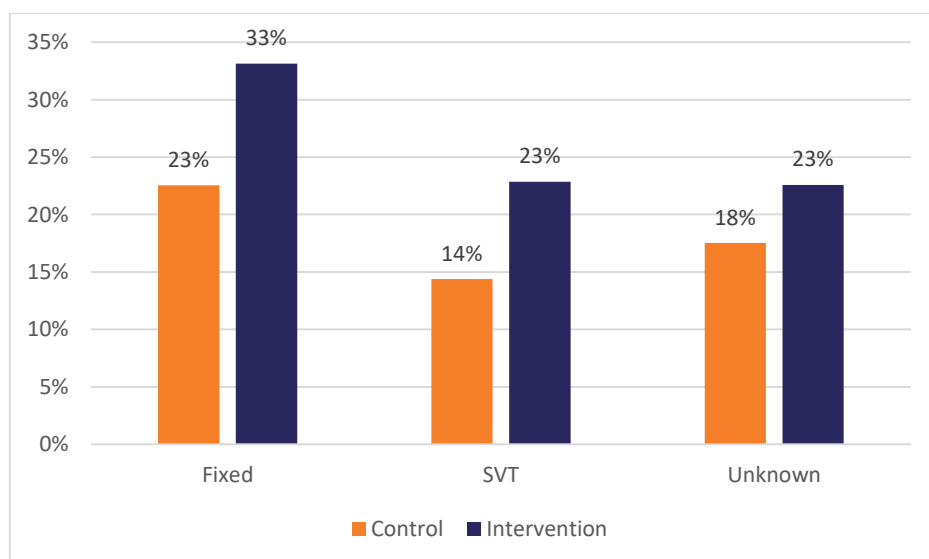
Figure 4.6: Switching by tenure



N=19553

4.8. We asked Supplier A which tariffs their customers had been on before the trial tariff (ie at least one year ago). Those customers who had previously been on a fixed tariff were more likely to switch again during the trial period, in both the control and intervention arms. However, the clear difference in switching rates implies that the EFTC works for both customers who had previously been on SVTs and those who switch fixed tariffs frequently.

Figure 4.7: Switching by previous tariff



N=19553

4.9. There were slightly more complaints in the intervention group than the control during the trial period (199 compared to 146, or 2% of all trial participants). Feedback from the supplier suggests this was mainly from customers who were surprised they were to be defaulted on to a more expensive tariff.

4.10. The customers in this trial were on fixed tariffs for a year before the trial. These tend to be less expensive than default tariffs for the same consumption. Energy tariffs fluctuate in their rates, and fixed tariffs are only available for limited amounts of time. The trial data shows that those customers who switched tariff are projected to spend less on their energy over the next year compared to those who did not switch. This trial took place at the end of February 2019 just after the introduction of the default price cap where SVT prices would have been lower than previously. Note that this data only includes internal switches to other Supplier A tariffs and those customers who defaulted onto the SVT.

Table 4.1: Projected savings

Average savings	Control	Intervention
Switchers	-£128.48	-£118.06
Non-switchers	-£160.88	-£146.38

N=18,414

5. Conclusions

5.1. The End of Fixed Term Communication (EFTC) had a clear impact on switching rates. The results prove that a simple reminder, with a compelling message, sent at a meaningful point in time, can substantially reduce the amount of customers who default on to a Standard Variable Tariff (SVT).

5.2. The EFTC appears to be effective in prompting switching among a variety of customers, including those on the Priority Services Register and those who have been with their incumbent supplier for a long time.

5.3. The customers involved in the EFTC trial were those who remained on a fixed tariff a few days before it was due to expire. Many of the customers on these same tariffs will have already made an active choice to switch to a new tariff before this point. These customers may have been prompted by the existing End of Fixed Term Notice letter or email, or they may have created their own prompts, for example, signing up to reminders from a price comparison website, or putting a reminder in a calendar. Therefore, we are not suggesting the EFTC replace the (more comprehensive) EFTN, or the other reminders or prompts already sent by suppliers. However, this research shows the value of additional communications for those customers that haven't switched by the end of their tariff, and that those communications should be:

- Kept short and simple, and use clear, direct language
- Sent at a point in time which will make sense to the customer
- Break down the steps the customer needs to take into a simple, clear sequence
- Made action focussed- with the action the supplier wants the customer to take at the top of the letter
- Based on an understanding of behavioural science.

5.4. The trial results show the EFTC resulted in more customers picking a new fixed tariff with their current supplier, rather than a competitor. This may be due to the wording of the letter, which suggested customers contact their existing supplier by providing their phone number and website. It also may be that choosing a new fixed tariff with their existing

supplier is seen as an easier alternative to searching price comparison websites or contacting alternative suppliers to find another deal.

5.5. Different customers engage with their choices around energy in different ways. If asked, many would probably want to save money on their energy bills³¹, but various structural and behavioural barriers exist which stop them actually doing so. The main barrier the EFTC removes is that of simply forgetting that your fixed tariff is ending.

5.6. We don't know much about the customers who switched as a result of the EFTC, but we do know the energy tariff they were on a year before the trial started (so the tariff before the fixed tariff they chose that made them eligible for the trial). From this we know that a substantial proportion of the trial sample were on an SVT directly before their fix. This implies the EFTC is not just working for the very engaged customers who routinely switch anyway.

5.7. The low level of complaints and feedback from the qualitative research before the trial implies that customers were not distressed by the letter. In fact, many of the customers in the qualitative research reported that they welcome such a communication from their supplier and would not find it intrusive or consider it as marketing.

5.8. Ofgem's recent reforms around communicating with customers at the end of tariff give suppliers more flexibility in the information they provide to customers and when. The EFTC was a relatively simple intervention and trial, and more could be done in this space. We would encourage suppliers to build on these results by designing behaviourally informed communications and trialling and iterating them to maximise their effectiveness.

³¹ See Ofgem's Consumer Engagement Survey 2018 for more information on motivations for switching tariff <https://www.ofgem.gov.uk/publications-and-updates/consumer-engagement-survey-2018>