

Advisory Board meeting

19 February 2018

Notes

On 19th of February, we had our second Advisory Board meeting. This time we had a couple of additions to the group – Peter Lederer, our Chair, was able to attend, and Nicola McGaw (a legal specialist who works within an innovative, fast growing Finance/Tech business, Nucleus Financials) also attended – welcome to the group, Nicola!

We have also managed to secure another talented individual as a member of the group – Jaume Ferràs Santín, who has global marketing experience (from Edrington). He will join us for our next meeting in June. We hope that a representative for our customers will also join us then.

Topics discussed

Where has People's Energy got to now?

- We have achieved strong growth despite no marketing focus/budget till recently – we have reached £1m turnover in 6 months; we grew by c. 35% within January alone
- We are now at just under 5,000 customers (Feb).
- The People Tariff is among the lowest 4% of all tariffs, and it is among the top 5 cheapest in a couple of regions.
- The market continues to expand, with more newcomers. Most smaller suppliers are competing on price, some on renewable energy, and some on offering a simpler, more straightforward service. However, none has a similar model to ours, and are more or less all of them are beholden to shareholders, unlike People's Energy whose key stakeholder is and always will be the customers.
- We now employ 15 smart and committed individuals (no. 15 will start at the beginning of March) and are recruiting for more; we aim to have 21 people in the team by the end of March.
- Most of our customers are delighted with what we do, even though there have been a few hiccups, which we are working hard to iron out.
- We have come towards the end of our first winter with a solid cash flow position, despite a tough time around the 'Beast from the East'. A strong hedging strategy and implementation, supported by our large hedging partner, enabled us to buy ahead in advance, making us more secure than some other small suppliers
- We are making progress towards being able to install Smart Meters, but it is a complex process with lots of challenges and will take longer to implement than we had hoped. The DCC (the organisation that controls Smart Meters) and other suppliers are having a lot of problems getting the latest version of the meters (SMET2) to work. They have only installed about 80 of the latest version so far, as a trial. We are holding off introducing Smart Meters to our customers until this second version is definitely working (this should also mean that customers can use the same meter when switching supplier – the current version (SMET1) doesn't allow this). We expect to be able to offer Smart Meters late Autumn 2018.

How is People's Energy doing financially?

- We have come through the winter in a good position, despite it being a tougher than usual winter, with long, cold spells. This was always going to be the toughest period for us, from a cash point of view, but we are solid and ready to begin taking on more customers when it starts to get warmer.
- The reason for it being tougher over winter is that we have to pay for the higher levels of energy used by our Customers whilst collecting the same flat Direct Debit each month. Over the year, we collect the right amount from our Customers but over the winter we are spending more than we

bring in - that is normal practice in the energy industry and helps customers manage their finances throughout the year.

- To help with this, we have a number of possible grants coming through, including a planned entrance into the VOOM competition in May.
- We are in the process of appointing an external accountant to help us finalise our 2017 financial statements and tax returns – which we will publish on our website in due course and by the end of the Summer at the latest.
- This is the first step in us being in a position to publish regular financial data for all our customers to view.
- In the meantime, we continue to keep a very close eye on what we are spending because we are conscious that the money we spend is ultimately the customers – so we must ensure we get best value for money!

Where we are against our milestones

Date	Event	Number of customers	Annualised turnover
Aug-17	Company launch	0	£0
Feb-18		5,000	£5m
Dec-18	Breakeven	c. 16,000	£18m
Jun-19	Repay crowdfunding backers	> 20,000	> £20m
Dec-19	Profitable	30,000	£30m
Early 20	Return profits to customers (once accounts finalised)		

What are our plans?

- We see the business as having four core phases:
 - Phase 1: Get funding, and get licenses and systems in place (complete)
 - Phase 2: Get the business up and running, establish a financially sound foundation and strong operational and customer experience capability (till end of 2018)
 - Phase 3: Scale up the business, to enable us to return profits to customers and to begin innovating faster (Phase 4 – beginning May 18)
 - Phase 4: Innovate, drive renewable energy more strongly, and extend our proposition to include several products that support social inclusion (e.g. Warm Homes Discount, pre-payment meters).
- We had a long discussion about how, in everything we do, we can marry strong people and planet oriented values with a commercial approach that is necessary for this people owned company to be a roaring success. It is a fine balance to strike. We experience it right down into our everyday life in the team: We provide an unusual amount of support for people working in People’s Energy (both co-founders have a background in psychology and we offer very hands-on support for staff, including a focus on mental health and well being). At the same time, we need the team to be focused and perform against hard metrics. We need to be more efficient and drive improvement faster than the

competition. The tension is there, every day, and needs to be managed carefully - but it matters to us to get it right and make everyone, staff as well as customers, feel that they truly matter.

Next Advisory Board meeting

Our next meeting will take place on the 13 June. At that meeting, Jaume will be able to join and support us around marketing, and we hope to have a customer representative on the Advisory Board by then too.