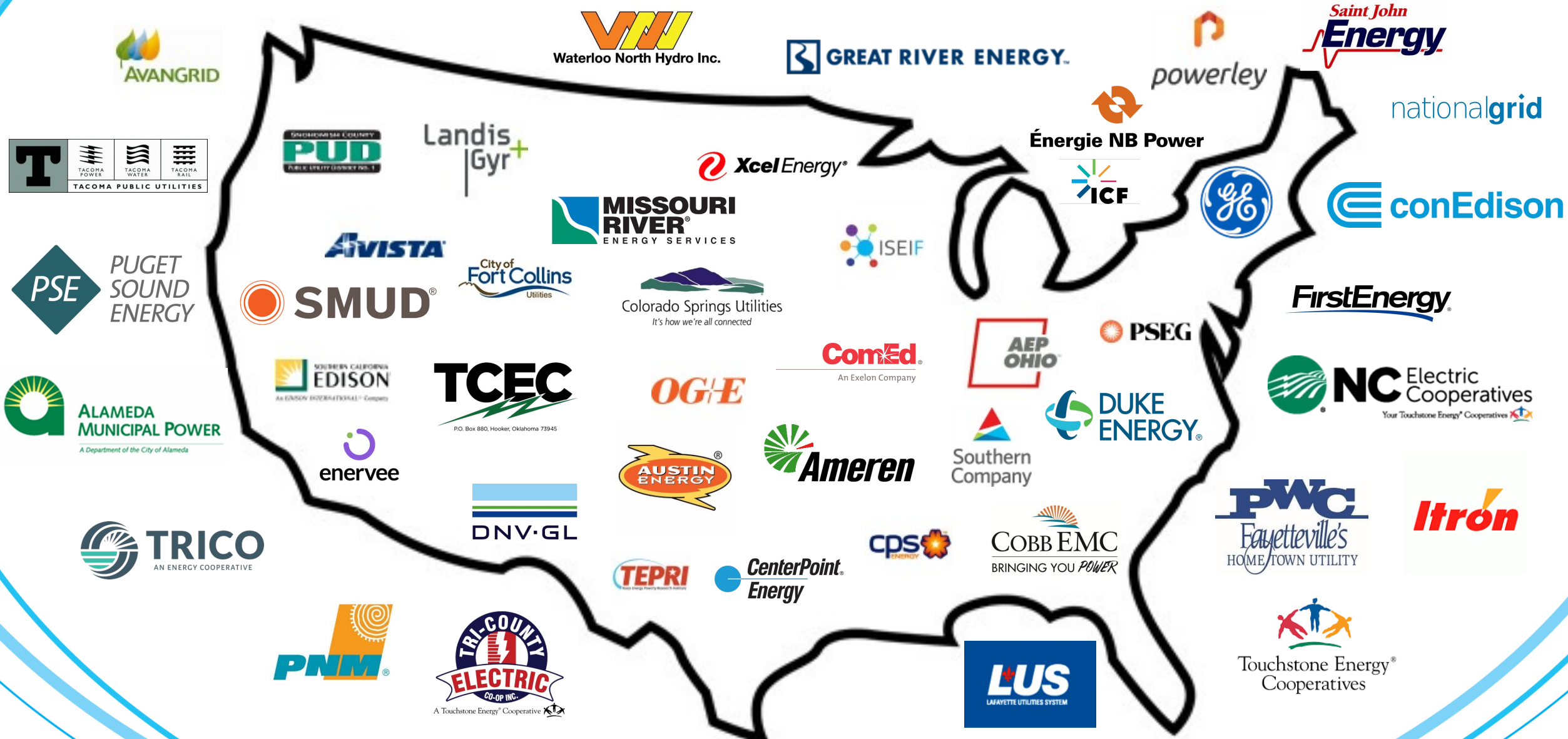


# **Electric Rate Options: Strategies and Messaging for Engaging Consumers**

**March 8<sup>th</sup>, 2023**

# Snapshot: Who We Are



# Snapshot: What We Do

## Listen



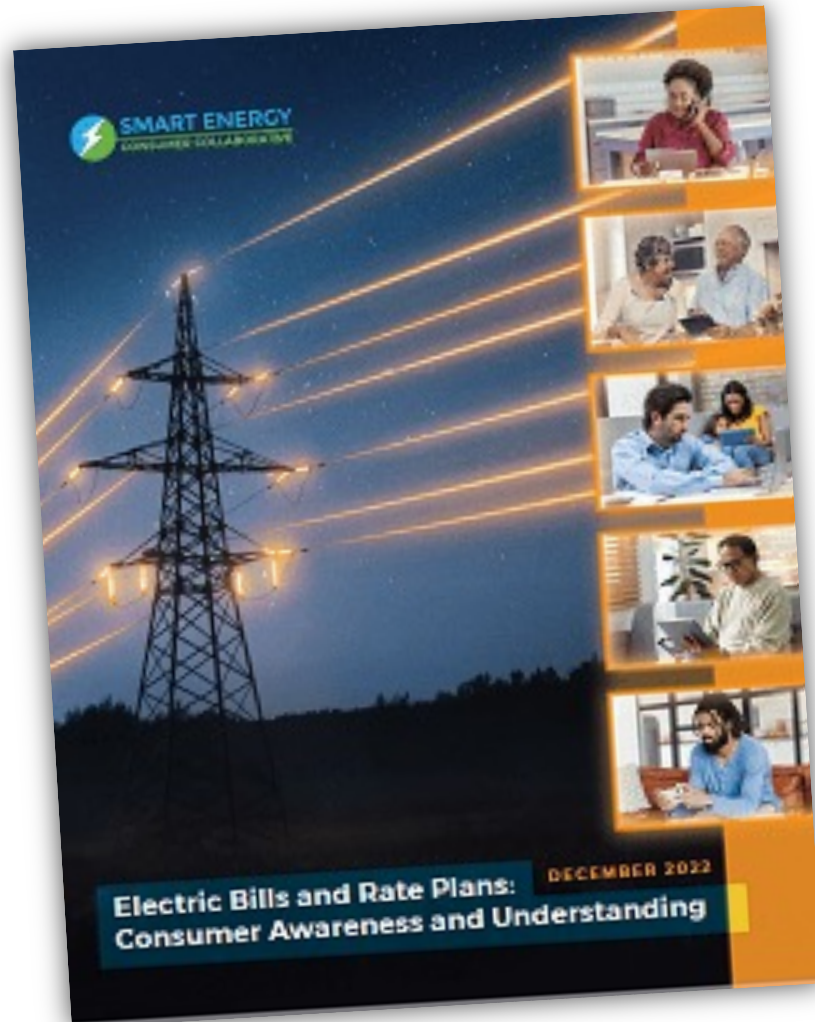
## Educate



## Collaborate







Provides insight for utilities to develop the optimal rate structure for consumers & craft messaging to drive considerations of switching their rate plan.

Based on an online survey that was administered to 2,000 residential consumers in the U.S.

# Segment Personas:

Prior research identified 5 personas as they relate to energy usage. We applied this segmentation to this study, showing how the results differ by segment—when applicable. These are the different personas.



## Simply Sustainable

**Consumers who value the environment and are not intimidated by technology.**

These consumers are not tech-savvy but want to save energy and have some understanding of the impact of their usage. Similar to Trusting Traditionalists, they are older females, who are less educated and have a low electric bill.

Unlike Trusting Traditionalists, Simply Sustainable consumers are not completely overwhelmed by the idea of technology. They are also more likely to have taken small actions to save electricity and be interested in taking further action.



## Connected Pragmatists

**Tech-savvy consumers who are not price sensitive but lack urgency for efficiency.**

These consumers are not too concerned about the impact of their electricity usage but are interested in energy saving offers/opportunities. They have potential to become more like Green Pioneers with the correct messaging.

Half of consumers in this segment are 18-34 years old and over one-third identify as non-white. They have the second highest electric bill, are the most likely to rent, and live a multi-family dwelling – leading them to face unique challenges.



## Green Pioneers

**The ideal consumer that values technology and energy efficiency.**

These consumers understand how technology works and the impact their electric usage can have on the grid. The demographic profile of the segment tends to be young males with a high household income and children at home.

They are tech-savvy and have a lot of devices, which leads them to having the highest electric bill of all segments. However, they are concerned about their usage and the strain on the electric grid. They are willing to pay more to ensure reliability and resilience.



## Trusting Traditionalists

**Consumers intimidated by technology, leaving them feeling overwhelmed.**

These consumers have the lowest adoption and interest in technology. They understand the impact of their electricity usage on the environment, but do not see how technology can help.

These consumers are senior women, who are Caucasian and do not have kids at home. They own their home but have the lowest income and electric bill. However, they are the most satisfied and trusting of their utility – creating an opportunity to engage with this group.



## Comfort Seekers

**Consumers who put their needs first, not caring for technology nor efficiency.**

These consumers have a “me first” attitude. They do not put in the effort to learn about technology nor care about saving energy. They use as much as they want to.

They are older with an average age of 52, but not as old as Trusting Traditionalists. They keep it simple with a flat rate structure and have a higher-than-average bill. Of all the segments, these consumers are most difficult to engage with and reject any inconveniences/calls to action.

# 4 things to know

01

**While recognizing that bills can be useful tools, many people dislike and are skeptical about their electrical bills.**

Not surprisingly, bills are not popular, and some struggle to fully understand them. There is a sizable minority that don't know and/or care about the specific charges on their bill. And most were not really satisfied with their rate plans.

Anything to do with the bottom line—what they owe—is what interests and concerns people about their bill. People do tend to recognize that bill can be a useful tool in their efforts to reduce consumption.

02

**Knowledge of rate plans tends to be scant.**

People tend not to know too much about various types of rate plans. Flat and fixed rates are the most understood types of rates and even they are known to less than half. The other ten types of rates we asked about were each known to three in ten or fewer.

Three in ten say they have a choice of rate plans, but a similar number don't know, and many feel they have no choice.

03

**The best bill is one with no surprises. That's why people gravitate to flat and fixed rates.**

People want a rate plan to provide bill stability, and bill predictability.

That's why people are most interested in flat rate or fixed rate, with real time pricing and subscription or flat fee rates coming up behind. The other rate plan options we tested generated less interest.

04

**There is no clear consensus on one preferred rate plan. Pre-paid and green rates appeal to few.**

Even assuming cost parity, there is no one commonly preferred type of rate plan. Flat rates or flat fees have the broadest appeal, but each type of rate plan only interests a minority.

The better-informed Connected Pragmatists and Green Pioneers were somewhat more variable in their choices and more interested in plans other than just flat rate and fixed rate.

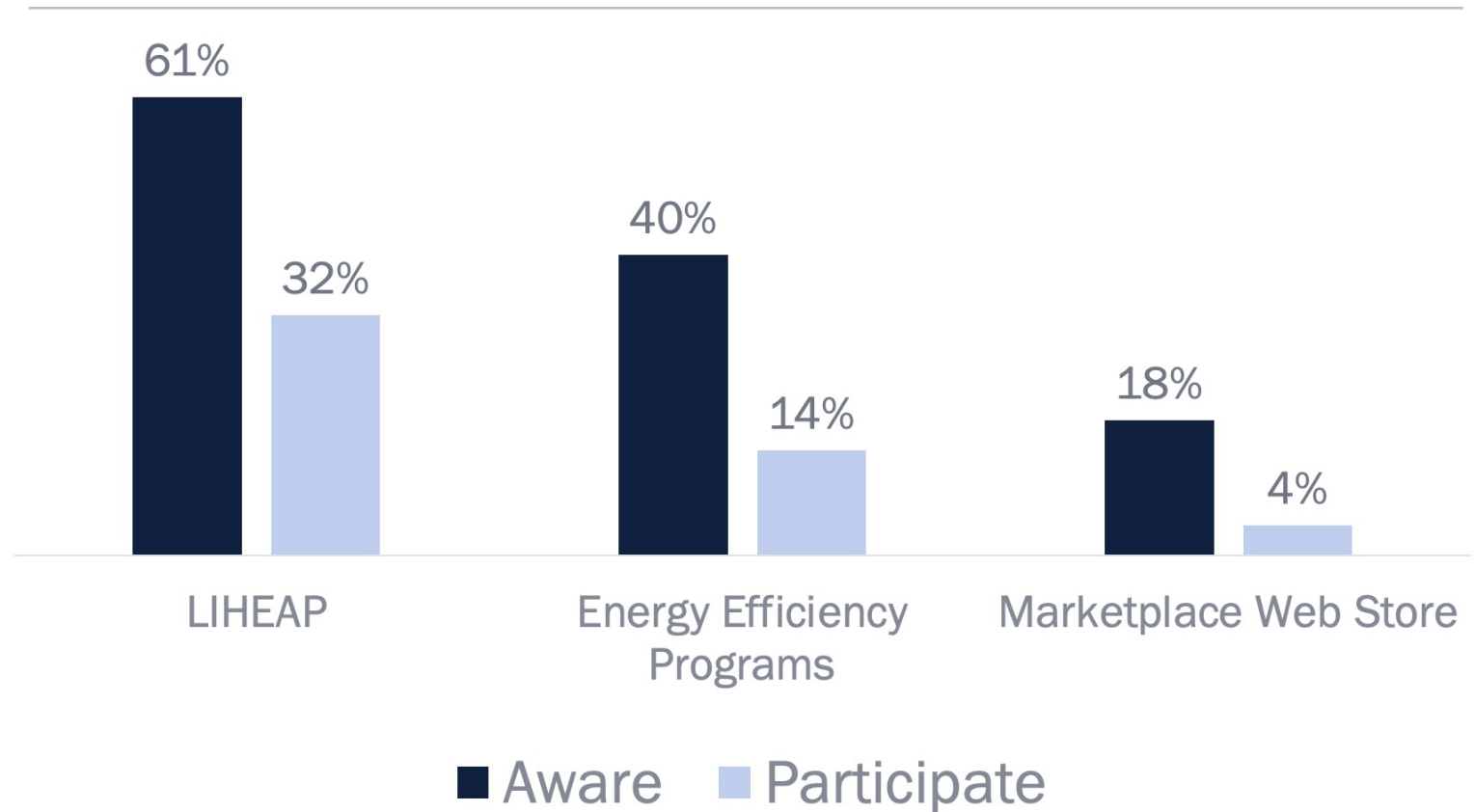
Not many are particularly interested in the prepaid plan idea, and more people are skeptical of green rates than are positive about their benefits.

# What Do Consumers Know?





## Low-income customers are often unaware help is available



(Source: Midwest study)



# Do Consumers Know What Drives Usage?

AC is widely seen as the most important driver of electricity consumption. Major appliances are also commonly seen as big consumers, followed by computers and TVs.

## Factors Driving Electricity Consumption

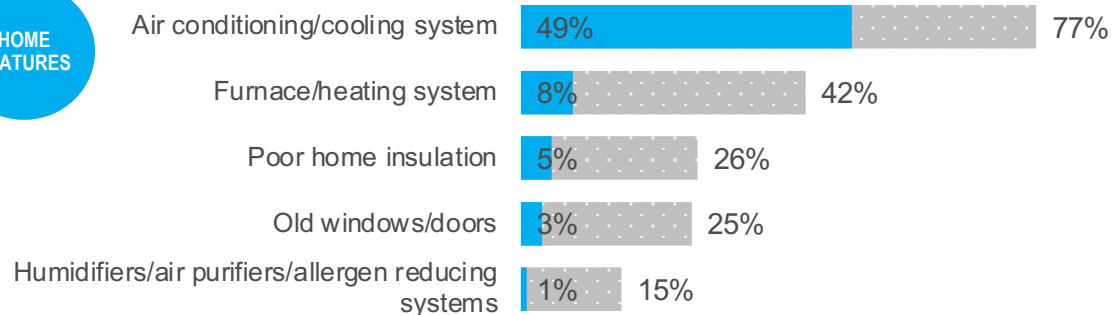
Among Total

■ Overall Factor

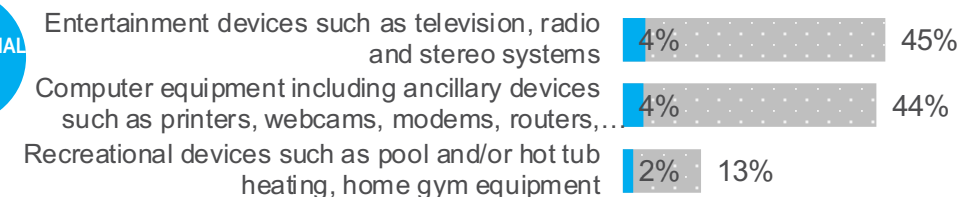
■ Most Important Factor

Asked why these factors were driving use, the main mentions were volume of use (56%), energy inefficiency (26%) and the weather (23%).

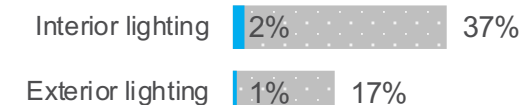
### HOME FEATURES



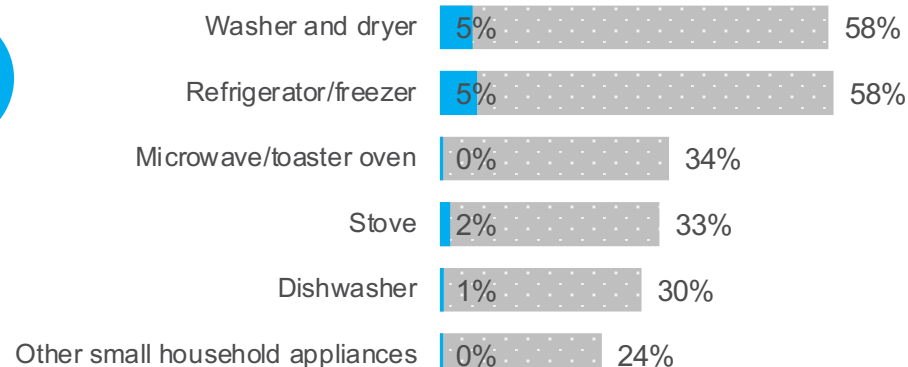
### RECREATIONAL DEVICES



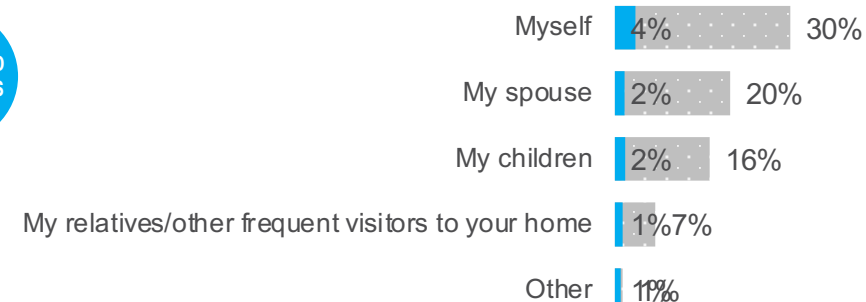
### RESIDENTIAL LIGHTING



### HOUSEHOLD APPLIANCES



### HOUSEHOLD OCCUPANTS

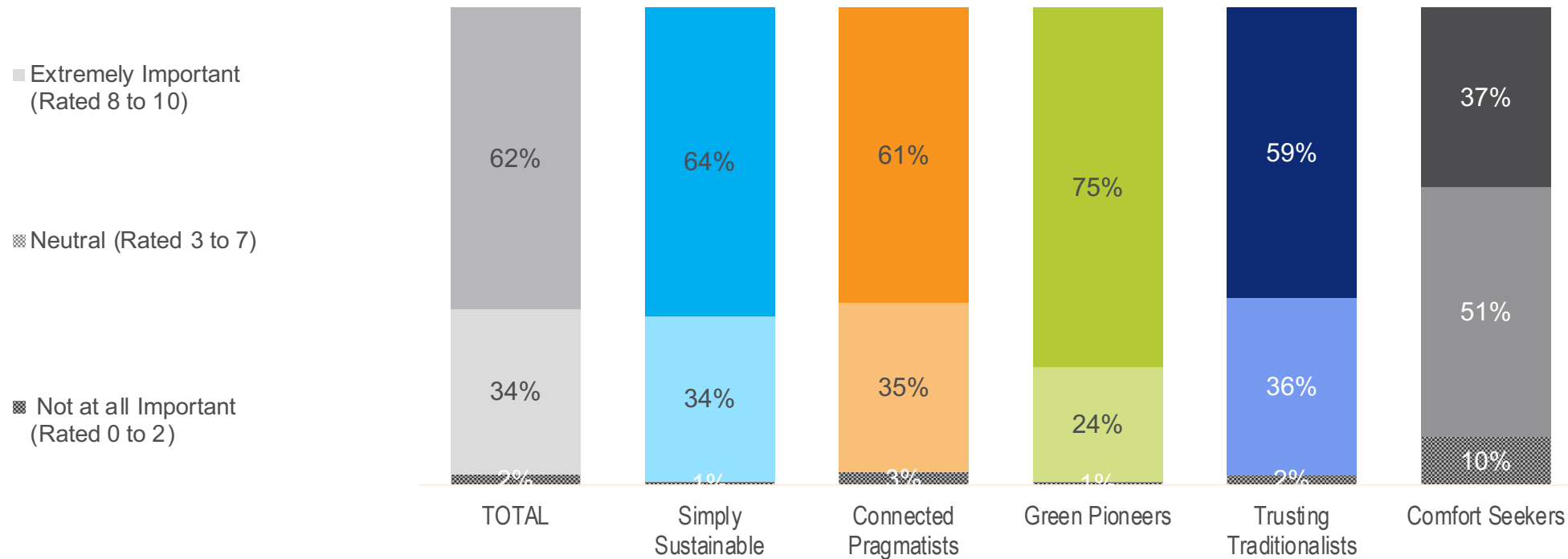


Base: Total (n=2,013)  
Q\_DRIVERS\_CONSUMPTION. Please select all the factors that you consider to be contributing to your overall electricity usage.  
Q\_DRIVERS\_CONSUMPTION\_21. Tell us which one you believe to cause the highest amount of electricity usage in your household.

There are no notable differences between the segments on this topic

# Importance of Energy Efficiency & Lowering Costs

## Importance of Energy Efficiency & Lowering Energy Costs



# Awareness of Rate Plans

No one type of rate plan is known to a majority of Americans. Many types of plans are know only to a quarter or so of people. While the segments don't differ too much, Connected Pragmatists we somewhat less likely to claim awareness.

## Awareness of Electricity Rate Plans














Among Total and Segments

		SEGMENT				
		SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
Flat Rate	43%	46%	30%	52%	42%	45%
Fixed Rate	41%	43%	32%	50%	38%	37%
Time-of-Use (TOU) Rate	31%	33%	22%	38%	30%	27%
Peak Time Rebate Rate	25%	27%	22%	32%	23%	17%
Critical Peak Pricing Rate	23%	25%	17%	30%	19%	17%
Demand Rate	22%	20%	21%	32%	14%	17%
Net metering	21%	22%	19%	30%	12%	20%
Real Time Pricing Rate	18%	16%	19%	27%	11%	14%
Subscription or Flat Fee Rate	18%	17%	16%	26%	13%	13%
Electric Vehicle Rate	9%	6%	10%	15%	5%	7%
Inclining Tiered also known as Increasing Block Rate	9%	6%	10%	13%	5%	6%
Declining Tiered also known as Decreasing Block Rate	7%	4%	8%	11%	3%	5%
I wasn't aware of any of these	17%	18%	16%	10%	24%	22%

# Rate Plan Currently Have

Asked what type rate plan they have the most common response was “I don’t know.” One in five has a flat rate and one in 10 have a fixed or time-of-use rate. Green Pioneers and Connected Pragmatists were somewhat more likely to know what kind of rate plan they have.

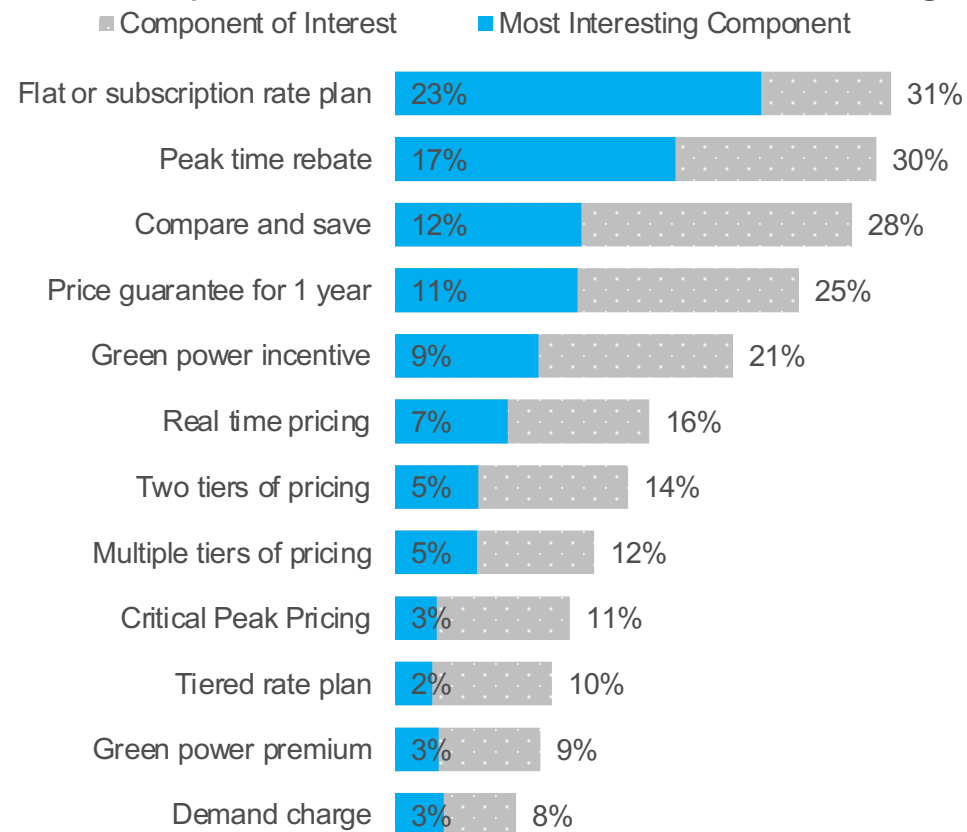
Rate Plan Currently Have  
Among Total and Segments

		SEGMENT				
		SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
Flat Rate	 22%	23%	14%	24%	23%	27%
Fixed Rate	 11%	12%	10%	11%	11%	14%
Time-of-Use (TOU) Rate	 9%	9%	9%	11%	8%	8%
Demand Rate	 7%	6%	8%	9%	6%	5%
Real Time Pricing Rate	 6%	5%	7%	6%	5%	6%
Critical Peak Pricing Rate	 4%	3%	7%	4%	2%	3%
Peak Time Rebate Rate	 3%	4%	4%	4%	3%	-
Net metering	 3%	2%	4%	5%	1%	2%
Inclining Tiered also known as Increasing Block Rate	 2%	3%	3%	1%	3%	2%
Subscription or Flat Fee Rate	 2%	1%	3%	3%	1%	2%
Declining Tiered also known as Decreasing Block Rate	 2%	0%	5%	1%	1%	0%
Electric Vehicle Rate	 1%	0%	4%	1%	-	1%
Don't know/Unsure	 28%	33%	23%	19%	38%	29%



# Rate Components of Interest

## Rate Components of Interest and Most Interesting



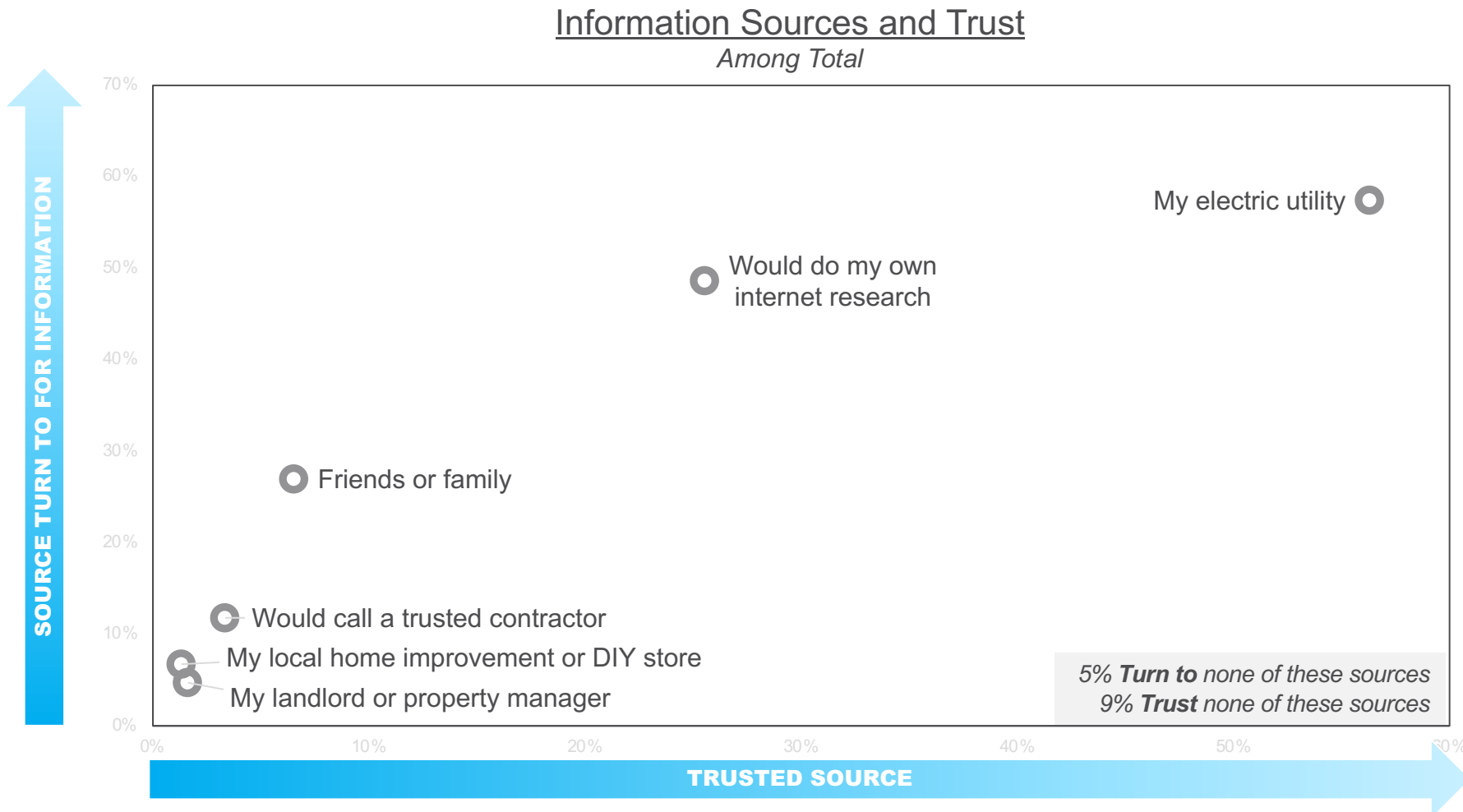
Base: Total (n=2,013)

Q\_RATE\_COMPONENTS\_INTEREST. Which of the following components are of interest to you?

Q\_RATE\_COMPONENTS\_MOST\_INTERESTED. And now, of the components that you found interesting, please choose the one component that you are MOST interested in.

# Information Sources and Trust

A person's electrical utility is the most trusted and utilized information source. Personal internet research is also quite common, but not nearly as trusted. No other information sources were widely used or trusted.



Base: Total (n=2,013)

Q\_ELECTRICITY\_AUTHORITY. If you wanted to learn more about available rate plans in your region, who would you turn to first?

Q\_SOURCE\_TRUST. Which of these information sources do you trust to provide you with honest, useful information?



# *Meeting them where they are*

Utility = #1 place low-income customers would go to seek energy bill reduction assistance

(Midwest Study)

- Leverage community organizations
  - CBOs
  - FBOs
  - Social Service providers

# Attitudes toward Bills and Billing



# Attitudes Toward Reading Bills

Most are looking to save by reducing consumption and recognize their bill can be tool to that end. Bills are not popular, however. About half struggle with understanding their bill and are quite skeptical about the motives of utilities. Connected Pragmatists are more interested in their bills, but they are also more negative. Comfort Seekers stand out as less interested in their bill.

## Attitudes Toward Reading Electricity Bills

% Agree (strongly + somewhat)

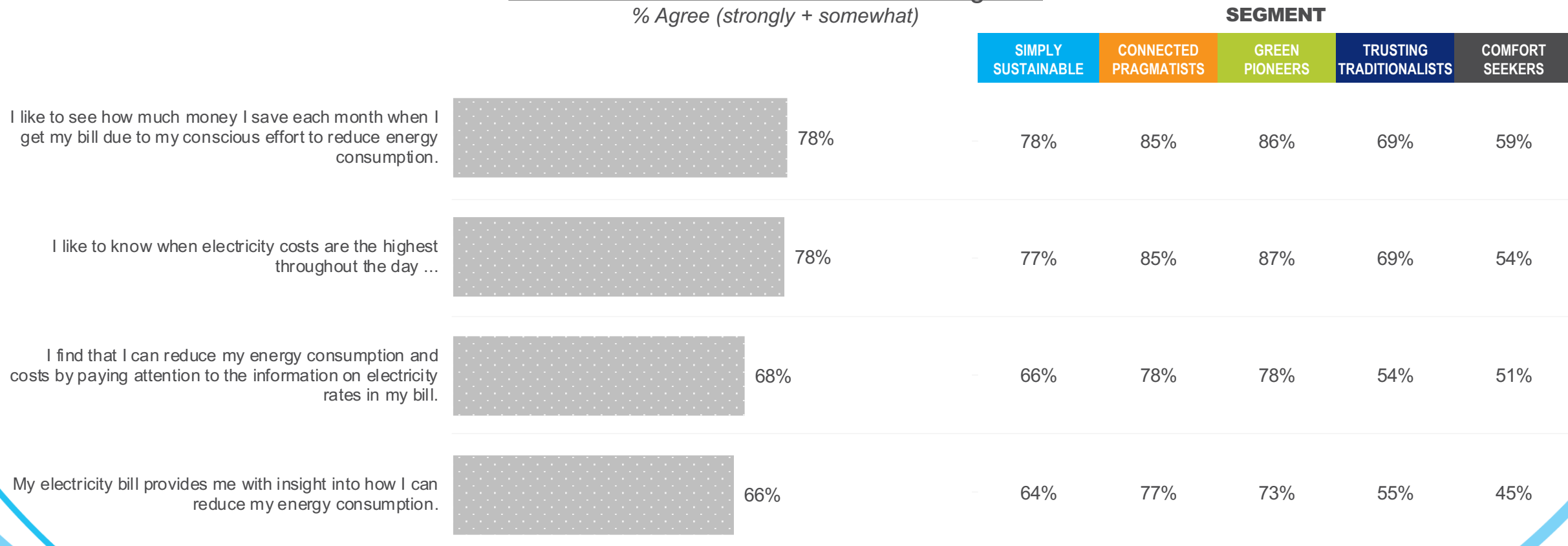
		SEGMENT				
		SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
I actively look to save money on household expenses and by adjusting my usage of electricity I can do so	80%	82%	83%	86%	77%	61%
I like checking my electricity bill to see if I have been able to reduce energy consumption.	72%	75%	81%	82%	61%	37%
I have been known to shift my activities around the home to try and use electricity when it might save me money	62%	58%	73%	70%	55%	38%
I understand most of my electricity bill, but some parts of it seem like they are written in another language.	59%	54%	74%	54%	60%	46%
I wish my electricity bill was easier to understand.	56%	52%	69%	54%	56%	42%
The only thing I look at on my electricity bill is how much I owe and when it is due.	54%	49%	70%	40%	56%	60%
I hate opening electricity bills.	50%	46%	63%	44%	50%	47%
I think most of what is included in an electricity bill is just there to confuse you and distract you from the price.	43%	34%	66%	36%	37%	40%

# Attitudes Toward Bills as a Cost Saving Tool

Most find that paying attention to their electrical bill can be helpful in lowering consumption and costs. Comfort Seekers are least likely to see a benefit in their bill. Trusting Traditionalists share the Seekers' ambivalence, but to a lesser degree.

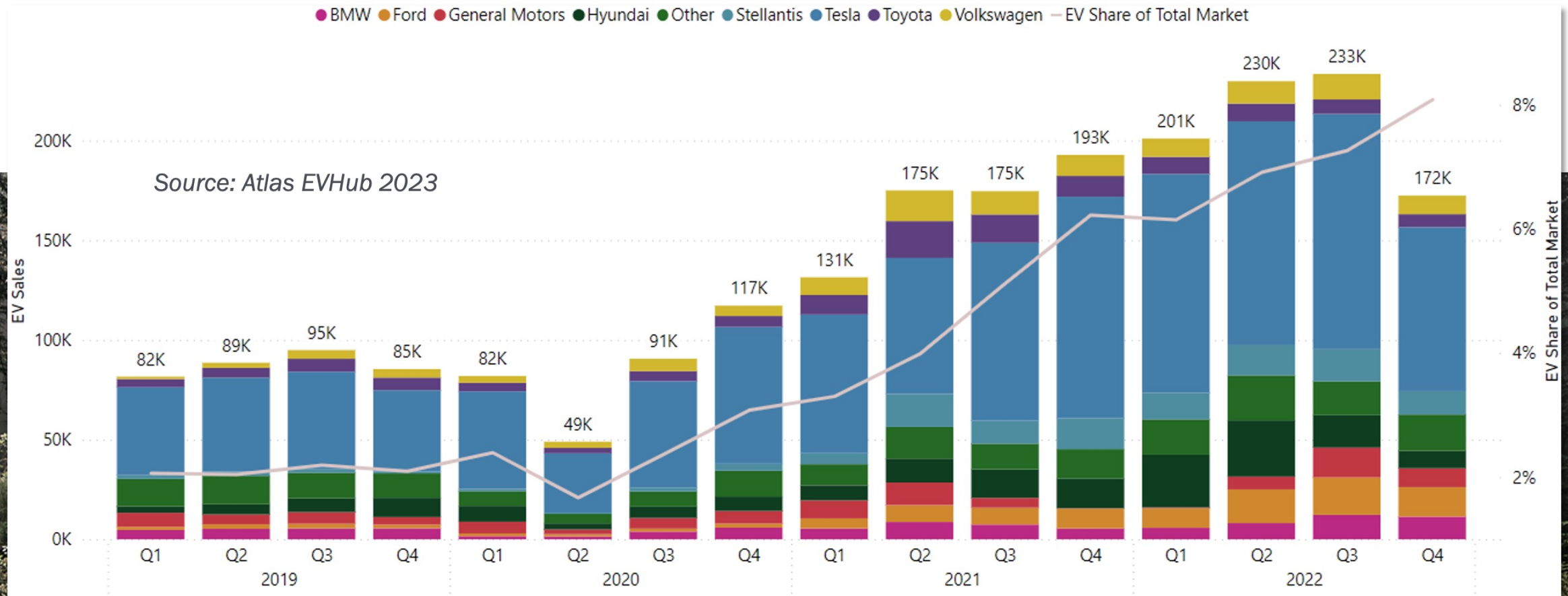
## Attitudes Toward Bills as a Cost Saving Tool

% Agree (strongly + somewhat)



# US EV Adoption is Growing Rapidly

## EV Sales and EV Share of Total Market by Year, Quarter, and Parent Company

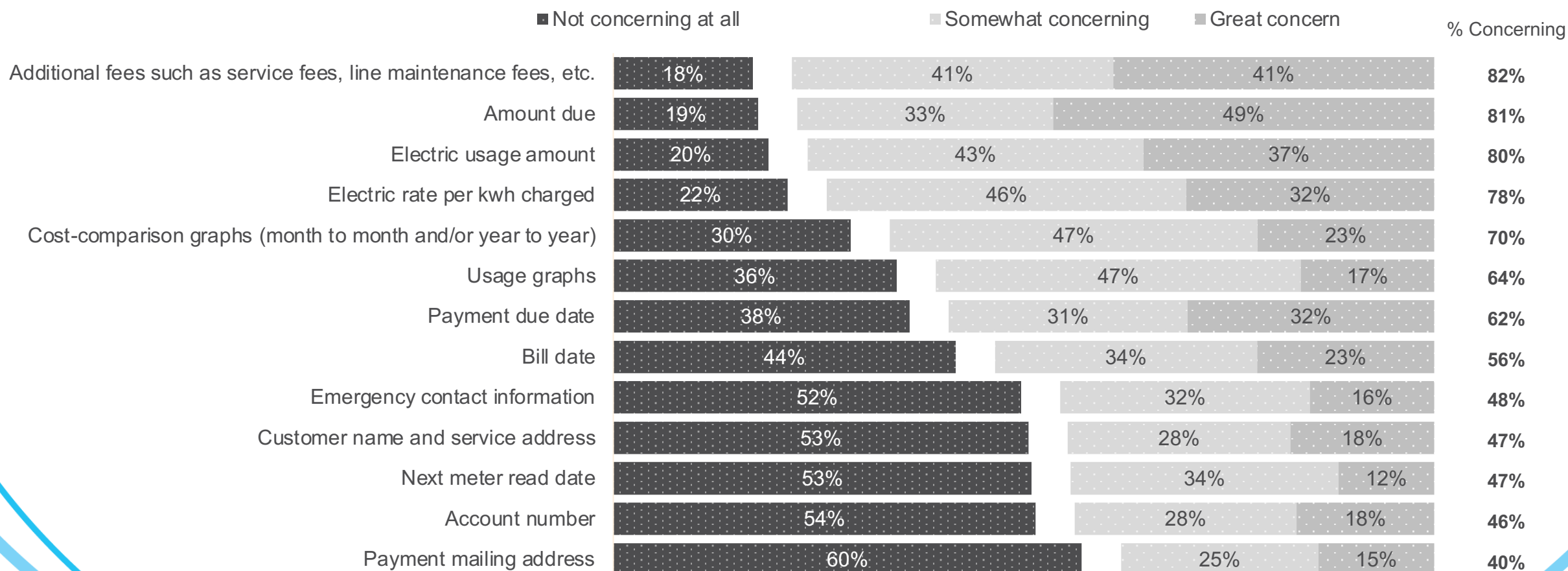


# Concerns about Aspects of the Bill

People are concerned with all aspects of the bill having to do with what they have to pay. Reference information and identification data tends not to concern consumers.

## Concerns About Bill Features

Among Total



Base: Total (n=2,013)

Q\_BILL\_CONCERNS. Please tell us how each of the aspects is of great concern, of little concern or no concern at all when you open your electricity bill each mon

There are no notable differences between the segments on this topic



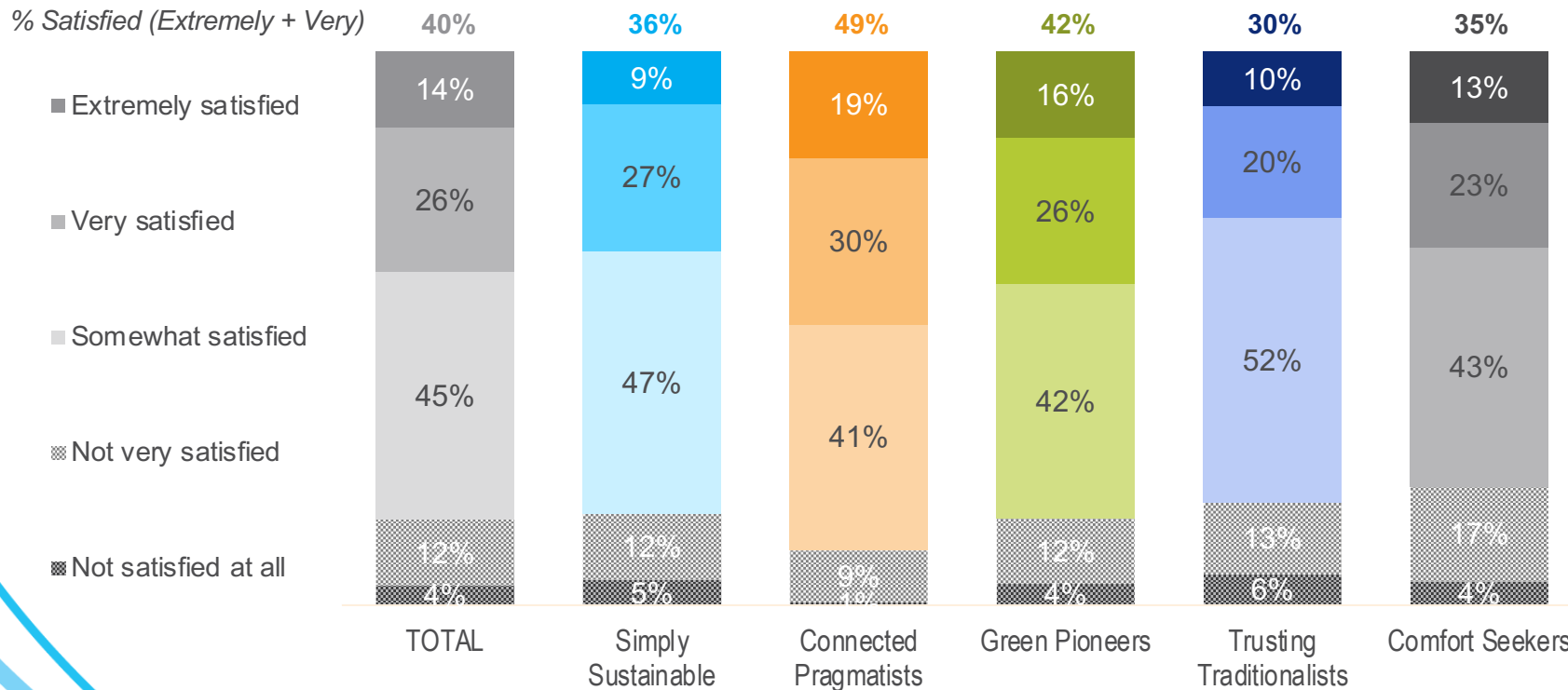
# Current Bill & Rate Plan Knowledge

# Satisfaction with Current Rate Plan

*Among those who Currently Have a Rate Plan*

Most were not really satisfied with their rate plans. There was no real variation in satisfaction by plan type. Connected Pragmatists and Green Pioneers were somewhat more likely to be satisfied.

Satisfaction with Current Rate Plan  
% Satisfied (Extremely + Very)



## Satisfaction by Rate Plan Type % Satisfied

**CAUTION: SMALL BASES**

Flat Rate	44%
Fixed Rate	40%
Time-of-Use (TOU) Rate	39%
Demand Rate	58%
Real Time Pricing Rate	42%
Critical Peak Pricing Rate	53%
Peak Time Rebate Rate	30%
Net metering	35%
Inclining Tiered	51%
Subscription or Flat Fee Rate	37%
Declining Tiered	42%
Electric Vehicle Rate	54%

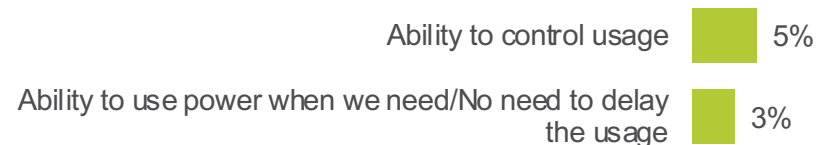
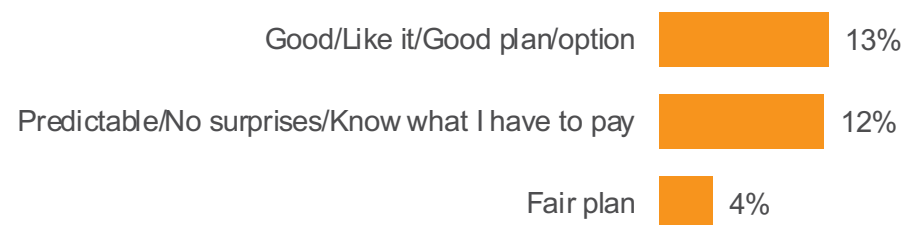
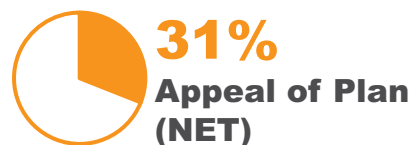
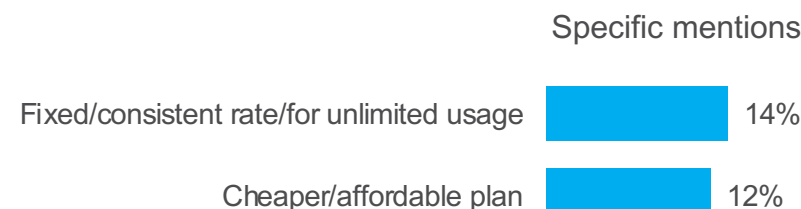
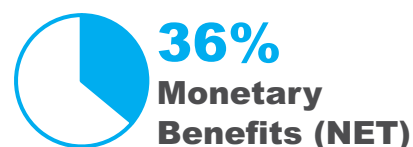
Base: Currently have a rate plan, bases vary by plan type (n=26\*-243)

Q\_RATE\_SATISFACTION. How satisfied are you with the [INSERT BOLD TEXT FROM PREVIOUSLY CHOSEN ANSWER] rate plan you currently have?

# Reasons for Rate Plan Satisfaction

People who were satisfied with their plans tended to mention savings and predictable pricing, as well as control over usage.

## Reasons for Rate Plan Satisfaction



# Lessons learned from nearly a decade of rates pilots

---

Opt-in will likely never rival the volume of default

Load impacts and customer satisfaction aren't inherently at odds

Customer experience/performance varies by segment

- Low income
- Non-English speakers
- Hot climate zones
- Seniors
- And more



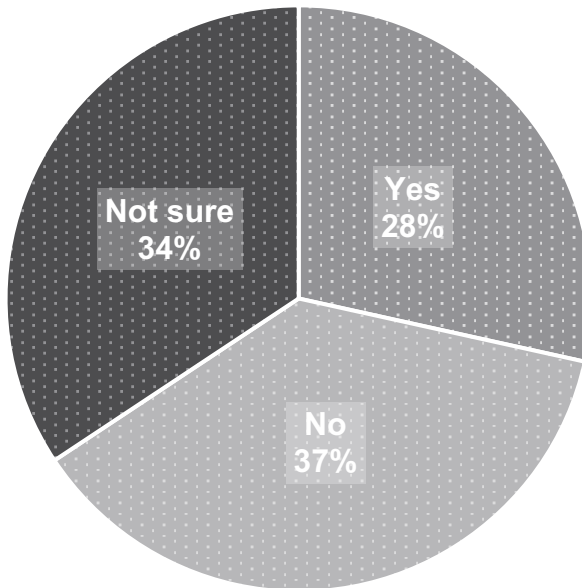


# Do you have a choice of plans?

Three in ten say they have a choice of rate plans, but a similar number don't even know. The segments do not differ much, but the Trusting Traditionalists and Comfort Seekers were slightly less likely to say they have a choice of rate plans.

## Availability of Rate Plan Choices

Do you have a choice?  
*Among Total*



	SEGMENT				
	SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
Yes	28%	31%	32%	24%	23%
No	35%	41%	36%	33%	45%
Not sure	37%	28%	32%	43%	32%

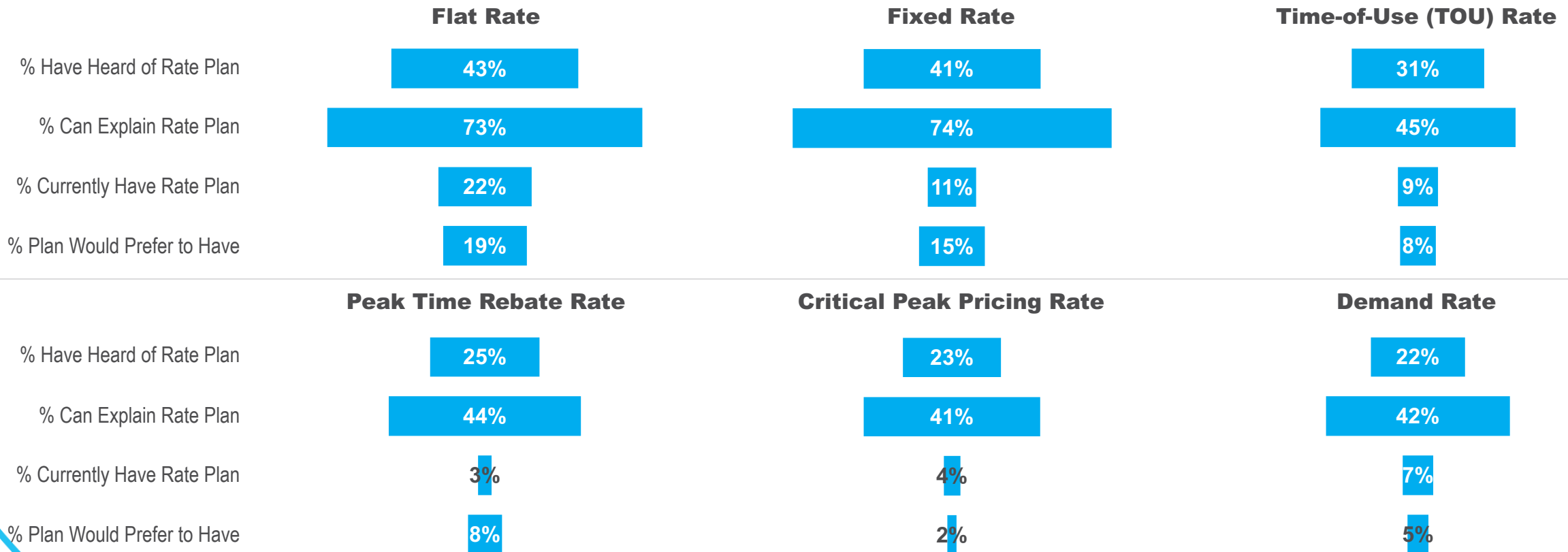
# Rate Plan Understanding

## Awareness, Knowledge, Usage and Preference



While awareness of these rate plans tends to be limited to a minority, many people feel confident they understand them well enough that they could explain them. There is no one type of rate plan that people want that they don't have.

### Rate Plan Understanding, Usage and Preference



Base: Currently have a rate plan, bases vary by plan type (n=26\*-243)

Q\_RATE\_STRUCTURE\_AWARE. Which of the following electricity rate plans have you heard of prior to today?

Q\_IAT. Which of these electricity rate plans do you feel you could explain well to a friend and which do you feel could not?

Q\_RATE\_STRUCTURE\_HAVE. And of these electricity rate plans, which one best describes the plan you currently have?

Q\_RATE\_STRUCTURE\_PREFER. Which of the following best describes the rate plan structure you would prefer to have, given the choice amongst these?

There are no notable differences between the segments on this topic

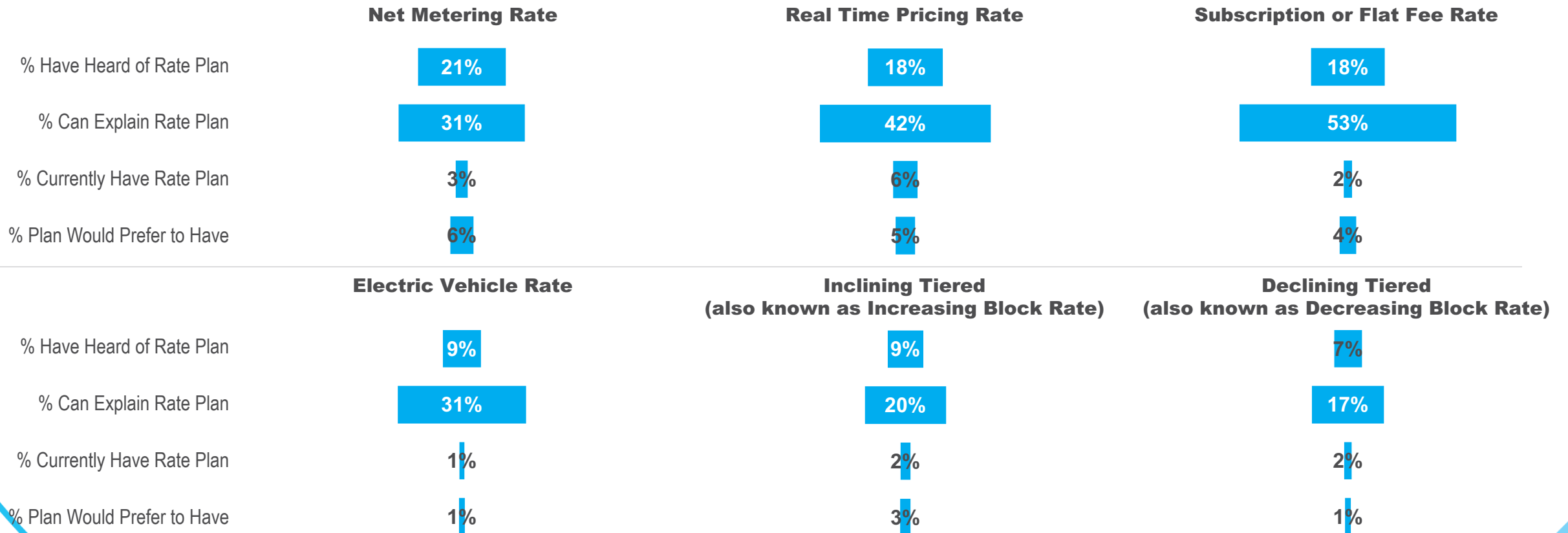
# Rate Plan Understanding

## Awareness, Knowledge, Usage and Preference



These less well known and less well understood rate plans tended not to have wide usage or appeal.

### Rate Plan Understanding, Usage and Preference



Base: Currently have a rate plan, bases vary by plan type (n=26\*-243)

Q\_RATE\_STRUCTURE\_AWARE. Which of the following electricity rate plans have you heard of prior to today?

Q\_IAT. Which of these electricity rate plans do you feel you could explain well to a friend and which do you feel could not?

Q\_RATE\_STRUCTURE\_HAVE. And of these electricity rate plans, which one best describes the plan you currently have?

Q\_RATE\_STRUCTURE\_PREFER. Which of the following best describes the rate plan structure you would prefer to have, given the choice amongst these?

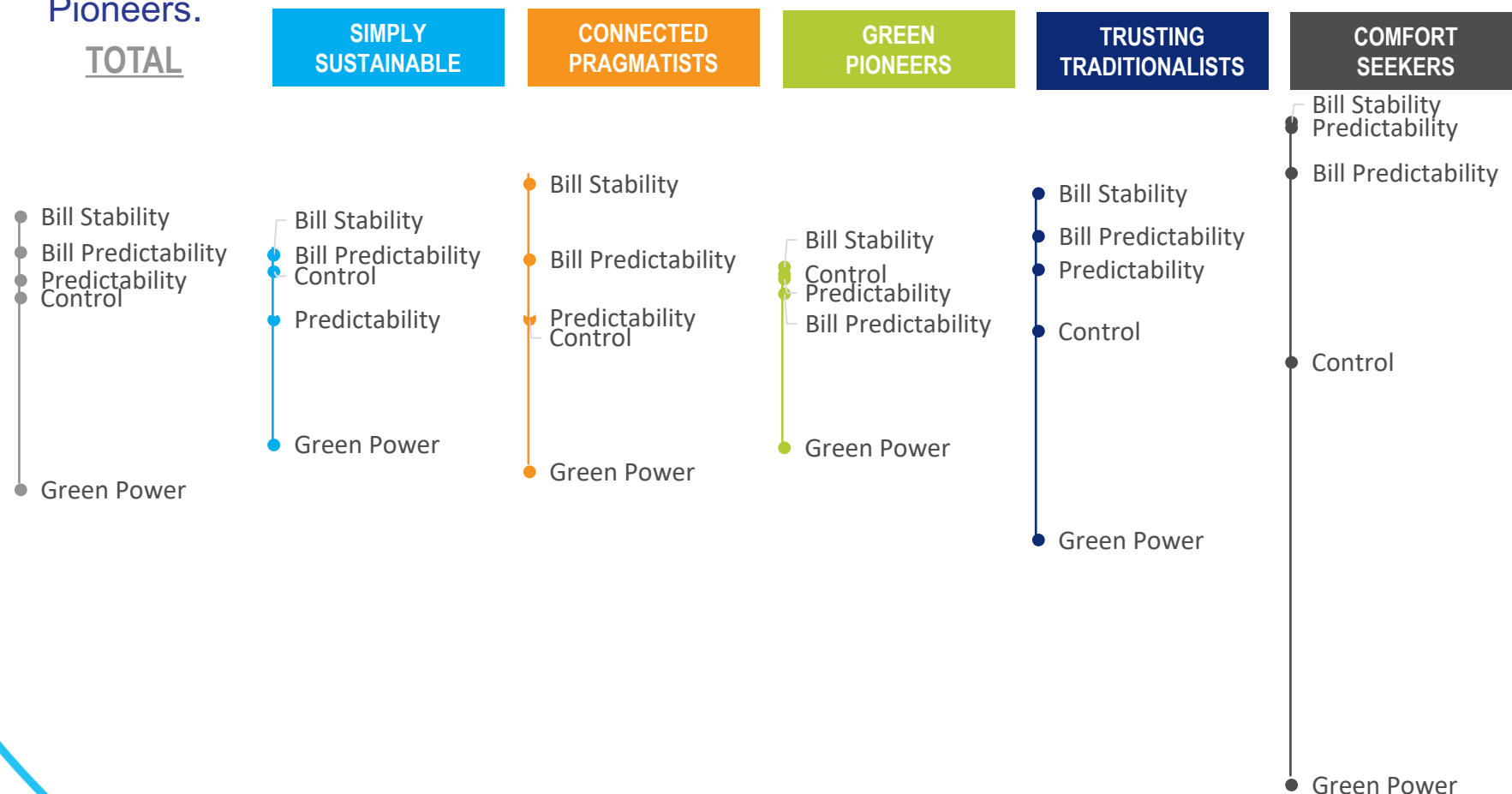
There are no notable differences between the segments on this topic

# Preferred rate plans



# What's important in a rate plan

People want a rate plan to provide Bill Stability, and Bill Predictability. Predictability and Control are a solid 3<sup>rd</sup> and 4<sup>th</sup>. Green Power is a distant last in importance, even for the Green Pioneers.



## DEFINITIONS

### Bill Stability

*"Bill does not change from month to month"*

### Bill Predictability

*"Bill amount known ahead of time"*

### Green power

*"Electricity sourced from zero emission, renewable resources."*

### Control

*"Ability to manage bills through shifting load or automating when/how I use electricity."*

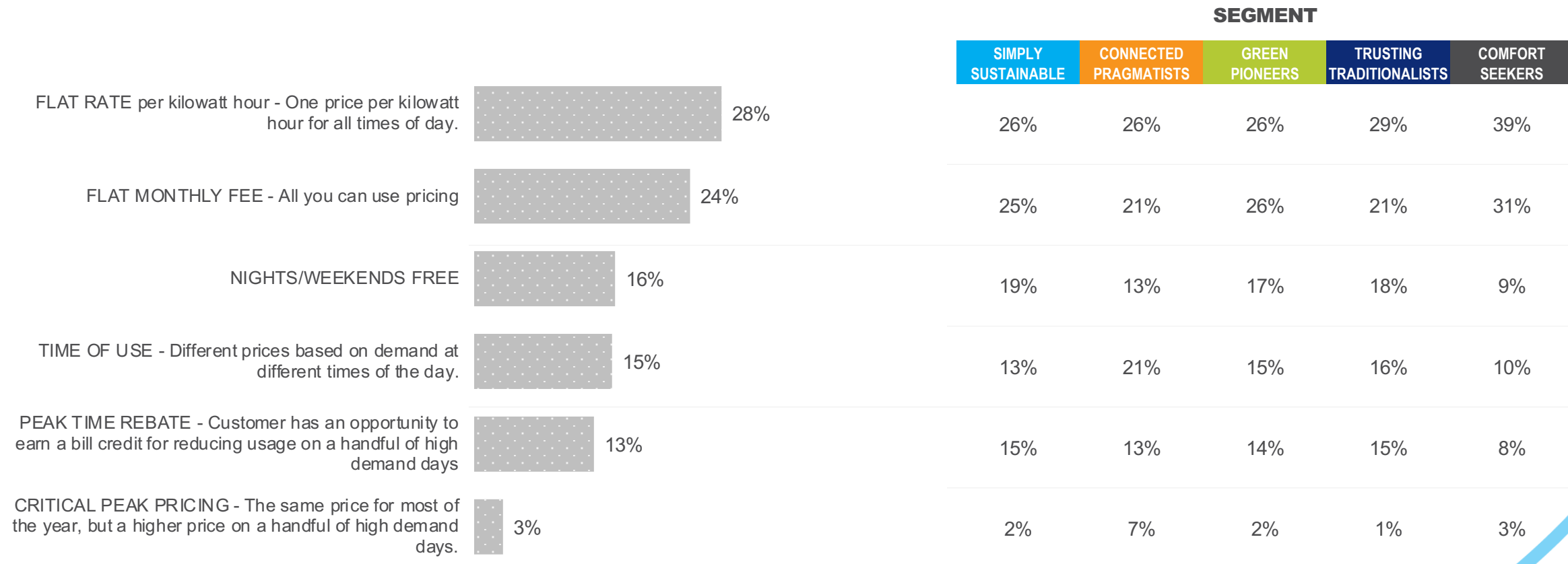
### Predictability

*"Ability to use as much as I need in the month without impact on my bill."*

# Preferred Type of Rate Plan

Even assuming cost parity, there is no one commonly preferred type of rate plan. Flat rates or fees have the broadest appeal, but still only appeal to a minority. The segments don't differ much, but the Comfort Seekers are somewhat more likely to gravitate to the simpler flat rate or fee.

## Preferred Type of Rate Plan if All Cost the Same



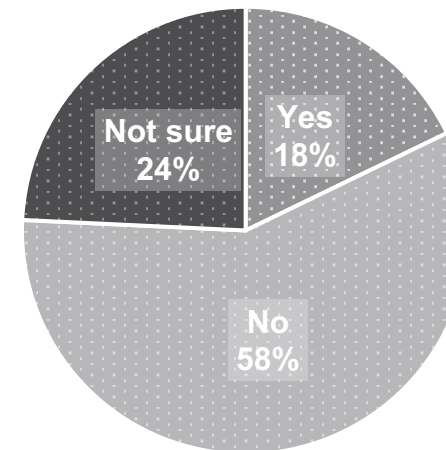
# Interest in Prepaid Plans

Not many are particularly interested in the prepaid plan idea. Interest was higher, however, amongst the Concerned Pragmatist and Green Pioneer segments.

## Program Description

*“With a prepaid electricity plan, you fund your account with money that pays for the electricity that you plan to use before you use it. This is different from a traditional postpaid electricity plan where you receive a bill at the end of the month and pay for the electricity after you use it.”*

Interest in Having a Prepaid Electricity Plan  
Among Total



Asked what they would like to know more about prepaid plans, the most common responses were “nothing” (28%), pricing (26%), “don’t know” (24%), and “how it works” (21%).

	SEGMENT				
	SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
Yes	11%	32%	23%	7%	8%
No	60%	45%	55%	67%	73%
Not sure/ Don't Know	29%	22%	22%	25%	19%

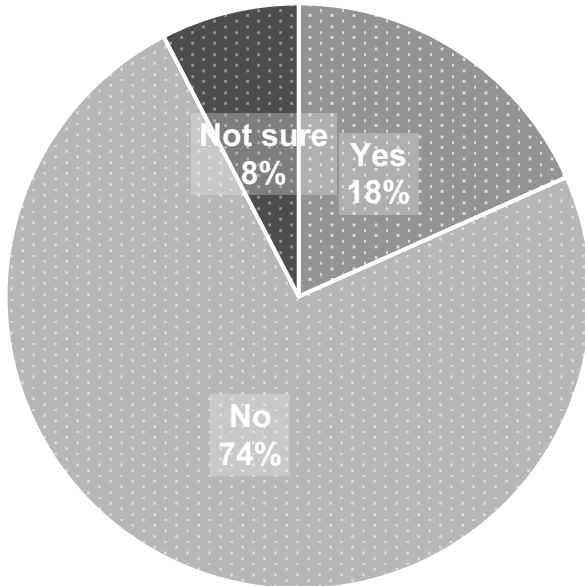
# Awareness of Green Rates

Few are aware of “green rates.” Awareness is higher amongst the Concerned Pragmatists and Green Pioneers.

## Awareness of Green Rates

### Have You Heard the Term Green Rates?

*Among Total*



	SEGMENT				
	SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
Yes	14%	28%	24%	8%	12%
No	77%	65%	69%	83%	84%
Not sure	9%	7%	7%	9%	4%

# Feelings about Green Rates

More people are skeptical of green rates than were positive about their benefit. Comfort Seekers tended to be more cynical about green rates.

## Feelings About "Green Rates"

		SEGMENT				
		SIMPLY SUSTAINABLE	CONNECTED PRAGMATISTS	GREEN PIONEERS	TRUSTING TRADITIONALISTS	COMFORT SEEKERS
In theory its great but I cant justify paying more on my monthly bill.	39%	44%	32%	37%	45%	34%
"Green rates" sound like an excuse to raise prices.	33%	34%	24%	31%	33%	51%
"Green rates" help me do my part to reduce my impact on the planet.	22%	21%	25%	29%	18%	4%
"Green rates" make people feel good but do nothing.	18%	13%	17%	17%	20%	34%
While it may cost more, I feel like I am contributing to bettering the world I live in.	15%	14%	18%	21%	12%	3%
"Green rates" is a phrase that means nothing to me.	14%	12%	14%	9%	16%	26%
If we dont embrace "green rates" well be contributing to the destruction of the planet.	12%	12%	14%	18%	8%	3%
None of these	16%	16%	16%	13%	15%	18%

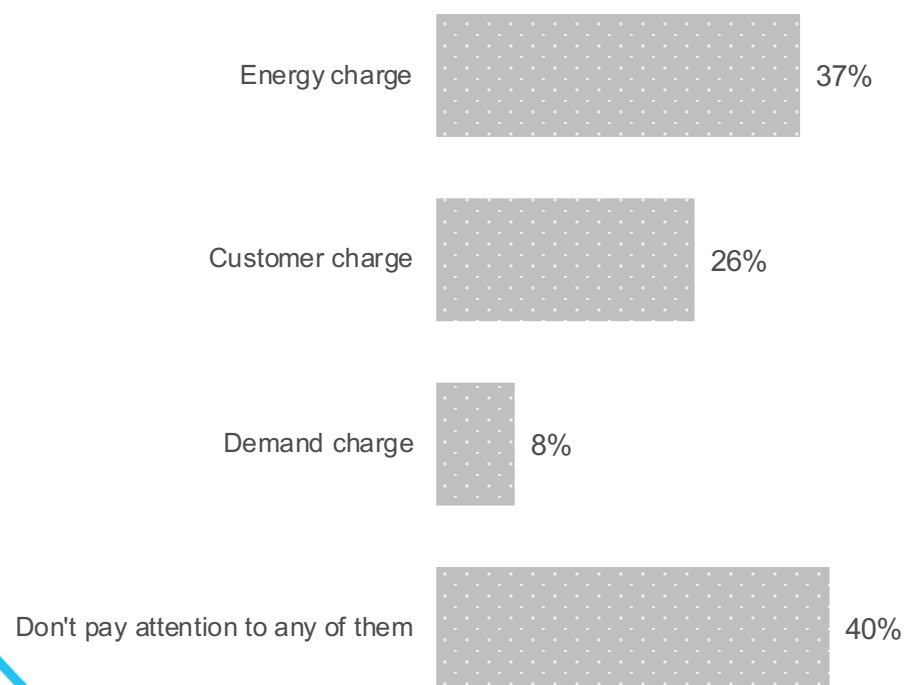


# Awareness & Importance of Types of Charges

A third don't know or don't care about the types of charges there are. Those who do know/care tend to be most concerned about either demand or energy charges.

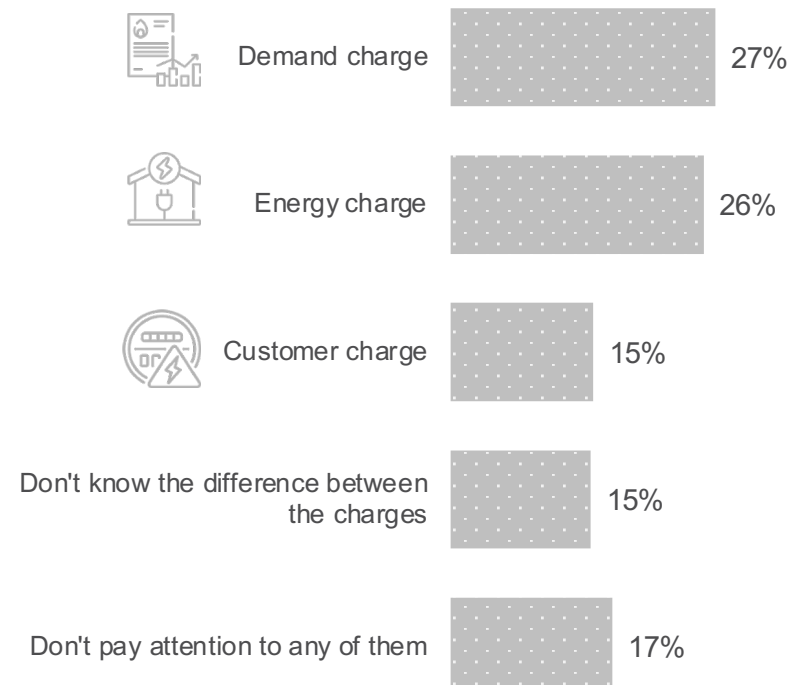
## Type of Charges on Bill

*Among Total*



## Most Important Bill Charges

*Among Total*



Base: Total (n=2,013)

Q. Q\_BILL\_SPECIFIC\_CHARGES\_AWARE. What types of charges do you typically have on your electricity bill?

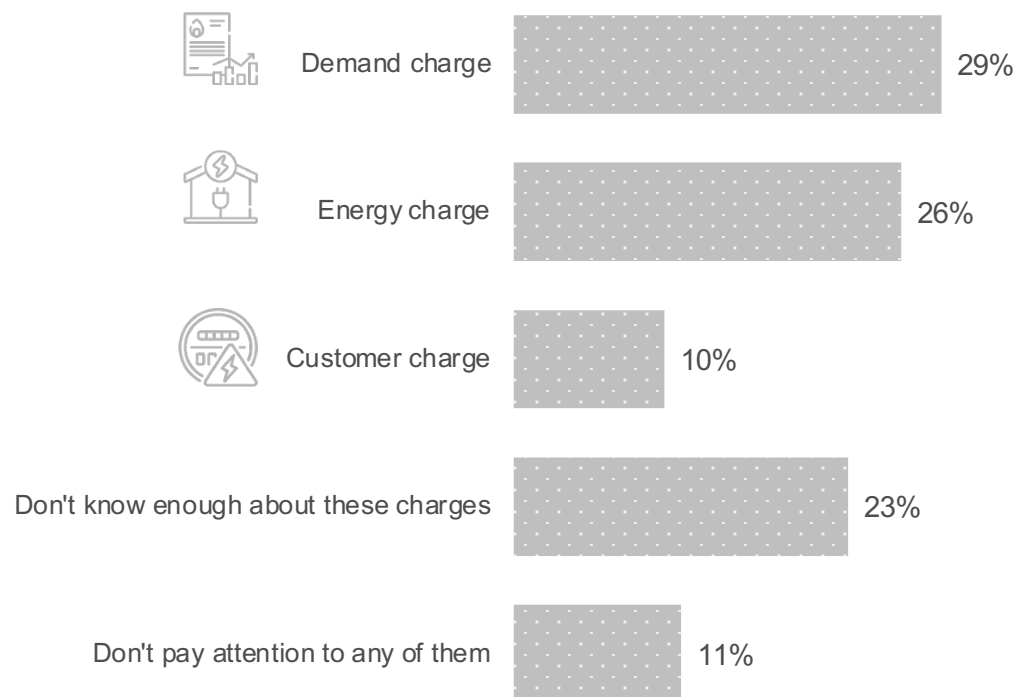
Q\_BILL\_CHARGES\_IMPORTANCE. Which is most important to you, personally (i.e., the one you pay most attention to or are most curious about)?

# Charge with Greatest Potential for Savings

Roughly 3 in 10 feel either demand or energy charges have potential for savings, but a similar number don't know or care.

## Charge with Greatest Potential to Achieve Savings on Electricity Bill

*Among Total*



Base: Total (n=2,013)

Q\_BILL\_CHARGES\_ASPECTS. Of these three different types of charges, where do you see the greatest opportunity to achieve savings on your electricity bill?

# Takeaways & Next Steps

# Takeaways & Next Steps

1



**Billing is a touchy subject. Some people have visceral negative reactions to anything having to do with billing. A significant portion of people don't know and don't care. They clearly do not see the benefit that a method of billing can offer.**

People who don't know and don't care are the ones that see their electrical bill as a burden with no benefit. If you offer these people something new, they will not take the time to examine the offer's attributes so that they can figure out how it might help them. Organizations need to sell the benefits to the consumer. You can't assume that they will make the leap themselves.

This message from the front of an electrical bill is a classic example of failing to read the audience. It mentions no benefit for the consumer, and it assumes people care about the appearance of their bill. A message like "We've changed your bill to make it easier to save" would have more appeal because it speaks to how people would benefit.

**Inside: Your Toronto Hydro bill now has a refreshed look!**

2



**No one type of rate plan attracts a majority. Fixed rate and flat rate have the biggest appeal because they are predictable. This may be the key to increasing their appeal.**

The current division of interest between fixed rate and flat rate points to a failure to communicate benefits that have universal appeal. But predictability and a sense of control are at the root of the appeal of fixed rate and flat rate plans. Testing concepts for these types of rate plans that tie them back to the benefit of predictability would reveal whether fixed rate and/or flat rate could have broader appeal.

3



**The lukewarm reaction to a prepaid billing offer underscores the importance of translating attributes into benefits.**

Our tracking of consumer's economic outlook confirms that, in these inflationary times, people are becoming unsettled and more concerned about being able to pay the bills. Selling prepaid billing on the benefits of predictability and protection against inflation could boost its' appeal.

4



**The Green Power name evoked more negatives than positives.**

The reaction to the name Green Power suggests it might be time to rethink using the "Green" label. It clearly cuts both ways. It may have become too divisive a term to be of value when communicating with all citizens.

**Thank you**



# Questions?



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