

Reforming the Energy Vision

Demonstration Project Q4 2018 Report

Energy Marketplace



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1.0 Executive Summary

Rochester Gas and Electric Corporation (“RG&E” or “Company”) submit this quarterly report on the progress of the RG&E Energy Marketplace demonstration project. The RG&E Energy Marketplace is an e-commerce site to test energy related online transactions, customer satisfaction, and the delivery of more comprehensive energy solutions for customers. The Energy Marketplace platform is further testing methods to customize, engage, and grow the market for energy related products and services by connecting with customers on a range of distributed energy resource (DER) offerings through targeted marketing and tailored content.

RG&E and its partner Simple Energy, a third party specializing in digital customer engagement, began planning and design activities for the Marketplace during Q2 2016 to include marketing strategy, branding, product offerings, incentive levels, and data sharing. The Energy Marketplace was officially named the RG&E Your Energy Savings Store (“YES Store”).

A staged launch of the RG&E YES Store was implemented during Q3 2016 first targeting employees, followed by 10% of eligible customers, and then a full launch to all RG&E residential and small commercial customers. Each phase of the launch was executed with email marketing campaigns designed to motivate customers to take action toward purchasing energy efficiency products.

During Q4 2016, the RG&E YES Store introduced a range of new product offerings and provided special incentives and limited time offers to heighten awareness of the store.

In Q1 2017, the project continued to expand product offerings on the RG&E Yes Store, provided limited time increased incentives on Wi-Fi enabled thermostats, developed new email marketing strategies and promoted connected home products. Co-marketing with the demand response program was developed for customers to learn about additional benefits from purchasing thermostats on the YES Store.

During Q2 2017, the RG&E YES Store promoted thermostat and lighting sales in conjunction with Earth Day and Mother’s and Father’s Day as well as the summer season in general. The selection of connected home products further increased on the YES Store and some lighting brands were changed to ease the fulfillment process. The project team also focused on testing of email marketing strategies to determine which approaches result in better customer responsiveness. Additionally, the project team partnered with an evaluation vendor to launch a survey for gathering customer feedback on the YES Store.

Performance of the RG&E YES Store during Q3 2017 surpassed those of previous quarters. Primary factors contributing to this high customer engagement were temporary increased incentive amounts for smart thermostats and LED lighting promotions. In addition to email marketing campaigns, a direct mail postcard campaign was developed to further increase awareness of the YES Store. Preliminary results from the customer survey hosted by DNV GL were also reviewed during Q3.

Q4 of 2017, showed the strongest results in terms of overall customer engagement and product sales thus far since launch. Strong email marketing campaign strategies, product selection, demand response

program enrollment integration, and appealing prices offered to RG&E YES Store customers, resulted in these results.

2.1 Activity Overview

Activity and results during Q4 2017 include:

- Direct enrollment capability in Demand Response (DR)
- Email marketing strategies for Black Friday / Cyber Monday (BF/CM), the busiest ecommerce season
- Thermostat promotions and sales
- LED lighting offers
- Direct mailer postcard for Black Friday
- Continued collaboration with NYSEG's Energy Smart Community (ESC) Marketplace

2.1.1 Activity: Direct enrollment in the Demand Response (DR) program

Since launch of the RG&E YES Store, the project team has collaborated with the Demand Response, Smart Savings Rewards program for co-marketing and cross promotional activities. During Q4, 2017, Simple Energy and the DR program vendor, Energy Hub worked with thermostat manufacturer Nest to implement direct enrollment in the Smart Savings Rewards program on the RG&E YES Store. Through this integration, customers can click to enroll in the DR program at the time of thermostat purchase on the YES Store and receive the \$85 dollar incentive for the DR program enrollment toward the Nest thermostat purchase price. The project teams were able to coordinate and test integration for DR program enrollment in time for Black Friday and Cyber Monday, the busiest time of year for ecommerce sites. Customer response to this bundled offering was extremely high with over 1,300 thermostat purchases during Q4 and nearly 70% enrolled in the DR Smart Savings Rewards program.

2.1.1 Activity: Email marketing campaigns

Email marketing campaigns during Q4 highlighted:

- Thermostat promotions and sales
- LED lighting
- Black Friday / Cyber Monday sales

Retail holidays dominate the fourth quarter and are a major focus and opportunity for e-commerce sites and marketing, including the YES Store. In 2017, Simple Energy worked with two popular thermostat vendors to offer substantial price drops on smart thermostats for the BF/CM sale period. Simple Energy's strategy focused on these sizable deals as well as building a special holiday collection of new

products, seasonal products and discounted products to provide offering for all types of customers from renters to previous thermostat purchasers and beyond.

In line with the ongoing marketing strategy for the YES Store overall, email and referral promotions were emphasized as the primary drivers of holiday traffic. As this was to be the largest single period of sales and marketing in 2017, a measured approach was developed that optimized engagement and sales, while mitigating risks associated with increased traffic. Emails were sent in batches to stagger load on systems and to ensure quality customer service was provided to all customers. The result of this strategy was a 0.0% SPAM rate from emails during the BF/CM period.

2.1.2 Activity: Thermostat promotions and sales

Starting on September 1, 2017 and through November 30, 2017, the EE rebate amount offered on Wi-Fi enabled thermostats increased from \$25 to \$50. The EE increased incentive along with special manufacturer promotions and Demand Response enrollment functionality, allowed the YES Store to offer thermostats at significant discounts. Thermostat sales during Q4 surpassed 1,300 with over 1,000 purchases in November during the BF/CM timeframe.

2.1.3 Activity: LED lighting promotions

Email marketing campaigns during Q4 focused on the benefits of LED during daylight savings and featured the buyer's guides available on the YES Store to help customers make informed lighting decisions. Featured offers were the \$6 six packs after incentives for 9w dimmable A-19 bulbs, \$8 six packs on 8w BR-30 bulbs, and \$16 on LED's. The various offers coupled with email strategies brought over 2,300 lighting products sold during Q4 as compared to over 1,600 during Q4 of 2016.

2.1.4 Activity: Direct mailer postcard marketing campaign

To further generate awareness of the RG&E YES Store and to reach customers who have not shared their email address with the Company, a direct mailer postcard was sent in conjunction with Black Friday. A total of 100,000 postcards were sent with priority given to electric and dual fuel customers who have not shared an email address with RG&E.

2.1.5 Activity: Collaboration and Integration with other Projects

During Q4, the project team continued collaboration with the Energy Smart Community (ESC) marketplace in NYSEG's service territory of Tompkins County. The ESC marketplace, branded as NYSEG Smart Solutions, launched on October 2, 2017 and bundles the same products and incentives as the RG&E YES Store with the services previously offered on the YES Home Solutions portal. Through YES

Home Solutions, Tompkins County customers could connect with local distributed energy resource providers for residential, community shared solar and energy efficiency services.

The project team continues to evaluate and test ways the YES Store and various programs (DR, ESC) can leverage each other, such as combining incentives to increase transactions on the YES Store and increase program enrollments.

2.2 Metrics and Checkpoints

Overall, site sessions on the RG&E YES Store during Q4 were significantly higher than Q4 of 2016, with over 29,000 sessions in Q4, 2017 compared to 13,198 during the same time period in 2016. The YES Store showed similar increases in overall transactions for the BF/CM period, with 1,200 transactions from November 17 - 29, 2017 as compared to 795 transactions in 2016.

Since launch in early September 2016, the RG&E YES Store had 297,463 site visits (sessions), 6,220 transactions, consisting of 10,575 products sold.

Marketing metrics are outlined in Table 3 below. Transactions and customer satisfaction are shown in Tables 4 and 5.

Table 3: Marketing Metrics

Marketing Metrics	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	IA*
Email Open Rates	23.09%	18.59%	22.67%	21.9%	15%	20.64%	18.20%
Email Click Rates	2.36%	1.48%	1.33%	1.2%	1%	1.64%	1.30%
Email Click to Open Rates	10.22%	7.95%	5.87%	5.3%	6.7%	7.95%	7.00%
Conversion Rate	.06%	.05%	.02%	.01%	2.03%	2.98%	n/a

Table 4: Transactional Metrics

Sales / Transactions	Q3 2016	Q4 2016	Q1 2017	Q2, 2017	Q3 2017	Q4 2017
Number of Transactions	294	1,459	270	247	979	2,946
Average Price per Transaction	\$ 82.00	\$ 86.65	\$ 91.41	\$111.10	\$ 49.79	\$129.93

Table 5: Customer Satisfaction

Customer Satisfaction	Sep '16	Oct '16	Nov '16	Dec '16	Jan '17	Feb '17	Mar '17	Apr '17	May '17	Jun '17	Jul '17	Aug '17	Sep '17	Oct 17	Nov 17	Dec 17
NPS	39	41	51	42	13	59	51	48	33	67	46	66	58	76	71	61
# of responders	38	78	37	229	16	27	39	21	15	21	67	35	118	50	38	240

A score of 35+ indicates the average customer engaging with the program is satisfied or even loyal enthusiasts who will keep buying and refer others.

The checkpoints outlined in Table 5 below will be used to assess program results. Some checkpoints have been modified from the Implementation Plan filed on April 15, 2016 as the project team has redefined metrics to be more applicable to inform scalability and future projects.

Table 5: Checkpoints

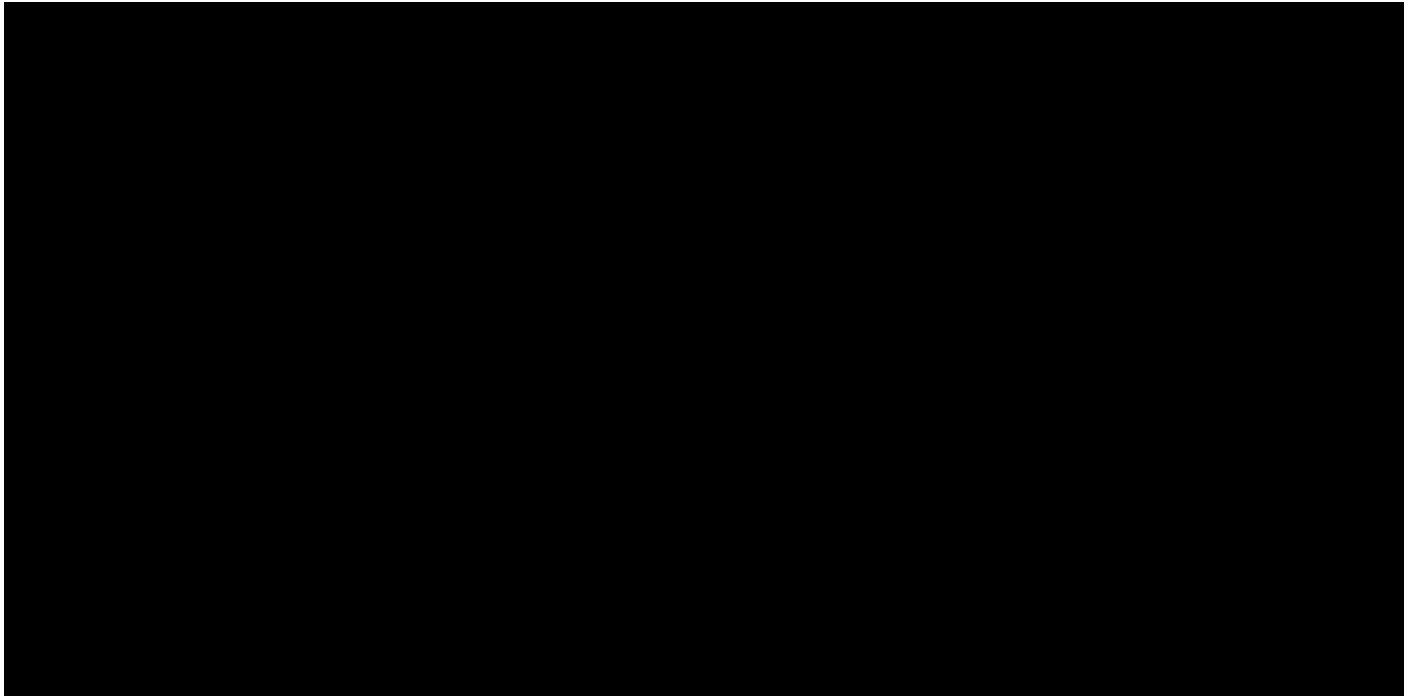
Check Point	Description
Customer Marketing Engagement	<p><u>Measure:</u> Marketing KPIs (Opens, Click-throughs, Conversions...)</p> <p><u>How and When:</u> Monthly, using marketing analytic tools</p> <p><u>Expected Target:</u> 25% Open rate for emails received, and 3% click-through rate for emails received, 2.5% conversion rate for customers who visit the site following each campaign. Results will be formally reported quarterly representing monthly data.</p> <p><u>Solution/Strategy if expectations are not met:</u> Evaluate marketing strategy, evaluate communication methods/channels and evaluate/establish optional advertising levels.</p>

<p>Sales / Transactions</p>	<p><u>Measure:</u> Number of Transactions, Average Price per Transaction <u>How and When:</u> Quarterly, using Marketplace Portal data <u>Expected Target:</u> 1,400 transactions quarterly, \$109 per transaction. Will report quarterly noting pace towards annual target.</p> <p><u>Solution/Strategy if expectations are not met:</u> Evaluate and add/change offerings; evaluate and add/change price structure; conduct customer survey to obtain direct suggestion/feedback; add additional marketing/PR channels.</p>
<p>Incentivized Offers</p>	<p><u>Measure:</u> Number of Transactions per incentive, Percent Increase <u>How and When:</u> Quarterly, using Marketplace Portal Data <u>Expected Target:</u> 5% overall Increase in transactions over previous quarter. Will report results quarterly.</p> <p><u>Solution/Strategy if expectations are not met:</u> Evaluate and add/change incentive structure. Conduct customer survey to obtain direct feedback.</p>
<p>Customer Satisfaction</p>	<p><u>Measure:</u> Customer Satisfaction using Net Promoter Score <u>How and When:</u> For all purchasers on the Your Energy Savings Store, a Net Promoter Score (NPS) email is sent which uses a single question survey to establish propensity of a customer to promote or reflect positively on the YES Store experience on an 1-10 scale. Each Quarter the monthly NPS scores will be reported on as the percentage of promoters minus the percentage of detractors. <u>Expected Target:</u> 35+ showing that the average customer engaging with new program is satisfied or even loyal enthusiasts who will keep buying and refer others.</p> <p><u>Solution/Strategy if expectations are not met:</u> Evaluate and modify customer experience. Conduct follow up survey to obtain direct customer feedback.</p>

Checkpoints modified from the original Implementation Plan are the Sales / Transactions which were based on assumptions of higher thermostat rebates and the methodology for measuring Customer Satisfaction to obtain more direct feedback on the customer experience.

Additionally, the project team has determined the checkpoint for Incentivized Offers as described will vary based on product type and will not provide the most relevant data to support future learnings.

3.1 Budget Review



3.2 Updated Work Plan

Table 6 outlines the work plan included in the Implementation Plan filed on April 15, 2016 which has generally not changed.

Table 6: Work Plan

	2016	2016	2016	2017	2017
Marketplace Project Plan	Q2	Q3	Q4	Q1	Q2
Phase 0					
Planning Workshops and Artifacts					
Program Design Workshop					
Customer Marketing Workshop					
Merchandising Workshops					
Reporting Workshop					
Final Review of Artifacts					
Integrative Site Build out and Configuration					
Deploy Marketplace Infrastructure					
Add Site Content and Merchandise					
Configure Customer Support Platform					
Configure Retargeting and SEO Advertisements					
Configure Email Service					
Marketplace Data Integration Activities					
Integrate Customer Data					
Create Rebate Reconciliation Process					
Integration Testing and Launch Prep					
Marketing Content Creation					
Email Copy					
Paper Mailers					
Press Releases/Earned Media					
Bill Inserts					
User Acceptance Testing					
Training					
Phase 1					
Marketplace Launch (1st wave of products)					
Marketplace Marketing Plan Execution					
Pre-launch Press Release					
Execute marketing plan					
Phase 2					
Add products and fixed fee services offerings					
Project Evaluation / Scale to NYSEG					

3.3 Next Quarter Planned Activities

The RG&E Marketplace REV Demonstration project officially ended December 31, 2017 however the RG&E YES Store will continue under the same brand through Q1 2018.

During Q4 2017, the project team reviewed the RG&E YES Store performance and results to include customer engagement, overall sales, customer survey results and customer satisfaction. The online marketplace provides customers with more choices for buying energy efficient products and overall more options for interacting with the utility. During Q1 2018, the project teams will develop the full Scope of Work for implementing the online marketplace at both RG&E and NYSEG.

4.0 Conclusion / Lessons Learned

The RG&E YES Store project has demonstrated to be effective in offering customers more choices in to purchasing energy related products. All quantitative and qualitative program results will be assessed and analyzed in a final report that will be completed at the end of Q1 2018. Recommendations will be made regarding how to leverage the demonstration project experience and insights to inform future iterations of the marketplace and will be used in developing the scope of work for scaling the marketplace to NYSEG customers.