

Reforming the Energy Vision

Demonstration Project Q1 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.

During Q1, 2018, which marked the end of the timeline scheduled for the REV demonstration project, the project team began negotiations to expand the RG&E YES Store to New York State Electric & Gas (NYSEG) customers. Based on customer feedback, energy efficiency savings, and to continue offering more comprehensive energy related solutions to customers, NYSEG and RG&E are developing the scope of work to offer the YES Store in both service territories as an energy efficiency program.

2.1 Activity Overview

Activity and results during Q1 2018 include:

- Decision to expand the RG&E YES Store to NYSEG customers
- Began developing scope for the continuation of the RG&E YES Store
- Ongoing coordination with direct enrollment capability in Demand Response (DR)
- Continued collaboration with NYSEG's Energy Smart Community (ESC) Marketplace
- Launch of new products on the RG&E YES Store

2.1.1 Activity: Decision to expand the RG&E YES Store to NYSEG customers

At the end of Q1, 2018, the RG&E YES Store had been launched and available to customers for the 18th month time period as planned in the RG&E Energy Marketplace REV demonstration project schedule. Based on the REV demonstration project schedule, the project team would assess expanding the YES Store to NYSEG customers during phase 2 of the project. Assessment of the YES Store performance and customer feedback has shown that the marketplace provides motivations and comprehensive solutions for customers to transact within a utility-centered experience. Additionally, energy savings from product purchases on the YES Store are being realized and further saving potential exists with expansion to NYSEG. As such, the Companies are in negotiations with Simple Energy to continue the YES Store at RG&E and scale to the same offerings to NYSEG under the Energy Efficiency program umbrella.

While the contract negotiations are being finalized to implement the YES Store as an energy efficiency program, the project team will utilize unspent REV demonstration project funds to continue offering the YES Store to RG&E customers. Plans to implement the YES Store at both NYSEG and RG&E are expected to be finalized by end of Q2, 2018.

2.1.2 Activity: Began developing scope for the continuation of the RG&E YES Store

The project team began developing the scope of for the continuation of the RG&E YES Store and expansion of the YES Store to NYSEG customers. In addition to providing customers with an easy way to

browse, compare, and purchase energy-wise offerings online with the opportunity for point-of-sale incentives, the project team is developing scope to include the additional offers listed below.

- **Appliance Advisor** - An educational tool customers can use to shop for energy efficient products based on efficiency ratings and customer satisfaction
- **Rebates-as-a-Service (RaaS)** - Simple Energy's instant rebate solution at retail locations and retail online websites that enables customers to get an instant rebate while shopping in a store or online with the same rigors and validation included in today's Marketplace
- **Post Purchase Rebate Processing** - For any customers that don't take advantage of rebates on the marketplace or the RaaS experiences, customers can mail in an application post purchase to participate in the utility's rebate programs

The full scope will be agreed upon during Q2, 2018 as well as contractual agreements to extend the YES Store at RG&E and expand it NYSEG customers.

2.1.3 Activity: Ongoing coordination with direct enrollment capability in Demand Response (DR)

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 who attest the thermostat will control their electric central air conditioning, can click to enroll in the DR program on the YES Store and receive the \$85 dollar incentive for the DR program enrollment toward the Nest thermostat purchase price.

- Since the launch of the instant DR Enrollment program in late November 2017 through the end of Q1 2018, 1,046 of the 1,082 Nest thermostats sold (96.7%) were pre-enrolled in the Demand Response program.
- The program has resulted in a 28% increase in overall enrollments in the Smart Savings Rewards program.
- As the program has progressed, the project team has learned the intricacies of pre-enrolling devices and continues to improve data sharing processes among Energy Hub, Nest, and Simple Energy.
- The chargeback process for customers who do not connect their thermostat to central air conditioning is under review to be initiated during Q2.

2.1.3 Activity: Continued collaboration with NYSEG's Energy Smart Community (ESC) Marketplace

The project team continued collaboration with the Energy Smart Community (ESC) marketplace in Tompkins county (NYSEG’s service territory). 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 a way for customer to connect with service 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 and co-marketing to increase transactions on the YES Store and increase program enrollments.

2.1.4 Activity: Launch of new products on the RG&E YES Store

The project team continues to enhance the innovative product offerings on the RG&E YES Store. During Q1, the YES store added new connected home products from Hive and Nest, LED lighting by Sengled, and Smart Irrigation Controllers from Rachio. The measure mix and product offerings are constantly reviewed to provide customers with a variety of innovative solutions to meet their energy related needs.

2.2 Metrics and Checkpoints

There were 51,289 site sessions on the RG&E YES Store in Q1 2018, a 35.86% increase when compared to Q1 2017. Since launch in early September 2016, the RG&E YES Store had 333,804 site visits (sessions), 6,793 transactions, consisting of 11,563 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 017	Q3 2017	Q4 2017	Q1 2018	IA*
Email Open Rates	23.09%	18.59%	22.67%	21.9%	15%	20.64%	25.1%	18.20%
Email Click Rates	2.36%	1.48%	1.33%	1.2%	1%	1.64%	1.6%	1.30%
Email Click to Open Rates	10.22%	7.95%	5.87%	5.3%	6.7%	7.95%	6.6%	7.00%
Conversion Rate	.06%	.05%	.02%	.01%	2.03%	2.98%	1.08%	n/a

Table 4: Transactional Metrics

Sales / Transactions	Q3 2016	Q4 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
Number of Transactions	294	1,459	270	247	979	2,946	736
Average Price per Transaction	\$ 82.00	\$ 86.65	\$ 91.41	\$111.10	\$ 49.79	\$129.93	\$59.96

Table 5: Customer Satisfaction

Customer Satisfaction	Q3 2016	Q1 2017	Q2 2017	Q3 2017	Q4 2017	Q1 2018
NPS	44	41	49	57	69	62
# of responders	153	82	57	220	328	213

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

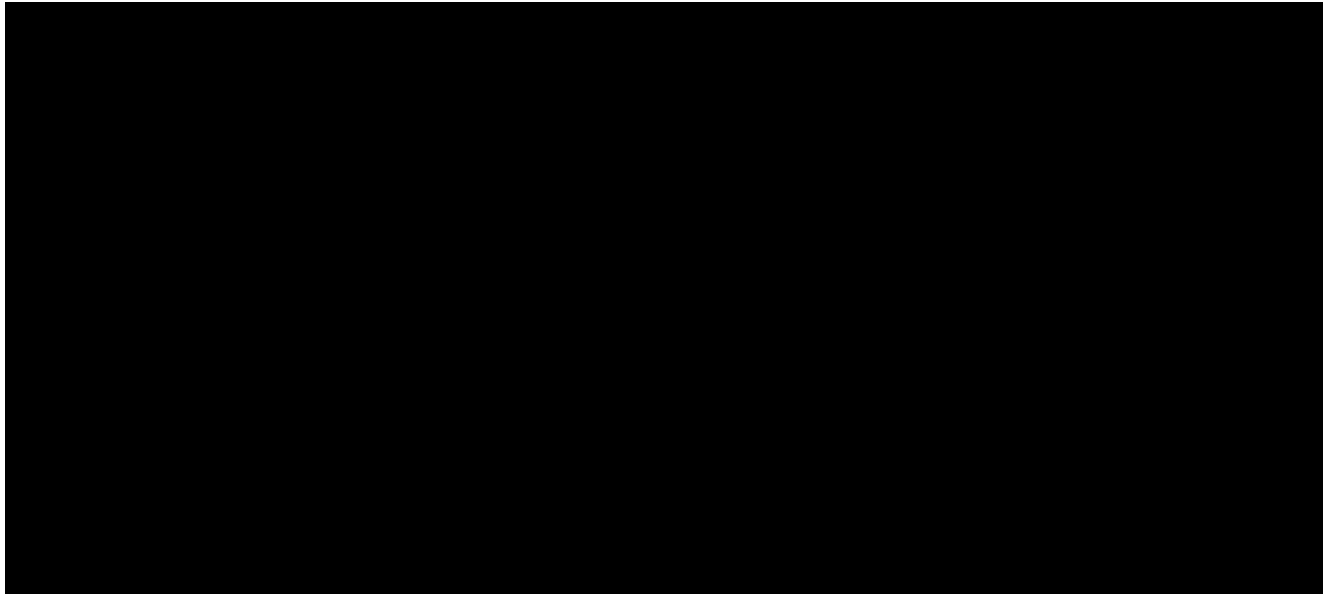
Check Point	Description
Customer Marketing Engagement	<p><u>Measure:</u> Marketing KPIs (Opens, Click-throughs, Conversions...) <u>How and When:</u> Monthly, using marketing analytic tools <u>Expected Target:</u> 25% Open rate for emails received, and 3% click-through rate for emails received, 2.5% conversion 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>
Sales / Transactions	<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</p>

	survey to obtain direct suggestion/feedback; add additional marketing/PR channels.
Incentivized Offers	<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>
Customer Satisfaction	<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 continued through Q1, 2018 during which time the project team began developing the scope of work to expand the RG&E YES Store to NYSEG customers. During Q2, 2018 the project team expects to finalize the scope of work to implement the YES Store as an energy efficiency program and expand the YES Store to include the NYSEG service territory.

4.0 Conclusion / Lessons Learned

The RG&E YES Store project has demonstrated to be effective in offering customers more choices in purchasing energy related products. Based on customer feedback, energy efficiency savings, and to continue offering more comprehensive energy related solutions to customers, NYSEG and RG&E are finalizing the scope to offer the YES Store in both service territories as an energy efficiency program. Collaboration will continue with the DR, Smart Savings Rewards program and the Energy Smart Community pilot project to identify and deliver the most comprehensive energy related offerings and solutions for customers.