

Reforming the Energy Vision

Demonstration Project Q2 2017 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 and included 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 and create more value for customers.

In Q1 2017, the project continued to expand product offerings on the RG&E Yes Store, increased incentives on Wi-Fi enabled thermostats, developed new strategies for email marketing campaigns, and promoted innovation and connected home products. Co-marketing with the demand response program was developed so customers can 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.

2.1 Activity Overview

Activity and results during Q2 2017 include:

- Seasonal sales on thermostats and lighting (Earth Day, Summer)
- Continued to experiment with and analyze email frequency and engagement
- Introduced new LED lighting and connected home products
- Continued collaboration with other programs - Demand Response (DR), Community Energy Coordination (CEC), Energy Smart Community (ESC)
- Hosted online survey to gather customer feedback

2.1.1 Activity: Promotional Offerings

Two large thermostat manufacturers partnered with the YES Store to offer discounts in recognition of Earth Day during the month of April. Weekly email campaigns focused on the discounted prices and the benefits of temperature control and convenience in customer's homes with a smart thermostat purchase. The marketing campaigns along with the discounted prices resulted in positive customer engagement with thermostat sales in April accounting for over half of the total purchases during the first half of 2017.

For Mother's and Father's day, the YES Store partnered with manufacturers to offer discounted prices on Nest thermostats and free WiFi sensors with the purchase of an Ecobee thermostat. The discounted Nest device proved to be more effective in generating conversions than other special offers. Customers purchased thermostats at discounted prices over other special offers such as the free WiFi sensors or other featured connected home products.

The month of June also began a summer sales campaign offering six packs of LED bulbs at a discounted price of \$6 after a point of sale rebate. The YES Store showed an immediate uptake in lighting transactions as a result of email campaigns during the last week of June. The project team will continue to seek innovative lighting products at price points set to attract new customers and retain the engagement of previous shoppers.

Various Q2 promotions resulted in a clear correlation between discounted prices and customer responsiveness.

2.1.2 Activity: Email Marketing Campaigns

During Q2, the project team continued to experiment with and analyze email frequency and engagement, sending more frequent messages to customers who are more engaged and focus only the most compelling offers and messages to those less engaged. Targeted messaging and personalization to suggest products based on previous buying behavior and engagement were layered on as available.

The overall campaign-to-purchase conversion rates helped to gauge effectiveness and will inform planning for future campaigns. For example, the project team found diminishing returns on a labor intensive process that included dynamically marketing products based on what a user previously placed and abandoned in their cart. The vast majority of cart abandoners left a smart thermostat in the cart and conversions originating from the retargeting messages were highest for the thermostat offer. Based on these learnings, the project team merged several planned retargeting emails into a single message which could be executed more efficiently and yield the same results.

Summer sale email open rates and purchases increased, but not to the point realized with Black Friday and Cyber Monday sales. The project team will continue to look at ways to do additional sales and promotions throughout the year to achieve incremental increases in engagement and boost transactions. Additional testing for engagement based on the time of day emails are sent will be applied to the YES Store during Q3.

2.1.3 Activity: New Products

More connected home products were introduced on the YES Store during Q2 including an outdoor power switch, an outdoor speaker, and water sprinkler switch, all of which can be controlled from a smart phone. The WiFi enabled products are marketed with a connected home theme and even though they are not yielding high sales, they complement other innovative products on the YES Store.

During Q2, the YES Store also changed some of the LED lighting brands to gain better visibility into inventory in order to better plan marketing campaigns and ensure a consistent customer experience. Sales results show tendencies for customers to be brand-agnostic and the YES Store can offer a better price point with these new brands.

2.1.4 Activity: Collaboration and Integration with other Projects

In collaboration with the Demand Response (DR) Bring Your Own Thermostat (BYOT) program, email marketing campaigns were implemented during Q2 to promote the program to smart thermostat purchasers on the YES Store. In April, the first email was sent informing previous thermostat purchasers that they can save even more through the Smart Savings Rewards program if their thermostat controls central air conditioning. Call-to-action buttons were placed directly within the email in which the customer can click to enroll in the DR program. This email marketing builds on initiatives implemented during Q1 to include pop up boxes on the YES Store explaining the Smart Savings Rewards program and direct links to the DR program on the eligible thermostat product pages.

In Q2, the project team engaged in meetings for planning the Energy Smart Community (ESC) marketplace which will be implemented in NYSEG's service territory of Tompkins County. The ESC marketplace will bundle the product offerings from the RG&E YES Store with the service offerings from the NYSEG Yes Home Solutions site into a single portal. Through the YES Home Solutions portal

implemented in Q1, NYSEG customers in Tompkins County can connect with local Distributed Energy Resource providers for residential, community shared solar and energy efficiency services. Details of YES Home Solutions activities are reported separately in the Community Energy Coordination (CEC) project quarterly report. The ESC Marketplace is expected to launch near the end of Q3 2017.

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

2.1.5 RG&E YES Store survey launched

During Q2, the project team utilized unspent energy efficiency evaluation funds to host a customer survey to gather customer feedback and apply learnings to the YES Store. The Company partnered with evaluation vendor, DNV GL, who hosted the online survey, sent to customers via an email link in May, 2017. Results of the survey will be used to inform the project team about the relevance and pricing of YES Store offerings and what customers generally like or dislike about the site. Detailed results of the survey will be included in the Q3 report.

2.2 Metrics and Checkpoints

Since launch in early September 2016, the RG&E YES Store had 164,788 site visits (sessions) with 2,270 transactions, consisting of 4,034 products sold.

Marketing metrics are outlined in Table 1 below.

Table 1: Marketing Metrics

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

Table 2: Transactional Metrics

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

Table 3: Customer Satisfaction

Customer Satisfaction	Sep 2016	Oct 2016	Nov 2016	Dec 2016	Jan 2017	Feb 2017	Mar 2017	Apr 2017	May 2017	Jun 2017
NPS	39	41	51	42	13	59	51	48	33	67
# of responders	38	78	37	229	16	27	39	21	15	21

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 4 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 4: 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</p>

	<p>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 survey to obtain direct suggestion/feedback; add additional marketing/PR channels.</p>
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>

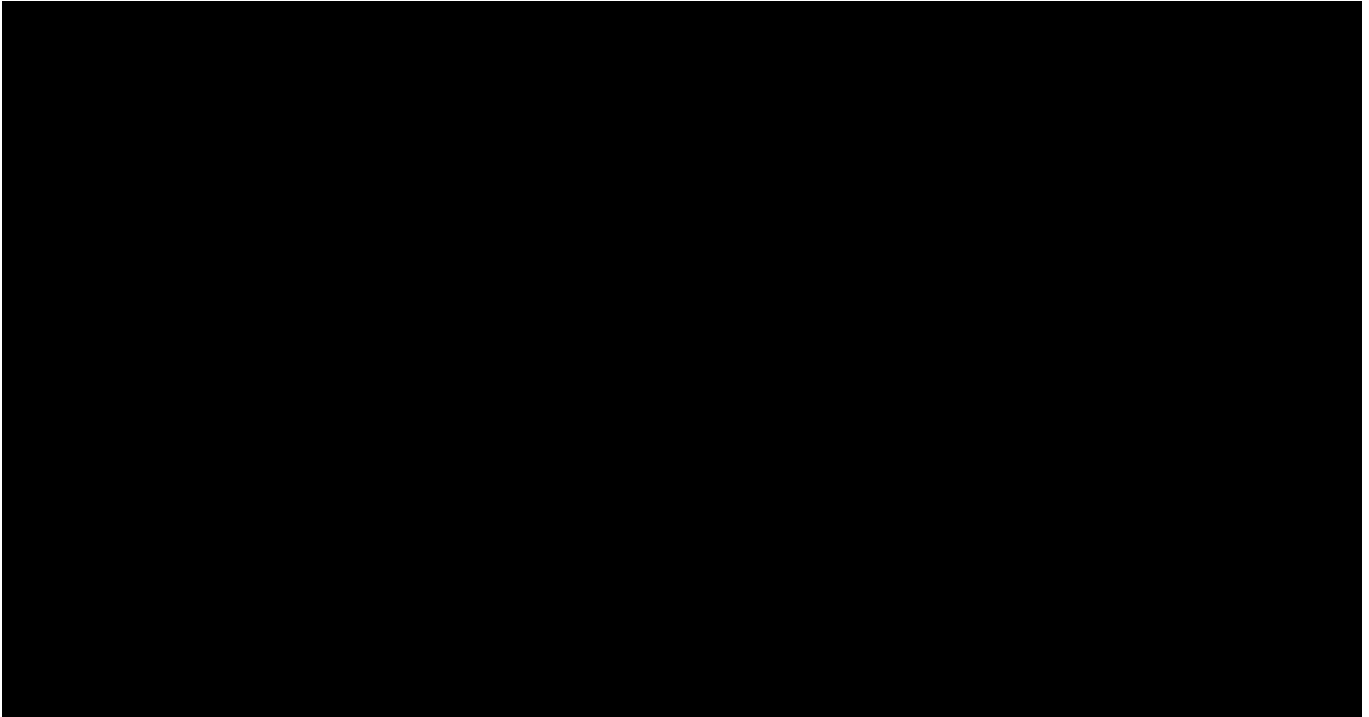
Checkpoints that have been modified from the original Implementation Plan are the Sales / Transactions which were based on assumptions of higher thermostat rebates and the methodology for measuring Customer Satisfaction to obtain more direct feedback on the customer experience.

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. Measuring cost effectiveness would better support the hypothesis that the marketplace is an effective

channel to provide energy products. The project team will determine the applicable measurements to include in future quarterly reports.

2.0 Work Plan

3.1 Budget Review



3.2 Updated Work Plan

Table 4 outlines the work plan included in the Implementation Plan filed on April 15, 2016. The work plan has generally not changed and remains on track.

Table 4: 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					

During Q3 and Q4, the project team will plan for and begin the overall assessment report and address next steps toward decision making in scaling the YES Store to NYSEG customers. The ESC marketplace being implemented in Tompkins County will also inform this process.

3.3 Next Quarter Planned Activities

Generating more awareness of the YES Store will be a strong focus during Q3. In September, a one page bill insert on the RG&E Residential Gas Program will include a section featuring the YES Store. Additionally, the project team is looking at other ways to increase awareness outside of email campaigns which may include direct mailers or other mass marketing techniques. Summer sales offerings will also continue on the YES Store promoting lighting and thermostat discounts. Results of the online survey will be compiled and used to enhance YES Store offerings and the overall customer experience.

Cross promotional campaigns with the DR program will also continue and as will planning for the ESC Marketplace in NYSEG's Tompkins County.

4.0 Conclusion / Lessons Learned

Testing of marketing campaigns and strategies continued during Q2 2017. Campaigns with incentivized offerings resulted in very positive customer engagement and responsiveness. Both the Earth Day promotions on thermostats and the summer sales campaign offering \$6 six packs on LEDs yielded immediate customer engagement and increased sales. Other more labor intensive targeting campaigns proved to have diminishing returns. New innovative products continued to be added further promoting the smart home concept. Collaboration continued with the DR program and the CEC and ESC projects and will be ongoing for the remainder of 2017. Finally, a customer survey was launched to gather feedback that will be used to inform future YES Store offerings and enhance the overall customer experience.