

Reforming the Energy Vision

Demonstration Project Q3 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 which 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, provided limited time 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.

Performance of the RG&E YES Store during Q3 2017 surpassed those of previous quarters contributing to 80% of sales for 2017 thus far. Primary factors contributing to this high customer engagement were temporary increased incentive amounts for smart thermostats and LED lighting promotions. Email marketing campaigns continued to be primary channel for communicating offerings to customers although during Q3, 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.

2.1 Activity Overview

Activity and results during Q3 2017 include:

- Email marketing campaigns
- Increased incentives for smart thermostats
- LED lighting promotions
- Direct mail postcard randomized control test
- Continued collaboration with Demand Response (DR), Community Energy Coordination (CEC), and Energy Smart Community (ESC)
- Gathering results of online customer survey

2.1.1 Activity: Email marketing campaigns

Marketing campaigns during Q3 highlighted:

- LED lighting sales and \$6 six-pack promotions
- Special offers and increased rebates on smart thermostats
- General educational content on various products
- Water savings devices and top products
- Solar eclipse campaigns featuring a mix of lighting and connected home devices

2.1.2 Activity: Increased incentives on Wi-Fi enabled thermostats

Q3 2017 began with a special promotion from Nest offering a \$50 discount on one of their most popular thermostats. Coupled with a \$25 energy efficiency (EE) rebate, customers could receive \$75 off the Nest thermostat on the YES Store. This special promotion which ran from June 29th to July 8th resulted in 21 thermostat sales out of the 24 sold on the RG&E YES Store during the month of July.

On September 1, 2017, the EE rebate amount increased from \$25 to \$50 for Wi-Fi enabled thermostats. Also during the month of September, the Demand Response (DR) program vendor Energy Hub, offered an additional \$25 incentive to all eligible customers. This additional \$25 incentive, funded through the DR marketing budget, was a limited time offer during September to generate customer awareness of the DR Smart Savings Rewards program. Two email marketing campaigns promoted the increased incentives and one more promoted the new NEST E-thermostat. Thermostat sales increased to 132 during September alone and totaled 169 purchased during Q3. In comparison, Q3 thermostat sales were 83% higher than Q1 and 46% higher than Q2 with the increased incentive amounts.

2.1.3 Activity: LED lighting promotions

During the week of July 4th, email marketing promoted various specials on LED bulbs resulting in 136 lighting products purchased during that week. During the last week in July, \$6 six-packs of LEDs were promoted resulting in 364 six packs purchased in the next five days. The high volume of LED purchases remained consistent through the remainder of Q3 with overall sales 2.5 times higher than the first two quarters.

2.1.4 Activity: Direct mailer postcard marketing campaign

During Q3, the project team implemented a marketing campaign to send a series of direct mail postcards to further generate awareness of the RG&E YES Store and to reach customers who have not shared their email address with the Company. Other goals of the postcard mailings were to:

- Test the effectiveness and return on investment of direct mail postcards
- Determine the benefit of a series vs. a single mailer and possibly determine the optimal number of touch points in a series to get customers to take action
- Obtain data that can be used to inform the optimal marketing mix and spend for Q4 2017, and also future YES Store promotions
- Drive awareness that will maximize conversions for upcoming offers in 2017 and beyond

The project budgeted for 96,000 postcards to be sent in four separate mailings as outlined in Table 1:

Table 1: Postcard mailer schedule

Date Sent	Theme	Number of Customers
8/30/17	LED Promotion	48,000
9/11/17	General rebates	24,000
9/20/17	\$5 off code	12,000
9/27/17	Thermostats	12,000

Customer accounts were randomly selected to receive either, one, two, or four postcards scheduled to be sent 7 - 11 days apart. The direct mail marketing campaign drove 578 unique visits to the RG&E YES Store. This number represents only those who typed in the vanity link URL contained on the post card. It does not include those who chose to do search via Google or similar online search engine over manually typing the URL.

At 82% of the overall postcard site visits, the first postcard mailer resulted in the highest number of site visits indicating that one mailer is the optimal number since additional mailers did not show a significant increase in site visits.

2.1.5 Activity: Collaboration and Integration with other Projects

During Q3, cross promotional activities continued with the DR Bring Your Own Thermostat (BYOT) program and the RG&E YES Store. The aforementioned \$25 incentive from Energy Hub for smart thermostats directly impacted site traffic and thermostat purchases on the YES Store. The project teams have also been moving forward with implementation of DR direct enrollment capabilities on the YES Store. DR enrollment, which will begin with one thermostat manufacturer, is expected to be available during Q4. Other manufacturers will be added as collaboration and project planning continues.

Throughout Q3, the project team engaged in meetings for planning the Energy Smart Community (ESC) marketplace in NYSEG's service territory of Tompkins County. The ESC marketplace design, development, and testing were completed during Q3. The site was branded as NYSEG Smart Solutions 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. YES Home Solutions was part of the Community Energy Coordination (CEC) REV demonstration project which concluded at the end of September. As of October 2, 2017 customers who try to access YES Home Solutions are redirected to NYSEG Smart Solutions, the new utility branded ESC marketplace.

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

2.1.6 Activity: RG&E YES Store survey results

During Q3, the project team met with evaluation vendor, DNV GL to review results of an online survey administered from May 20, 2017 to July 11, 2017. All customers who received messaging about the YES Store and who were not on the RG&E's do-not-contact list were targeted to take the survey. The objective was to gain insight on customer motivations or barriers for visiting the RG&E YES Store with an aim of using the findings to improve traffic to the store. While no incentives were offered to complete the survey, respondents were reminded via email and encouraged to complete it. The survey disposition is summarized below (Table 2).

Table 2: Survey disposition

Survey email metrics	Total
Number of surveys emailed to customers	148,934
Number of survey emails opened	25,101
Total surveys completed	2,916
Percent of survey emails opened	16.8%

Percent of surveys completed from # opened	11.6%
Percent of surveys completed from # sent	1.9%

The final report is still under development and is expected to be completed during Q4. Early results reveal customer use of the RG&E YES Store is on par with alternative avenues for purchasing energy efficient products.

Other key findings were:

- Purchases at the YES Store are higher among those with higher levels of education, income, and homeownership and lower among older customers. Promoting the YES Store to customers identified as low-income is a way to address this disproportionately lower use of the YES Store among this segment.
- Distinct purchase trends at the YES Store by geography indicate opportunities for geo-targeting underserved areas. Advertising the store in areas where there is low to no participation using bill boards, bill inserts, or local radio stations could be effective.
- Customers who participate in online bill pay and EE programs show a willingness to navigate utility programs to realize the benefits and should be flagged as high priority targets for outreach as the likelihood of YES Store use and purchase is higher among this group.
- Use of RG&E’s online marketplace compares favorably with large online platforms and higher brand recognition like Amazon and established traditional brick and mortar stores.

2.2 Metrics and Checkpoints

Since launch in early September 2016, the RG&E YES Store had 218,719 site visits (sessions), 3,291 transactions, consisting of 5,813 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	IA*
Email Open Rates	23.09%	18.59%	22.67%	21.9%	15%	18.20%
Email Click Rates	2.36%	1.48%	1.33%	1.2%	1%	1.30%
Email Click to Open Rates	10.22%	7.95%	5.87%	5.3%	6.7%	7.00%
Conversion Rate	.06%	.05%	.02%	.01%	2.03%	n/a

Table 4: Transactional Metrics

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

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
NPS	39	41	51	42	13	59	51	48	33	67	46	66	58
# of responders	38	78	37	229	16	27	39	21	15	21	67	35	118

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>
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 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

[REDACTED]

[REDACTED]

	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

[REDACTED]

3.2 Updated Work Plan

Table 6 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 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					

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

3.3 Next Quarter Planned Activities

Another single direct mailer postcard will be sent during Q4. The project team is currently reviewing the number of customers and any further customer segmentation for targeting. Q4 email marketing will focus on special manufactures offers for seasonal holiday sales. The RG&E YES Store and NYSEG Smart Solutions will further integrate with the DR, offering direct enrollment into the Smart Savings Rewards program for eligible customers on both the YES Store and NYSEG Smart Solutions. Enrollment functionality is currently under development and pending a contract amendment with Simple Energy.

4.0 Conclusion / Lessons Learned

Testing of marketing campaigns and strategies continued during Q3 2017. Like previous quarters, campaigns with incentivized offerings resulted in very positive customer engagement and responsiveness. Overall, smart thermostat and LED lighting purchases surpassed previous quarters with more compelling incentives and lower price points for customers. Post card mailers showed to generate some awareness of the YES Store with the one piece mailer yielding the highest number of site visits. The project team is planning a Q4 post card mailer based on the Q3 results.

Progress with DR collaboration gained momentum during Q3. DR program enrollment functionality is expected on both the RG&E YES Store and NYSEG Smart Solutions during Q4. Results of the YES Store customer survey revealed the site compares favorably with large online platforms such as Amazon and established traditional brick and mortar stores. More detailed results will be considered for planning future marketing campaigns, creating more awareness of the RG&E YES Store, and enhancing the overall customer experience.