



January 26, 2016

**VIA EMAIL**

Honorable Kathleen Burgess  
Secretary, New York State Public Service Commission  
Three Empire State Plaza  
Albany, New York 12223

Re: Case 14-M-0101 – Proceeding on Motion of the Commission in Regard to Reforming the Energy Vision (REV) – Demonstration Project Proposal

Dear Secretary Burgess:

On behalf of AVANGRID, Inc., enclosed for filing is the updated Energy Marketplace Demonstration Project proposal. The original proposal was submitted for Department of Public Service (DPS) review on July 1, 2015. This revised version submitted January 26, 2016 includes various updates resulting from meetings and feedback from DPS Staff.

If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Laney Brown", with a stylized flourish at the end.

Laney Brown  
Director, Smart Grid Planning & Programs

# Reforming the Energy Vision

## Demonstration Project Proposal: Energy Marketplace

Case 14-M-0101 – Proceeding on Motion of the Commission in  
Regard to Reforming the Energy Vision

Updated: January 22, 2016

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# 1. Executive Summary

This filing is an addendum to the Rochester Gas and Electric July 1, REV demonstration filing. In general the additional information included in the addendum reflects increased detail and specificity on how the Company will engage customers in promotion of the Energy Marketplace and how the Company will fully leverage multiple REV programs including Non-Wires Alternatives (NWA)<sup>1</sup> and Distribution Level Demand Response (DLDR)<sup>2</sup> to promote the Energy Marketplace. The updated filing reflects a number of changes and clarifications to the original proposal. Changes and clarifications to the proposal include the following:

- Additional detail on the customers who will be eligible to participate in the demonstration project
- Improved and expanded information on programs and approaches to engage customers in the promotion and optimization of the Energy Marketplace
- Additional metrics that will support a comprehensive assessment of the Marketplaces being deployed across the utilities in NY
- Updates to the phases of the demonstration project

Rochester Gas & Electric's ("RG&E" or the "Company") Energy Marketplace (the "Marketplace") will provide both an innovative customer experience and a meaningful business opportunity for the Company and its partners. Our success with this proposal hinges on our direct relationships with customers, as well as established revenue goals. The Marketplace will provide an opportunity to expand the relationship with our customers to provide more comprehensive energy-based solutions. The Marketplace will be an RG&E-branded ecommerce site where customers can purchase energy-related products and services that leverage our customer interaction focus. We will take advantage of our strong customer relationships and multiple communications channels to promote the Marketplace which will, in turn, expand our service offerings and energy solutions. The

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<sup>1</sup> Non-Wires Alternatives or "NWAs" are alternatives to traditional electrical infrastructure improvements, which may be undertaken in place of the traditional infrastructure improvements where they are electrically equivalent, are cost effective, and satisfy regulatory and public policy objectives such as those in the REV proceeding. These alternatives may be provided through a variety of resources, including but not limited to various types of generation, combined heat and power, energy storage, load reduction (demand response, demand and energy reduction or energy efficiency), and/or line loss reduction and related technical system improvements. In the upcoming NWA pilot projects, NYSEG and RG&E will be seeking projects of these types which have the capability to deliver innovative solutions that provide verifiable distribution system load relief at the times and places where it is needed.

<sup>2</sup> Distribution Level Demand Response ("DLDR") programs which were introduced as part of the December 15, 2014 "Order Instituting Proceeding Regarding Dynamic Load Management and Directing Tariff Filings" under Case 14-E-0423 will provide customers options in which they can participate in programs that provide load reductions during peak or high rate times with a goal of improving system reliability and resiliency and increased system efficiency. An example would be where a customer could purchase a thermostat through a DER provider and allow the Company to make limited adjustments to central air conditioning during peak summer times to reduce system demand and increase system reliability.

Marketplace provides information to help customers understand and manage their energy usage and it provides an efficient platform to connect distributed energy resources (DER) providers with potential customers.

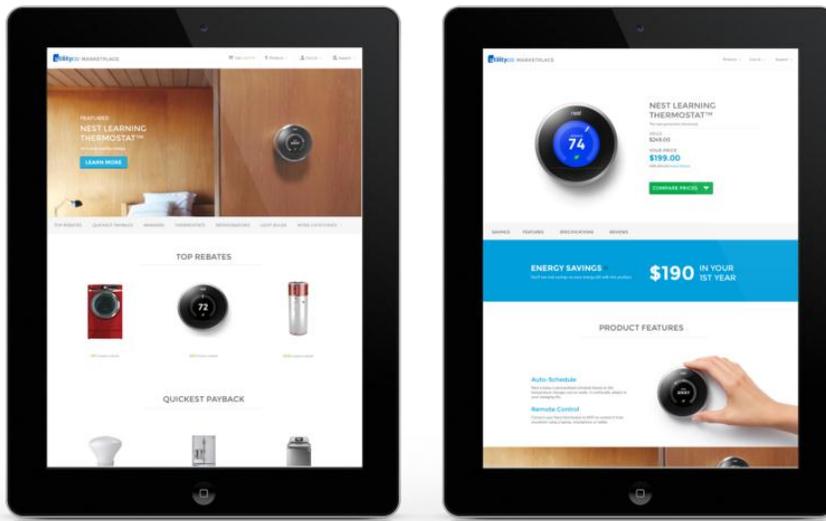
The marketplace also provides more opportunities to provide a support platform to implement Energy Efficiency initiatives for Non-Wires Alternatives and provides a distribution channel for promotion of Distribution Level Demand Response programs. It can become the foundation of a platform for future initiatives – including integration with other REV initiatives, such as the Energy Smart Community, and creating a more efficient, animated market with engaged customers and robust market access for DER providers.

The project will use a phased in approach to engage customers through multiple communication channels as well as through targeted messaging and programs. Phase One will be the launch of Marketplace with marketing campaigns to generate overall awareness for the platform as well as provide incentivized offerings on smaller products; Phase Two will be a multi-step roll out. The onset of Phase Two will expand products and service offerings and incorporate targeted communications including customers who have already participated in Energy Efficiency programs. Later in Phase Two, we will leverage the Marketplace as a distribution channel for Distribution Level Demand Response and Non-Wires Alternatives initiatives. As DLDR and NWA programs evolve in 2016, we will use targeted communications to expand the Marketplace offerings. Products and services will vary depending on DLDR and NWA scope of work and vendor selection.

Based on Phase Two results and assessments of lessons learned, the Marketplace offerings could expand to include New York State Electric and Gas (NYSEG) customers.

The figure below illustrates the Energy Marketplace Platform interface, which provides a user-friendly energy solution experience, further integrating customers into engaging in energy actions.

Figure 1: Energy Marketplace Platform



As the program evolves, we will update and add services based on local market knowledge and lessons learned from other New York utility demonstration projects. The Company with Simple Energy will work with DER providers to tailor products and services to attract RG&E customers. The Marketplace will allow customers to browse, compare, and purchase energy-wise offerings online with the opportunity for point-of-sale rebates and incentive redemptions under a known, energy-related brand they trust. We will test the new business model with revenue generated from an agreed-upon share of Marketplace margins. The Marketplace will evolve over time based on actual experience and demonstration project evaluation recommendations. The scope and scale of Marketplace offerings beyond Phase two will be re-assessed based on program performance results and potential future opportunities.

RG&E manages direct relationships with its customers and facilitates millions of customer touch points a year. In addition, we have well established marketing channels to facilitate Marketplace promotions, customer information to support targeted recommendations and a strong understanding of what drives them to action. Because of our customer relationships, brand recognition and a significant volume of customer touch points, we are uniquely positioned to offer a successful digital Marketplace to our customers. In addition, we plan to adopt and test a number of new marketing practices to move customers along an engagement path based on our partner's (Simple Energy) data-driven targeted marketing strategies to enable customers to identify the most suitable products and services. We will evaluate success through the testing of defined hypotheses and measuring customer engagement and DER acquisition. We will also work with other NY utilities to compare metrics and lessons learned for a comprehensive assessment of a digital marketplace in New York.

Figure 2: Market Opportunities and Target Customers



Simple Energy will deliver the Energy Marketplace as a turnkey solution in partnership with AVANGRID. At project launch, the Marketplace will be a stand-alone ecommerce site that extends the RG&E brand to various product offerings. Upon project approval, we will finalize integration and launch plans in collaboration with Simple Energy, as well as develop ongoing marketing campaigns, in an effort to enhance the prospects for an efficient deployment and enhanced customer experience.

The Marketplace provides a clear path to the market for DER providers. Simple Energy has engaged multiple manufacturing and fulfillment partners to provide a comprehensive product offering to customers. The platform will support expansion of the product portfolio to include a diverse range of providers. RG&E and Simple Energy will collaborate on developing a customized product/service offering targeted to meet customer needs. Certain products are directly purchased through Marketplace checkout, while others – particularly larger products that require professional installation – generate a referral to licensed installers.

## 2. Business Model(s) Overview

### a. Problem (the Market Opportunity)

#### ***Energy Marketplace will***

- ***leverage our communication assets;***
- ***support customer engagement;***
- ***create a clear path to market; and***
- ***provide a growth platform for NY and beyond***

RG&E offers energy-saving information, products, and programs, but is not always able to provide sufficient motivations and/or comprehensive solutions for customers to transact within a utility-centered experience. Moreover, while some customers may purchase energy products and services from third parties based on information provided by RG&E, our ability to track utility-driven purchases is limited. The lack of a comprehensive energy-solution experience represents a missed opportunity for RG&E and its customers. This missed opportunity increases costs to all stakeholders (customers, utilities, regulators, the grid, and third parties) by not capturing cost-effective market-driven solutions

through customer purchases. In the current market landscape, significant sums are spent on piecemeal DER marketing campaigns to connect to customers that may have limited effect.

### b. Solution (REV Demonstration Project Idea)

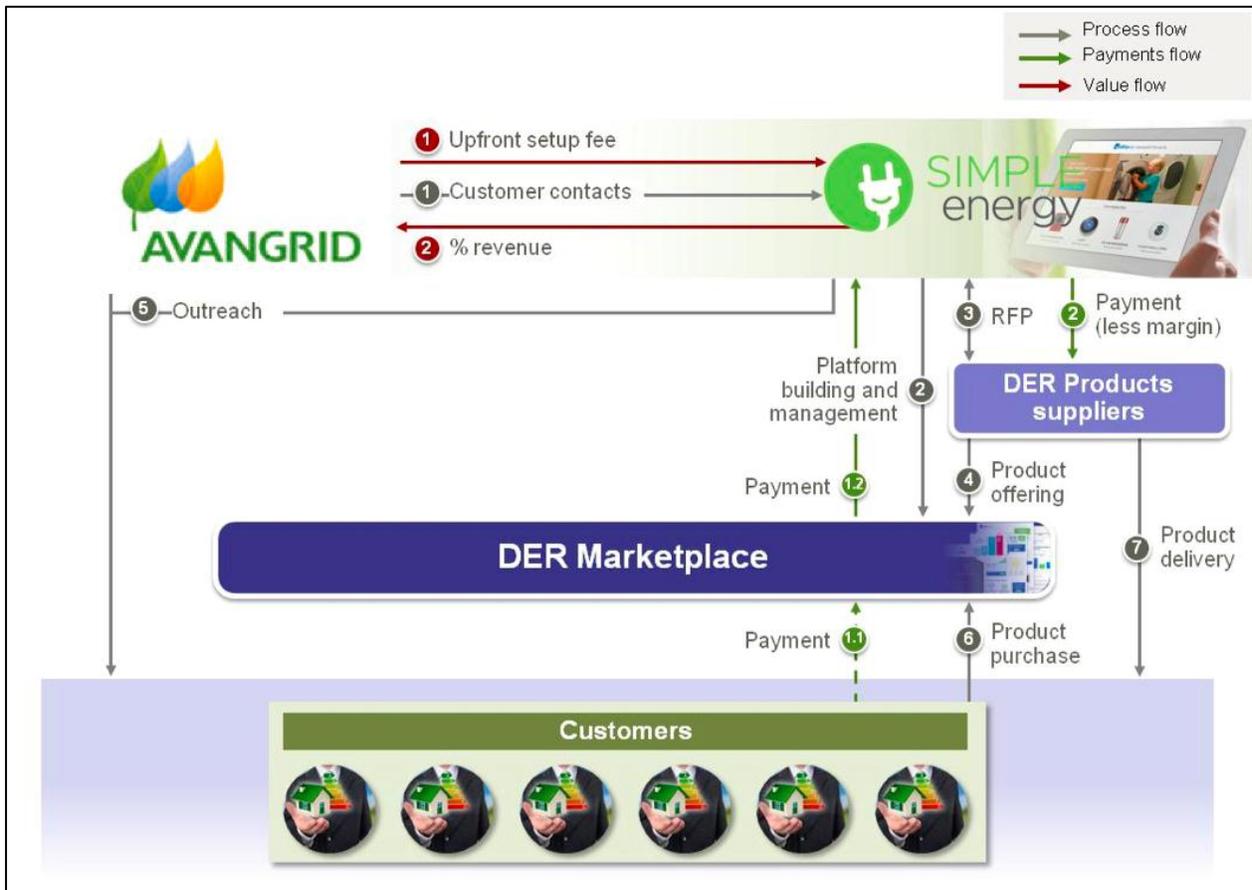
The Marketplace provides a simple shopping experience that drives transactions, improves customer satisfaction, and delivers more comprehensive energy solutions for our customers. The project also provides a way to make use of under-utilized assets. The Marketplace provides a single platform to customize, engage, and grow the market, while better connecting with customers on a range of DER offerings through targeted marketing and tailored content. The transactional structure of the Marketplace enables us to provide a comprehensive set of energy-related experiences for customers. It can be easily updated and adapted to fit our evolving customer programs including the opportunity to support a customized micro-site for a community, test the effectiveness of new energy efficiency programs or geo-target incentives to support non-wires alternatives solutions. For example, RG&E may offer customized incentives for customers that are located on circuits that experience system constraints. By incentivizing products designed to help specific customers reduce demand, the marketplace will support optimized DER. In expanding the scope of offers and providing more comprehensive offerings, the Company earns brand affinity as its customers' trusted energy advisor and source of solutions.

#### Energy Marketplace Business Model

The figure below illustrates the Marketplace business model and value flow, illustrating that revenue will be generated through a percent of margin. As shown in the diagram, we will pay for setup fees for the Marketplace platform, and receive a share of revenues. Simple Energy will set up the platform, including product and service offerings as well as DER offerings. Customers then make payments through the Simple Energy website, which will be apportioned among the DER service provider, Simple Energy, and RG&E. Simple Energy will become a key marketing partner with its software enabling customers to access assets directly, rather than only through us. The platform's initial success relies largely on our customer relationships. Thus, the platform must ensure that our

RG&E brand is not compromised. In an effort to ensure this, we plan to offer an “Amazon” style review, offering customers the opportunity to rate products offered, both as a way to give customers greater control, as well as to show customers that product offerings are not endorsed by us.

Figure 3: Energy Marketplace Value Flow



### c. Hypothesis Being Tested

The Marketplace aims to address the following hypotheses:

1. Customers will engage and take action to purchase energy-related products with targeted recommendations and incentives.
2. Optimized marketing efforts with effective customer segmentation and targeted messages will drive sales.
3. The Marketplace revenue growth opportunity supports the investment.
4. The Marketplace will result in positive system benefits by optimizing Energy Efficiency, Non-Wires Alternatives and Distribution Level Demand Response campaigns geo targeted based on system location and needs.

The Marketplace will provide a positive customer experience and show overall satisfaction.

In collaboration with other New York utilities, we will leverage demonstration project lessons learned for recommendations for the next version of the Marketplace.

d. Commission’s REV Demonstration Criteria

The table below provides further details on how the Marketplace addresses selected REV Demonstration criteria.

Table 1: Key REV Demonstration Principles

Criteria	Relevant Principles
Third Party Participation / Partnerships	<ul style="list-style-type: none"> <li>• Simple Energy is providing a turnkey ecommerce solution, customized to support products and services tailored as appropriate to meet RG&amp;E’s customer needs.</li> <li>• The Simple Energy/RG&amp;E partnership includes a shared revenue model to support a collaborative promotion of the Marketplace.</li> <li>• The Marketplace provides an access point for a series of select third-party product and service providers.</li> </ul>
New Utility Business Models	<ul style="list-style-type: none"> <li>• RG&amp;E will receive a share of the margin of all sales, referral or advertising profits from the Marketplace.</li> <li>• The Marketplace provides a structure for future growth initiatives, ranging from community-targeted sites to a platform for targeted non-wires alternative solutions to financed energy management, storage, and generation.</li> </ul>
Customer / Community Engagement	<ul style="list-style-type: none"> <li>• The Marketplace will be promoted to all RG&amp;E electric customers, with a multi-staged engagement plan beginning with campaigns focused on generating awareness of the Marketplace followed by more targeted dynamic marketing campaigns.</li> <li>• The entire customer path from engagement to purchase on the Marketplace can test which messages motivate customers.</li> <li>• The CEC demonstration project, which relies on strong community outreach, may also leverage the Marketplace as a distribution channel mechanism for gathering PV interest.</li> <li>• The demonstration project provides a more comprehensive solution for customers to engage in purchasing energy services.</li> </ul>
Identification of Economic Value	<ul style="list-style-type: none"> <li>• The Marketplace provides a business opportunity for Simple Energy as a partner in the demonstration project. In receiving a share of revenue, Simple Energy is incentivized to ensure availability of products/services, and to support additional marketing. RG&amp;E will also receive a share of revenue.</li> <li>• Third party product and service providers receive a streamlined path to market and a cost-effective customer acquisition channel for their DER offers.</li> <li>• Customers will have information and access to products/services that will help them manage their energy consumption and associated bills.</li> </ul>

Criteria (Cont.)	Relevant Principles
	<ul style="list-style-type: none"> <li>The foundation will be laid for a transactional relationship with customers that can provide a framework for future economic value, including cost avoidance/deferral, a clear path to market for DER providers, and new incentive models.</li> </ul>
Pricing and Rate Design	<ul style="list-style-type: none"> <li>While not in the immediate deployment phase, there is a potential for evolution of the offerings, including financing and integration into rate design (particularly through non-wires alternatives (NWAs) and/or Energy Smart Communities).</li> </ul>
Scalability	<ul style="list-style-type: none"> <li>The Marketplace is highly scalable in many ways, including expansion of products and services aimed to provide more robust grid and demand management assets.</li> <li>The Marketplace can be expanded and promoted to AVANGRID's ("AGR") entire customer base. (both inside and outside of New York)</li> <li>The Marketplace campaigns can be specifically targeted to communities or geo-targeted to support NWAs.</li> <li>The Marketplace can support and promote other programs, such as distribution-level demand response efforts as a distribution channel for product offerings.</li> <li>The Marketplace can support micro sites targeted to communities as envisioned in our Energy Smart Community proposal</li> </ul>
Market Rules and Standards	<ul style="list-style-type: none"> <li>An RG&amp;E-branded Marketplace will test the premise that customers have a desire to buy energy-related products from their utility.</li> <li>The Marketplace develops and tests a model for a utility to earn a share of revenue on the sale of third-party products and services to its customers.</li> <li>Current rules governing affiliate relationships may need to be extended to cover the Marketplace. Such rules are designed to not only protect ratepayers but also market participants from discriminatory practices and self-dealing with affiliated interests. As part of that process it may become necessary to assess whether modifications to existing standards are required to address REV-related matters. The Marketplace provides the environment to address this matter.</li> </ul>
System Benefits	<ul style="list-style-type: none"> <li>We envision that the Marketplace will be leveraged to support system efficiencies. For example, the demonstration project will be leveraged to promote distribution-level demand response with the sale of wifi-enabled thermostats, or could be used to geo-target efficiency programs with incentives at a circuit level covering investments such as distributed generation, storage, and demand management, which may serve to defer/avoid distribution infrastructure costs.</li> </ul>
Cost Effectiveness	<ul style="list-style-type: none"> <li>The Marketplace-generated revenues could offset portal costs.</li> </ul>
Timeframe	<ul style="list-style-type: none"> <li>Because the site is available and turnkey, the portal can be purchased and launched in the first half of 2016.</li> <li>RG&amp;E will have measurable outcomes within the demonstration timeframe, including share of sales, satisfaction measurements, etc.</li> </ul>

### 3. Market Attractiveness

#### a. Unique Value Proposition (from the following perspectives)

##### i. Participating Customer

All electric residential/small commercial customers in the RG&E service territory will be eligible to receive incentives in the Marketplace. Having a select list of energy products from a trusted source will support customers in making smarter decisions about energy-saving actions. RG&E and Simple Energy will utilize their customer knowledge and segmentation expertise to customize recommendations and incentives to engage customers. Consumers who opt to purchase items from the Marketplace should realize associated energy savings on their monthly bills, giving them timely program results.

##### ii. Partner / Third Parties

Simple Energy is our proposed partner. By partnering with us, Simple Energy will be able to leverage our customer relationship and customer information. The opportunity to drive more efficient energy product purchases and demonstrate a new model for market animation through third-party-utility-market participant interaction will be enhanced by customer contacts and customer information.

The proposed strategy contemplates a revenue sharing opportunity with a joint commitment to share marketing and communications efforts. We intend on paying the upfront setup cost. In addition, we will commit to a set volume of customer email contacts per year. Simple Energy will provide the platform, communication templates and campaign analysis to help drive more effective marketing and engagement results. Simple Energy will also fund and implement marketing campaigns. RG&E will match marketing dollars 1:1 with Simple Energy for targeted marketing campaigns. The revenue sharing percentage as negotiated will be in part based on a commitment of sending four marketing emails per month.

##### iii. Utility

The New York regulated utility affiliates, RG&E and New York State Electric & Gas (“NYSEG”) communicate with their customers more than 20 million times a year, spending more than \$30 million of customer provided funds each year on energy efficiency programs. Moreover, RG&E has strong brand recognition with its customers. This strong relationship with our customers provides an engagement platform to expand service offerings and energy solutions with the Marketplace.

We will enhance and expand our energy efficiency initiatives by promoting the Marketplace. The Marketplace will provide products and services that complement energy efficiency (EE) offerings and test opportunities for new efficiency initiatives, including market-based adoption of energy-saving products and services.

The Marketplace will allow us to establish a platform for a comprehensive set of energy-related experiences, thereby leveraging RG&E as a trusted energy advisor and solutions provider.

#### iv. System

The Marketplace has many potential applications, including serving as a platform for geo-targeted energy efficiency messages, and a distribution channel for efficiency and DR products and services that support non-wires alternatives. By driving direct and indirect market penetration of energy-saving and flexible demand management solutions, RG&E will establish a launch point for market-driven customer-side system solutions.

##### b. Customer Segmentation and Demographics

RG&E will promote the Marketplace to all electric residential and small commercial customers in the Rochester area (RG&E's service territory). Targeted messaging based on segmentation, demographics, interaction volume, buying propensity, and feedback will be leveraged and regularly iterated to maximize targeted value. For example, targeted marketing provides significant opportunities for low-income homes, which would directly benefit from the Marketplace's energy efficiency programs in the form of lower energy bills. In addition, the streamlined nature of the Marketplace's platform makes it easier for customers to access integrated energy solution.

The eligible population to receive incentives from the marketplace initially is all RG&E electric residential and small commercial customers with potential expansion to NYSEG's service territory. In targeting the marketing, it is critical to focus on those customers with a propensity to buy through the right channel at the right time.

A customer engagement strategy will include communications via mass market channels as well as email to generate awareness for the Marketplace. Targeted communications messages and programs directed at segmented customers will be implemented in Phase 2 of the project.

Targeting strategies will include one or more of the following with additional segmentation as the program evolves:

- Customers that have signed up for a digital connection (e-bill, MyAccount) with RG&E
- Higher energy consumers

Later targeting will focus on customers who have previously engaged in Energy Efficiency programs to provide additional incentivized offerings. As DL DR and NWA initiatives continue to evolve, Marketplace will leverage with those initiatives to further expand incentivized offerings and utilize the Marketplace as a distribution channel. Enhanced marketing will be provided through multiple sources and communication channels with utilization of additional data based on customer segmentation/usage.

Based on the final demonstration project assessment, we will explore expanding the service offering to the proposed Energy Smart Community in Ithaca/Tompkins County (NYSEG territory). The Marketplace will also be used as a distribution channel for demand response programs and to geo-target efficiency initiatives to defer/avoid a traditional infrastructure build-out.

### c. Channels

RG&E will leverage all of its marketing channels to promote the Marketplace, including bill inserts, efficiency programs, websites (efficiency and RG&E), and interactive voice response (IVR) email campaigns. Through our billing channel alone, we have 3.8 million contacts with customers a year. By using these channels for the Marketplace promotions, we can leverage its significant customer contacts and channels for little to no incremental cost. In addition, Simple Energy can promote the program through data-driven and targeted content, including via email campaigns, retargeting ads/emails (i.e., follow-up email or web advertisements to those that have looked at products), earned media opportunities, SEO/SEM advertisements, direct mail, and social media. The Simple Energy platform provides more touch points to gauge customer behavior and preferences, allowing RG&E and Simple Energy to provide better messaging to customers and increase efficiencies through data acquisition. The account-level data and usage density information allows for targeted campaigns to provide tailored communications, which allows the platform to connect the right customer to the right product, while enhancing the “pay-per-click” nature of the revenue model.

Table 2: Communication Channels and Customer Contacts promoting the Marketplace

Communication Channels	# of Customer Contacts
Promotional Emails	5,296,437
Pay Per Click Marketing	833,333
Call Center - Call Promotions	327,853
Bill Insert / Insert Marketing	1,014,900
Other touch points	1,000,000
<b>Total Contacts per Year</b>	<b>8,472,524</b>

### d. Ability to Scale

At initial launch, the Marketplace will be targeted to RG&E electric residential and small commercial customers. The Marketplace has significant potential to be expanded including:

1. Scale to all AVANGRID: The portal could be launched to all of AVANGRID’s New York customers (1.8 million). Involving regional service providers encourages scalable growth and potentially beyond to other AVANGRID operating companies.

2. Scale to the market: The portal can add additional products and services.
3. Revenue channels: The portal could support new advertising and fee-based revenue channels.
4. Service offerings: Enhancing products with ongoing service offerings (ranging from smaller scale service to storage, generation, electric vehicle (EV) infrastructure, and more).
5. DER optimization: Leveraging DR and non-wires alternatives (NWA) programs to connect customers and DER providers.
6. Community support: Development of micro-sites to specifically target and support a community in line with the Community initiatives.

## 4. Demonstration Plan

This section discusses metrics to assess the success of the Marketplace demonstration project, and includes a timeline on the project rollout, as well as key milestones.

### a. Metrics for Success (now and future)

Through collaboration with other New York utilities, we have identified four key metrics to be used to evaluate the success of the Marketplace demonstration project.

1. Actual to Forecasted Revenue: comparison of the actual revenues generated from the project to the forecasted revenues;
2. Spend to Date: total incremental expenditures by budget category.
3. Customer Awareness: measured by our ongoing customer satisfaction survey;
4. Customer Satisfaction: measured by our ongoing customer satisfaction survey;

### b. Timelines, Milestones and Data Collection

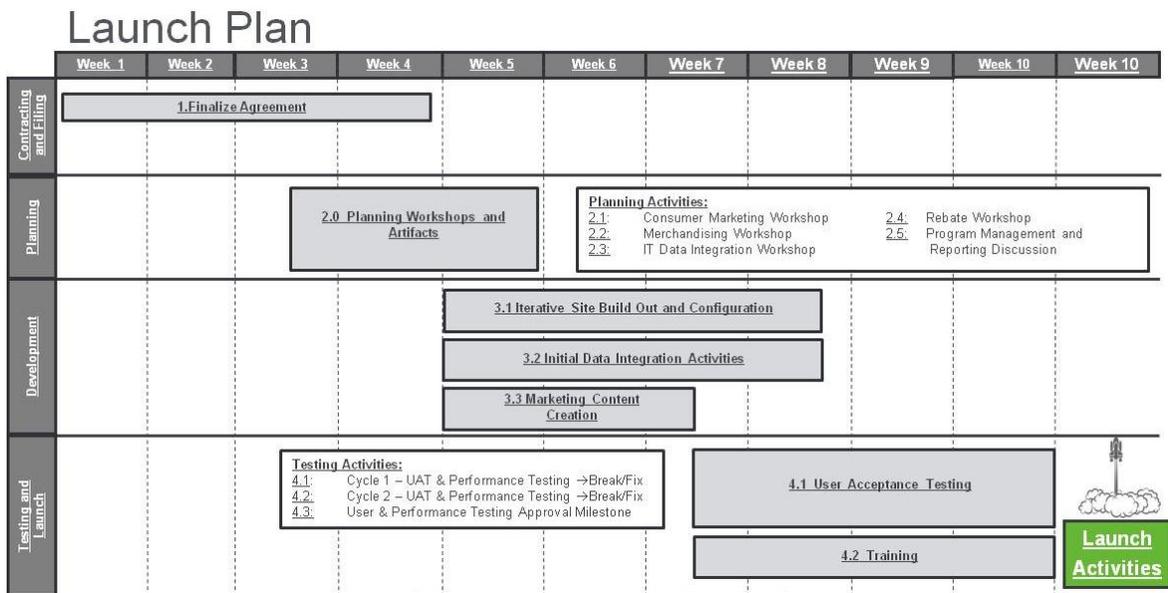
The Marketplace demonstration project will be implemented in key phases, as discussed further below.

1. Phase 0 – Program approval and implement commencement.
2. Phase 1 – Implementation Phase. Launch online marketplace with the first wave of incentivized offerings and market campaigns to residential and small commercial RG&E electricity customers.
3. Phase 2 – Add segmented marketing campaigns to target customers who previously participated in EE programs and/or customers with high usage or potentially system constrained areas. We will explore incorporating NWA and/or other EE/DR initiatives. Marketing sources, channels and targeting will continue to be tested.
4. Post Phase 2 Activities and Evaluation Phase. Based on Phase 2 results and final demonstration project report we will develop a strategy to potentially expand marketplace offerings to include targeted NYSEG customers.

Implementation Phase: The site is an existing ‘white-label’ site, and can be branded and launched rapidly. With project approval, the site could be launched within three months. After initial launch, the first wave of incentivized offerings will be sent to all RG&E electric and small commercial customers who have shared their email address with the Company. This first campaign will focus on generating awareness of the Marketplace and to begin driving traffic to the site. Later campaigns will be phased in to target customers that have already participated in EE programs and will leverage new EE initiatives. As NWA and DLDR initiatives evolve in 2016, we will develop targeted campaigns to leverage those programs and expand Marketplace offerings.

**Assessment:** Overall, the effectiveness of Marketplace will be tested based on the population of customers who visit the site. The tests will also ensure that a control group is established to provide a baseline for the test scenarios. Although the control group will receive general communication provided to all RG&E customers, the control group will not receive targeted communications, emails or incentives.

Figure 4: Energy Marketplace Launch Plan



Source: AVANGRID

i. Implementation Phase

Preliminary High-Level Marketing Campaign Plan:

A final project plan and marketing plan will be developed prior to project launch. Sample plans are shown in figures 5 and 6 below.

Figure 5: Energy Marketplace Preliminary Plan

Marketplace Project Plan	Month 1	Month 2	Month 3	Month 4	Month 5	Month 6
<b>Phase 0</b>						
<b>Planning Workshops and Artifacts</b>						
Program Design Workshop						
Customer Marketing Workshop						
Merchandising Workshops						
Reporting Workshop						
Final Review of Artifacts						
<b>Iterative Site Buildout and Configuration</b>						
Deploy Marketplace Infrastructure						
Configure Site to Configuration Worksheet Spec						
Add Site Content and Merchandise						
Configure Customer Support Platform						
Configure Retargeting and SEO Advertisements						
Configure Email Service						
<b>Marketplace Data Integration Activities</b>						
Integrate Customer Data						
Create Rebate Reconciliation Process						
Integration Testing and Shakeout and Launch Prep						
<b>Marketing Content Creation</b>						
Email Copy						
Paper Mailers						
Press Releases/Earned Media						
Bill Inserts/Onserts						
<b>User Acceptance Testing</b>						
Training						
<b>Phase 1</b>						
<b>Marketplace Launch (1st wave of products)</b>						
<b>Marketplace Marketing Plan Execution</b>						
Pre-launch Embargoed Press Release						
Execute marketing plan						
<b>Phase 2</b>						
Add 2nd wave of products and fixed fee services offering						
Add 3rd wave of products and additional services						

Marketplace targeted campaigns will first target all RG&E electric residential and small commercial customers who have shared email addresses with the Company. Later marketing campaigns will target customers who have previously participated in EE programs, and also leverage with DL DR and NWA initiatives as they evolve. Figure 6 illustrates a sample of each wave of marketing campaigns. This same model will be updated as the program evolves to include more specific product offerings and more specific marketing channels and targeting strategies.

A full marketing plan will be developed as part of the pre-launch plan, but it will be dynamic with quarterly program reviews to determine effectiveness. Messages, campaigns and promotions will be updated based on lessons learned from the preceding quarter.

Figure 6: Sample Marketing Campaign Matrix to be reviewed and updated prior to each phase of implementation.

First Wave Campaigns	All Residential and Small Commercial Customers - General Campaigns	NWAs - Efficiency and DR focus with platform for future opportunities	Distribution Level Demand Response	Energy Efficiency New Initiatives
<b>Descriptions</b>	General campaigns to all RGE customers Utilize all existing mass market channels for frequency messaging	Geo-targeted with incentives based on value of deferred projects	Incentives + tests based on envisioned DL DR program	Test customer receptiveness to new EE measures, incentives, cross promotions and distribution channels
	Targeted 1:1 messaging based on segmentation strategy	Geo targeted EE and DR initiatives to offset growth; targeted messaging	Market place will be used for the campaigns/channel for BYOT DL DR program	Marketplace will be used to test effectiveness of new EE measures, incentives and channels
<b>Goal Measurements</b>	Take rate , awareness	kwh/kw targets	Take rate/kw target	kwh, awareness, update against other channels
<b>Channels</b> Channels will be utilized in addition to leveraging existing mass market channels	1. Targeted email campaigns 2. Community Outreach 3. Paid Search 4. SEO 5. Social Ads 6. PR	1. Targeted email campaigns 2. Community Outreach 3. Paid Search 4. SEO 5. Social Ads 6. PR	1. Targeted email campaigns 2. Community Outreach 3. Paid Search 4. SEO 5. Social Ads 6. PR	1. Targeted email campaigns 2. Community Outreach 3. Paid Search 4. SEO 5. Social Ads 6. PR
<b>Products</b>	<ul style="list-style-type: none"> <li>• Nest Learning Thermostat + Honeywell &amp; Ecobee Smart Thermostat Models</li> <li>• Tesla Powerwall</li> <li>• SolarCity Service</li> <li>• EnergySage Service</li> </ul>	<ul style="list-style-type: none"> <li>• Nest Learning Thermostat + Honeywell &amp; Ecobee Smart Thermostat Models</li> <li>• Tesla Powerwall</li> <li>• SolarCity Service</li> <li>• EnergySage Service</li> </ul>	<ul style="list-style-type: none"> <li>• Nest Learning Thermostat + Honeywell &amp; Ecobee Smart Thermostat Models</li> <li>• Tesla Powerwall</li> <li>• HVAC Cycling Service</li> </ul>	<ul style="list-style-type: none"> <li>• Nest Learning Thermostat + Honeywell &amp; Ecobee Smart Thermostat Models</li> <li>• Ductless mini splits</li> <li>• Belkin Surge Protector Models</li> <li>• LED Bulbs (Techniart, Cree...)</li> <li>• Furnace / AC Upgrade Service</li> </ul>
<b>Customer Test Population</b>	Segment and targeted customer Ongoing campaigns continue to be more refined from initial launch Test approach phases could include: 1. test - target with geo location 2. test - target based on usage/payment history 3. test - online engagement level - data on customers previously targeted email metrics and/or customers who are ebill/online account	50k – customers on circuits Target customers by circuit/type utilizing customer segmentation data	Target customers by circuit Focused on residential customers May be overlap with NWA	Target customers may depend on the test but could include: 1. Segmenting by previous EE participation 2) targeted in parallel with EE program to test comparison channels

Figure 6 (con't): Sample Marketing Campaign Matrix to be reviewed and updated prior to each phase of implementation.

First Wave Campaigns	All Residential and Small Commercial Customers - General Campaigns	NWAs - Efficiency and DR focus with platform for future opportunities	Distribution Level Demand Response	Energy Efficiency New Initiatives
<b>Information used for Targeted Campaigns</b>	<p><b>Usage (AVANGRID)</b> - Used to target high users and change in usage for more transactional marketing</p> <p><b>Payment history (AVANGRID)</b> - Used to determine high users with higher incentive to change</p> <p><b>Address (AVANGRID)</b> - Location can be used to link with other data, such as house type, age, income level...</p> <p><b>Landlord revert flag (AVANGRID)</b> - Homeowners are more likely to make changes to their home and usage than tenants</p> <p><b>Ebill/epay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Auto pay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Email (AVANGRID)</b> – email address, engagement level</p> <p><b>Online account (AVANGRID)</b> – customers who have utility accounts are more likely to engage with utility programs</p> <p><b>Customer Propensity research:</b> research on demographics for customers more likely to be interested in EE (AVANGRID)</p> <p><b>Building characteristics (SE)</b> - Heating Cooling Type, Age of Building, Single/Multifamily</p>	<p><b>Usage (AVANGRID)</b> - Used to target high users and change in usage for more transactional marketing</p> <p><b>Payment history (AVANGRID)</b> - Used to determine high users with higher incentive to change</p> <p><b>Address (AVANGRID)</b> - Location can be used to link with other data, such as house type, age, income level...</p> <p><b>Landlord revert flag (AVANGRID)</b> - Homeowners are more likely to make changes to their home and usage than tenants</p> <p><b>Ebill/epay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Auto pay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Email (AVANGRID)</b> – email address, engagement level</p> <p><b>Online account (AVANGRID)</b> – customers who have utility accounts are more likely to engage with utility programs</p> <p><b>Customer Propensity research:</b> research on demographics for customers more likely to be interested in EE (AVANGRID)</p> <p><b>Building characteristics (SE)</b> - Heating Cooling Type, Age of Building, Single/Multifamily</p>	<p><b>Usage (AVANGRID)</b> - Used to target high users and change in usage for more transactional marketing</p> <p><b>Payment history (AVANGRID)</b> - Used to determine high users with higher incentive to change</p> <p><b>Address (AVANGRID)</b> - Location can be used to link with other data, such as house type, age, income level...</p> <p><b>Landlord revert flag (AVANGRID)</b> - Homeowners are more likely to make changes to their home and usage than tenants</p> <p><b>Ebill/epay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Auto pay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Email (AVANGRID)</b> – email address, engagement level</p> <p><b>Online account (AVANGRID)</b> – customers who have utility accounts are more likely to engage with utility programs</p> <p><b>Customer Propensity research:</b> research on demographics for customers more likely to be interested in EE (AVANGRID)</p> <p><b>Building characteristics (SE)</b> - Heating Cooling Type, Age of Building, Single/Multifamily</p>	<p><b>Usage (AVANGRID)</b> - Used to target high users and change in usage for more transactional marketing</p> <p><b>Payment history (AVANGRID)</b> - Used to determine high users with higher incentive to change</p> <p><b>Address (AVANGRID)</b> - Location can be used to link with other data, such as house type, age, income level...</p> <p><b>Landlord revert flag (AVANGRID)</b> - Homeowners are more likely to make changes to their home and usage than tenants</p> <p><b>Ebill/epay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Auto pay (AVANGRID)</b> - Customers who have already adopted a utility program</p> <p><b>Email (AVANGRID)</b> – email address, engagement level</p> <p><b>Online account (AVANGRID)</b> – customers who have utility accounts are more likely to engage with utility programs</p> <p><b>Customer Propensity research:</b> research on demographics for customers more likely to be interested in EE (AVANGRID)</p> <p><b>Building characteristics (SE)</b> - Heating Cooling Type, Age of Building, Single/Multifamily</p>
<b>Initial Campaign Launch</b>	Initial campaigns; immediately following marketplace go live	Filing 1Q16, Campaigns initiated 2Q16	Filing January 1Q16 Campaign 2Q16	Campaigns can begin within 1st quarter
<b>Measurement of success</b>	Depending on products: <ul style="list-style-type: none"> <li>• Number of products sold</li> <li>• Marketing funnel/Conversion metrics</li> </ul>	<ul style="list-style-type: none"> <li>• Number of products sold</li> <li>• Marketing funnel/Conversion metrics</li> <li>• Rebates redeemed</li> </ul>	<ul style="list-style-type: none"> <li>• Number of load control devices (thermostats, modulets) purchased</li> <li>• Number of rebates redeemed</li> <li>• Number of customers signed up for DL DR programs.</li> </ul>	Depending on products: <ul style="list-style-type: none"> <li>• Number of products sold</li> <li>• Marketing funnel/Conversion metrics</li> <li>• Comparison to other EE programs</li> </ul>
<b>Incentives</b>	Depending on products:  Sweepstakes / Contests Product Packaging	Depending on products: \$XX rebates / reduced price Sweepstakes / Contests Product Packaging	\$85 rebate May test different incentives	Depending on products: \$XX rebates / reduced price Sweepstakes / Contests Product Packaging

## ii. Evaluation Phase

Evaluation Phase: A key deliverable of the demonstration project will be an evaluation with specific recommendations that identify enhancements to Energy Marketplace. At scale, the Marketplace could be deployed to all of AVANGRID's customers and would be fully integrated into our website to support a seamless interface between customer's usage and billing information. We would also expect that as AMI meters would be deployed, interval data will increase the ability to provide targeted messages about products and services that may be most effective in managing customer's usage and engaging the customer on their energy. The demonstration recommendations will include lessons learned from the demonstration project as well as recommendations based on the market research and campaign analysis conducted during the demonstration project. The recommendations could include feedback on the following:

1. Approach to engaging market partners
2. Approach to engaging customers
3. Approach to products and services set(s)
4. Effective segmentation strategies
5. Future plans for the Marketplace's development, launch and promotion including the New York utilities' collaboration on lessons learned.
6. Integration recommendations

### c. Participation

#### i. Target Population, Sample Size, Control Group

The eligible population for the marketplace initially is the full RG&E service territory with potential expansion to NYSEG territory. In targeting marketing, it is critical to focus on those with a propensity to buy through the right channel at the right time. Initial targeting includes:

- Customers who have participated in EE programs
- Customers that have signed up for a digital connection (e-bill, MyAccount) with RG&E
- Higher energy consumers
- Customers in areas with complementary needs (e.g. DLM targets or infrastructure constraints)

Ongoing A/B testing across the Marketplace experience (marketing channels and on-platform), will support refining subject lines, imagery, messaging, and delivery cadence based on understanding of user behavior. This testing builds on a robust content library already developed by Simple Energy that will be reviewed and updated regularly as data demonstrates effectiveness of driving RG&E customers to the Marketplace and through the sales funnel to completing transactions.

Leveraging utility data helps to support targeting and effectiveness. By utilizing this data to inform segmentation and messaging, we can build upon a strong foundation for the Marketplace. Other third party data such as age of home, size of home, income or socioeconomic information, owner vs.

renter could be used to help shape targeting, messaging, and offers to be tailored to customer interests.

ii. Third-Party Partner(s) – specifics of agreement(s)

As our partner on the Marketplace, Simple Energy will be providing a fully branded Software as a Service (SaaS) platform including digital and outbound messaging capabilities. This includes product merchandising and information online with an integrated transactional capability including processing transactions and instant rebates. In addition, Simple Energy will provide product fulfillment for existing and new partners. Fulfillment includes drop shipping of the product or a referral/lead generation depending upon the product category (e.g. a smart thermostat is shipped to the customer; HVAC service is referred to the service provider).

Simple Energy also provides customer support in four ways:

- On-site chat functionality
- Email-based customer support
- Training for the RG&E call center
- Branded customer support line (direct dial and/or as Tier 2 to support RG&E call center)

iii. Utility Resources and Capabilities

Utility resources will include:

- Project lead and subject matter expert in portal development
- Subject matter expert and support from IT
- Subject matter expert and support from Marketing and market research
- Subject matter expert and support from Energy Efficiency Programs
- Subject matter expert and support from Customer Service

d. Customer Outreach / Community Engagement

With 3.8 million touch points from electricity bills alone, the Company has significant opportunity to leverage its existing marketing channels to all of its customers, and will build upon its existing deep relationships with community partners and providers.

i. Outreach to Affected Communities

The initiative will target all RG&E customers leveraging both existing and new communication channels. We have an established relationship with our customers and the Marketplace will expand the engagement with our customers.

ii. Motivating Customers / Communities

We will leverage our strong customer relationships and multiple communications channels to promote the Marketplace which will result in an expansion of our service offerings and energy solutions. The Marketplace provides information to help customers understand and manage their energy usage and it provides an efficient platform to connect distributed energy resources (DER) providers with potential customers.

e. Conditions / Barriers

A concern that has been expressed by some potential REV market participants relates to the possibility of unregulated utility affiliates (now or in the future) receiving preferential treatment in REV markets. RG&E currently operates under a detailed set of requirements governing affiliate relationships.<sup>3</sup> These rules which are designed to prevent discriminatory market behavior and self-dealing activities govern a wide variety of activities including:

- Communication by utility employees to customers regarding unregulated affiliates;
- Communications by unregulated affiliates to customers regarding regulated operations;
- The dissemination by the utility of customer information to other parties;
- The disclosure of utility information to affiliates;
- The provision and pricing of services by the utility to affiliates;
- The application of tariffs to affiliates and third parties;
- Cost allocations;
- Asset transfers; and
- Corporate governance.

While it appears that these requirements provide significant protections to ratepayers and companies competing with unregulated affiliates of AVANGRID, it may become necessary to slightly modify the rules in order to address new developments (the REV market structure and new market participants). For example, the rules might need to be extended to cover DER providers and the treatment of information exchanged on the Marketplace platform.

i. Market Rules and Standards

The Marketplace needs to have defined rules of engagement for vendors. The Marketplace landing page contains the Privacy Policy and Terms of Service including rules of conduct for the site. Utility affiliates will be subject to the affiliate relationship requirements noted above but should be able to compete on equal terms with third parties. During the initial launch, AVANGRID will not have any utility affiliates offering products or services on the Marketplace. As noted above, the rules will be

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<sup>3</sup> STANDARDS PERTAINING TO AFFILIATES AND THE PROVISION OF INFORMATION was approved by the Commission in Case 07-M-0906.

assessed and modified accordingly if an affiliate expressed interest in becoming a DER provider on the Marketplace

ii. Consumer Protections

RG&E will be able to advertise the Marketplace to all its customers in our service territory. The Marketplace communications will have a clear and simple way for consumers to opt out of future communications. All parties will agree to provide clear terms and conditions related to the Marketplace. RG&E will be subject to the affiliate relationship requirements noted above to prevent behavior favoring any unregulated affiliate.

iii. Channel or Market Challenges

At present, the average consumer rarely considers opportunities to engage or change their energy purchases. However, by deploying the Marketplace we hope to activate the next generation of “prosumers” and active energy consumers.

f. Third-Party Partner(s)

The following table includes the RG&E and Simple Energy designated activities and roles.

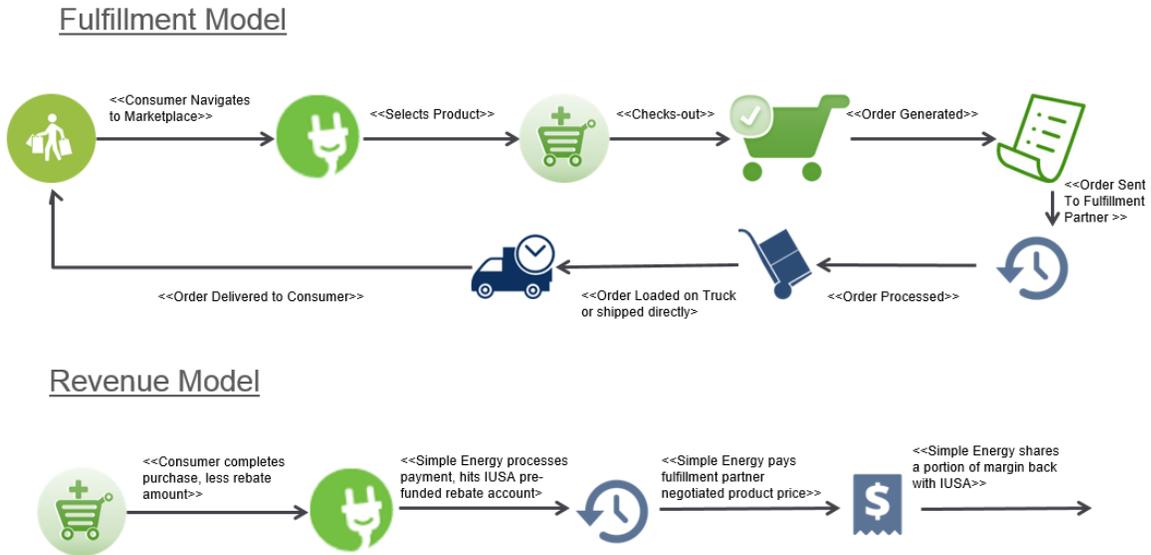
Table 3: Planning Activities and Roles

Phase	Category	Activity	Simple Energy	IUSA
Phase 0	Planning	Program Management and Design Workshop	Lead	Support
Phase 0	Planning	Create Project Charter	Lead	Support
Phase 0	Planning	Create Detailed Launch Plan	Shared	Shared
Phase 0	Planning	Create Ongoing Post-launch Roadmap	Shared	Shared
Phase 0	Planning	Create Training Materials	Lead	Support
Phase 0	Planning	Create Reporting Templates	Shared	Shared
Phase 0	Planning	Create Test Plan	Lead	Support
Phase 0	Planning	Planning Complete Milestone	Lead	Support
Phase 0	Merchandising	Conduct Merchandising Workshop	Lead	Support
Phase 0	Merchandising	Generate Product listing	Lead	Support
Phase 0	Site Buildout and Configuration	Deploy Site Infrastructure and Web Application	Lead	Support
Phase 0	Site Buildout and Configuration	Configure Site, Add Content and Products	Lead	Support
Phase 0	Site Buildout and Configuration	Configure Site Rebate Content and Process	Lead	Support
Phase 0	IT	IT Workshop	Lead	Support
Phase 0	IT	Develop Interface Agreement and Rebate Reconciliation Process	Lead	Support
Phase 0	IT	Provide Initial Launch Data feeds, if applicable	Support	Lead
Phase 0	IT	Consume Initial Launch Data feeds, if applicable	Lead	Support
Phase 0	Marketing	Marketing Workshop	Lead	Support
Phase 0	Marketing	Develop Marketing Strategy	Lead	Support
Phase 0	Marketing	Develop 90 Day Marketing Plan	Lead	Support
Phase 0	Launch	Execute Test Plan	Shared	Shared
Phase 0	Launch	Conduct Training Workshops with Customer Service	Lead	Support
Phase 0	Launch	Pre-launch activities	Shared	Shared
Phase 1	Launch	Execute Marketing Plan	Shared	Shared
Phase 1 / 2	Ongoing Program Execution	2016 Q1 Review - Review Program Success, Refine Marketing Plan and Roadmap	Shared	Shared
Phase 2	Ongoing Program Execution	2016 Q2 Review - Review Program Success, Refine Marketing Plan and Roadmap	Shared	Shared
Phase 2	Ongoing Program Execution	2016 Q3 Review - Review Program Success, Refine Marketing Plan and Roadmap	Shared	Shared
Phase 2	Ongoing Program Execution	2016 Q4 Review - Review Program Success, Refine Marketing Plan and Roadmap	Shared	Shared

## 5. Financial Elements / Revenue Model

The figure below shows the projected Marketplace fulfillment and transaction flows. Regarding fulfillment, customers navigate to the Marketplace website, and order energy savings products and services. The orders are then sent to fulfillment partners, who process the orders and deliver to customers.

Figure 6: Energy Marketplace Transaction Flow



Source: Simple Energy

Similarly, the revenue model begins with customers making purchases (less any applicable, approved rebates) on the Marketplace website. Simple Energy then processes payments and compensating fulfillment partners, and sharing a portion of revenue with RG&E.

The financial model assumptions include the following:

- The initial demonstration area is RG&E's service territory which has approximately 320,000 residential electric customers
- The model includes the proposed product offerings :
  - LED light bulbs
  - Refrigerator
  - Thermostat
  - Washer
  - Surge Protector
- The program will use five marketing channels to offer energy related products including emails, pay-per-click social media, bill inserts, call center referrals, other

a. New Utility Revenue Streams

i. Platform Services, including Pricing Strategies

The platform services revenue is based on products and services sold through the Marketplace. Simple Energy and RG&E will test incentives as well as a number of other elements, to determine the most effective means of getting customers to transact through the Marketplace.

b. Investments

i. Details and Timing of Spending

The costs for the Marketplace set up and launch will be incurred in the first half of 2016. The Marketplace is expected to launch by April 2016 with initial revenue being generated in the second quarter of 2016. The spending in the first year includes set up costs for Simple Energy, resource costs for the project team and incremental marketing costs for Marketplace promotion.

ii. Leveraging of Third Party Capital

The partnership with Simple Energy includes a revenue sharing provision. This shared revenue opportunity incentivizes both RG&E and Simple Energy to work collaboratively in marketing and promoting the Marketplace. The revenue sharing percentage as negotiated will be in part based on a commitment of sending four marketing emails per month.

c. Returns (ROI estimates, when self sustaining etc)

The model assumes that the Marketplace will be fully rolled out to include NYSEG in 2017. The NPV of Net Income for the time period (2016-2026) is initially estimated at \$3.2 million.

d. Cost Effectiveness

i. Benefits to Ratepayers, both Qualitative and Quantitative as Compared to the Cost

The model assumes the Marketplace will break even in the first full year of the program.

The Marketplace provides information to help customers understand and manage their energy usage and it provides an efficient platform to connect distributed energy resources (DER) providers with potential customers. The Marketplace also provides us more opportunities to develop targeted “micro” community sites to support community energy initiatives as well as a support platform to implement Energy Efficiency initiatives for Non-Wires Alternatives. It can become the foundation of a platform for future initiatives – including integration with other REV initiatives, Energy Smart Community, and creating a more efficient, animated market with engaged customers and robust market access for DER providers.

## **6. Reporting**

### **a. Information to be Included in Quarterly Reports to the Commission**

Quarterly reports to the Commission would include a status on project milestones, project spend actual to budget and the success metrics. In addition, quarterly reports will include lessons learned that may prove beneficial to inform stakeholders impacted by REV. These lessons learned, as well as the final metrics will also be summarized in the final evaluation report.

## **7. Conclusion**

RG&E's Energy Marketplace is an innovative business model to provide customers with more exposure to energy issues and more control over energy use, while also allowing utilities more opportunities to engage with customers. We will collaborate with Simple Energy on developing a select product/service offering to animate the market and meet customer needs.

We are prepared to offer a successful digital Marketplace to our customers, which will deliver a level of commercial results for us and offer market providers access to deliver products and services to our customers. The Marketplace will allow customers to browse, compare, and purchase energy-wise offerings online with point-of-sale rebate and incentive redemptions under a known, energy-related brand they trust.

The Marketplace provides an efficient platform to connect distributed energy resources (DER) providers with potential customers. In doing so, it will provide both a unique customer experience and a meaningful business opportunity for AVANGRID and its customers. Finally, the Marketplace helps REV meet its goals on consumer education relating to energy conservation issues.