



**SMART
ENERGY**
CONSUMER
COLLABORATIVE



2018 STATE OF THE CONSUMER

EXECUTIVE SUMMARY

Introduction

Broadly speaking, SECC's research seeks to better understand smart energy consumers—their perceptions, attitudes and needs—and then leverage this understanding to formulate actions that utilities and other energy service providers can take to better serve and engage with their customers. As in past years, SECC worked with its members to craft a research agenda for 2017 and then presented it during the annual Consumer Symposium in San Diego in January 2017.

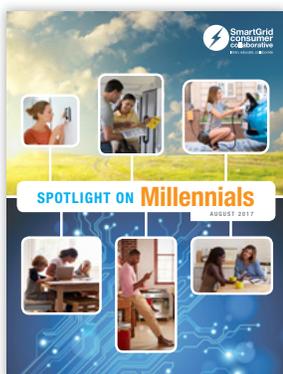
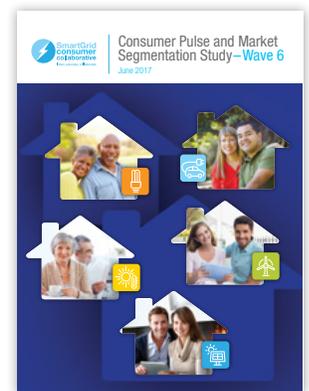
Our 2017 research agenda consisted of a mix of surveys and other primary research supplemented by additional research intended to further analyze data from SECC's previous studies. The agenda's cornerstone was conducting the sixth iteration of SECC's flagship *Consumer Pulse and Market Segmentation Study*, which involved surveying a nationally representative sample of consumers. We supplemented this survey research with two data-mining studies, each focused on an important group of energy consumers: Millennials and renters.

This *2018 State of the Consumer* report synthesizes the findings from the studies described below along with SECC's *Customer Engagement Success Stories* and insights gleaned from two additional third-party reports with relevance to industry stakeholders interested in consumer engagement. We invite your comments, questions and feedback on the insights and supporting findings contained in this report. SECC is committed to continuing to provide research and thought leadership that supports stakeholders in delivering the value of smart energy into the hands of consumers.

Study Overviews

Consumer Pulse and Market Segmentation Study—Wave 6

The *Consumer Pulse and Market Segmentation Study—Wave 6* updated the results from the previous Wave 5 study conducted in 2015. The study surveyed a nationally representative sample of 1,652 consumers from across the United States based on homeownership, age, household income and education and explored consumer awareness, knowledge, attitudes, perceived benefits and barriers around the adoption of smart energy-enabled programs and technologies. The Wave 6 study employed the market segmentation framework refined in the Wave 5 study, organized the segments based on level of consumer engagement, and then examined engagement patterns to focus on the market segments most relevant to SECC members.



Spotlight on Millennials

The *Spotlight on Millennials* research acknowledged the fact that Millennials are now the largest group of energy consumers in the country and that they often exhibit different expectations, attitudes and behaviors from prior generations. The research examined Millennials' attitudes, values and preferences for engaging in energy management activities and utility programs. The analysis leveraged data from three nationwide surveys SECC conducted in 2016: *The Empowered Consumer*, *Consumer Driven Technologies*, and *Customer Experience & Expectations*. Each of the surveys had at least 1,500 respondents that were representative of consumers in the United States.

Spotlight on Renters

SECC conducted the *Spotlight on Renters* research recognizing that more than a third of households in the United States currently rent rather than own their homes—the highest levels in about 50 years—and furthermore, this trend may be increasing. Many renters lack the authority or control to make energy-related investment decisions, and some renters feel that energy-savings programs do not fit their needs. The research examined renters' attitudes, values and engagement preferences, specifically in their energy management activities and utility programs. Like the *Spotlight on Millennials*, the *Spotlight on Renters* mined data from three national surveys SECC conducted in 2016.



Customer Engagement Success Stories

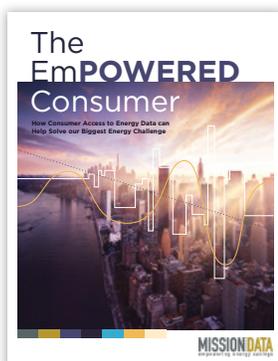
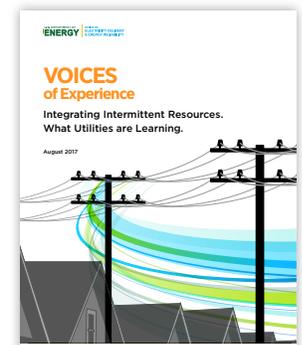
In addition to its survey research, in 2017 SECC also published four case studies illustrating how utilities and other smart energy stakeholders have effectively engaged consumers in the new energy world. Two of these case studies are featured in this report:

Georgia Power: Empowering Customers with a Prepaid Billing Solution ***Pacific Gas & Electric Company (PG&E): Business Best Rate Campaign: A Proactive Approach to Lowering Energy Costs for SMBs***

These case studies include lessons that can be applied by other stakeholders to improve the success of their own smart energy programs.

Voices of Experience: Integrating Intermittent Resources (DOE)

SECC staff, as industry experts, often participate in working groups and other initiatives related to smart energy that subsequently publish a report summarizing their activities. In July 2017 the Department of Energy's Office of Electricity Delivery and Energy Reliability published the *Voices of Experience: Integrating Intermittent Resources* report as a resource for utilities planning and preparing for increased penetration of customer-sited generation resources, particularly distributed solar. This DOE report documents the experiences, insights and lessons learned from a working group of utility representatives who are at the forefront of this trend. The findings from this report, though, are applicable to all utilities and other energy service providers and stakeholders in the midst of a transition to a smarter energy future.



The EmPOWERED Consumer (Mission:data)

The team at the Mission:data Coalition advocate for customer-friendly energy data access policies throughout the country to create benefits for consumers and enable an innovative, vibrant market for energy management services. The organization published *The EmPOWERED Consumer* report to showcase the experience of three states (California, Illinois and Texas) who are at the forefront of providing consumers with access to smart meter data and the benefits they are experiencing.

What We Have Learned: The State of the Consumer

The Smart Energy Consumer Collaborative (SECC) is dedicated to helping smart energy stakeholders develop a deeper understanding about how U.S. consumers think about and engage with smart energy, their energy providers and the various products and services this broader energy ecosystem enables. In 2017, we conducted research that can help stakeholders maximize the potential consumer benefit from the smart energy ecosystem.

Drawing from our studies, six key themes highlight the current state of the smart energy consumer:

THEME 1: Don't wait until they ask; start a conversation with your customers now

The industry is in the midst of tremendous change, both for energy providers and for consumers. Consumers' needs and wants are changing, and based on our research, we advocate that utilities and energy service providers get out front on the issues facing consumers through proactive outreach.

Furthermore, SECC's research suggests that consumers can be grouped according to three levels of engagement with their energy providers: Always Engaged, Selectively Engaged and Rarely Engaged. The Selectively Engaged group accounts for about 40% of consumers, and by addressing these consumers' concerns regarding, for example, the out-of-pocket costs of home energy efficiency investments with well-designed programs and offers, this group of consumers represents a rich target for further engagement with their energy providers.

THEME 2: Use an "all-of-the-above" channel strategy for education and outreach with your customers

SECC's 2017 research confirms the importance of having an effective social media strategy for communicating with consumers. However, our research also reveals that embracing a variety of communication channels (e.g., in person, telephone, social media, etc.) is equally important. For example, Millennials, who are an increasingly important group of consumers and who are now the most numerous generation in U.S. history, routinely use two or even three different communication channels when communication with their energy providers. Based on our analysis, we suggest that energy providers consider using a "combo" approach of using multiple channels for more effective outreach.

THEME 3: Start with the basics: help your customers understand their bills and payment options to build customer engagement

For many consumers, their energy bill is an amount owed accompanied by explanations that are, at best, difficult to understand. Thus, more consumer education should be an essential element of your outreach strategy, including helping consumers understand the energy basics of their bill and how their energy usage habits affect it. This is especially important for Millennials, many of whom are now establishing residences and perhaps becoming utility customers for the first time. Our research also suggests that promoting online billing and payment could be an effective gateway for further engagement with Millennials, renters and other Selectively Engaged consumers.

THEME 4: When it comes to managing their energy usage, consumers want to be in the driver's seat

SECC's research also reveals that consumers desire more understanding and control over their energy usage. The proliferation of smart meters, along with the development of software and hardware, provides energy consumers with convenient access to their energy use data and enables them to make informed decisions to help them manage their usage. Our surveys show that two-thirds of consumers are interested in real-time energy usage data and outage reporting, and we cite third-party research suggesting that with access to their energy data, consumers can reduce household energy use by 12% or more.

Prepaid billing programs represent another tool to help consumers manage and control their energy usage, and our surveys indicate high consumer interest in these programs, especially among Millennials. Georgia Power's experience with their prepaid billing program has been positive, and they report increased customer satisfaction among those enrolled. Both the Georgia Public Service Commission and Georgia Watch, the state's consumer advocates, support and endorse the program.

THEME 5: Customers want access to cleaner energy sources, and many, especially younger ones, are willing to pay a premium

Our research shows strong interest and support among consumers for increased access to renewable energy resources. Our surveys reveal that more than two-fifths of consumers say they are willing to pay an additional \$15 per month for access to clean energy resources such as solar, wind, geothermal and biomass. Solar resources, in particular, have widespread consumer appeal. Furthermore, our research shows that Millennials' interest and support for clean and renewable energy resources is even higher. Upwards of two-thirds of Millennials indicate a willingness to pay extra to support the integration of renewable energy resources into the grid to help reduce greenhouse gas emissions.

THEME 6: Programs that encourage shifting energy usage could be a win-win for consumers and providers

Based on our research this past year, programs that emphasize shifts in energy usage via changes in consumer behavior, such as peak-time rebates or peak-shifting programs, are appropriate for a broad range of consumers, including homeowners and renters, and many consumers find them appealing. Nearly 59% of consumers overall and 75% of Green Champions were either "probably interested" or "definitely interested" in participating in a program that rewarded them if they reduced their electricity use during peak periods.

Our research also reveals substantial consumer interest in smart internet-connected devices. More than half of consumers in general (and over 80% of Millennials) are interested in this energy-related technology. There is an opportunity for utilities and other energy providers to promote the purchase and use of smart appliances and less expensive connected devices as part of a comprehensive approach to helping consumers control their energy use during periods of peak demand. Moreover, we believe this combined approach of promoting peak rebate or shifting programs along with smart appliances and devices represents a win-win opportunity for consumers to reduce their energy usage and lower their bills and for energy providers to increase customer engagement and manage investment in distribution infrastructure.



Working for a consumer-friendly, consumer-safe smart grid

SECC's mission is to serve as a trusted source of information for industry stakeholders seeking a broad understanding of consumers' views about grid modernization, electricity delivery and energy usage, and for consumers seeking an understanding of the value and experience of a modern grid.

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