



RROIR MEO Blueprint | Executive Briefing

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Background

In July 2015, the California Public Utilities Commission [CPUC] mandated the state's three investor-owned utilities [IOUs] to transition residential electricity customers through a series of rate changes to a broad-scale default to time-of-use rates [TOU] in 2019. The move to TOU (electricity billed by how much is used *and* when it is used) is critical to California's future energy security. Statewide load shift and energy conservation are necessary to make rates more cost-based and ultimately to maintain long-term grid stability.

The Decision (D.15-07-001)¹ noted that marketing communication will be critical to gaining popular support and the desired behavior change needed across the state. To this end, the December 2015 Assigned Commissioner Ruling [ACR]² mandated the MEO Working Group to choose a consultant to develop an integrated marketing action plan, with the requisite metrics and mechanisms for coordination so that statewide and IOU efforts align, are effective, and are accountable.

Greenberg, Inc., an Emeryville-based research and strategy firm, was selected and completed the MEO Blueprint on August 19, 2016. The Blueprint represents Greenberg's recommendations based on collaboration with the CPUC, the IOUs and the MEO Working Group and is intended to be the primary input to the IOU MEO plans due on November 1, 2016.

What Is the MEO Blueprint?

The MEO Blueprint is an integrated set of strategies focused on making residential rate reform [RRR] and the transition to Default TOU a success. It outlines an interdependent set of actions to guide and align the CPUC, IOUs, and other market actors, so that their efforts achieve the desired outcome. There are three core strategies:

- **Marketing Strategy:** A strategic action plan and tactics to guide and align statewide and IOU MEO activities to build affinity, Default TOU retention, and customer energy management behavior change over time
- **Metrics and Measurement Strategy:** Goal and monitoring metrics based on strategic objectives, assigned to specific actors, articulated as measurement constructs with data collection approaches

1. Public Utilities Commission of the State of California. Decision on Residential Rate Reform for Pacific Gas and Electric Company, Southern California Edison Company, and San Diego Gas & Electric Company and Transition to Time-of-Use Rates (D.15-07-001), July 3, 2015.

2. Public Utilities Commission of the State of California. Assigned Commissioner and Administrative Law Judge's Ruling Requiring Utilities to Prepare Comprehensive Marketing, Education and Outreach, Metrics, Goals and Strategies for Residential Rate Reform (R.12-06-013), December 17, 2015: 6-7.



- **Alignment Strategy:** Principles for collaboration, governance, and operationalization that ensure MEO and measurement activities are synchronized, build momentum, and are sustained over time

The following pages provide an integrated overview of the requirements, strategy, and tactics of the MEO Blueprint.

Strategic Perspective

The MEO Blueprint is based on the professional view that only by prioritizing the customer experience will it be possible to gain positive acceptance of Default TOU and motivate sustained residential energy management behavior change over time.

To this end, the Blueprint sets forth a vision to rally and guide those executing and supporting RRR/TOU go-to-market³ [GTM] efforts: *“Vitalize every Californian’s relationship with electricity and the grid, in ways that better their lives and forever change their behavior, for the ongoing prosperity of our state.”*

To achieve the Vision, align MEO activities, and achieve the state’s tactical, energy-related goals, the CPUC and IOUs must re-orient their skills, processes, and organizations to a customer experience-centric approach for all go-to-market [GTM] activities.

Challenge, Solution, and Strategy

The true marketing challenge here is to motivate change in an unengaged customer who does not care about electricity. To succeed, we must overcome a four-part problem:

- Low customer engagement
- Default TOU won’t inspire customers to make sustained behavioral changes
- Currently mandated messaging (fact-heavy and not unique) does not connect with customers
- RRR/TOU are not reasons for customers to listen to messaging beyond immediate rate changes.

The solution is to use RRR, and specifically the transition to TOU, as an “event” to capture customer attention, and use that moment to build new relationships that transcend micro-events (e.g., rate changes) and the mechanics (e.g., rate education) of products and services being delivered.

In marketing terms, this means using TOU as the reason to talk with customers, and to change the conversation to focus on the personal benefits and value of electricity for the customer.

Hence, the core strategy is to *give customers something personally relevant to care about, then show them how to care*. The approach here is to prepare and prime residential customers for Default TOU by first using an emotion-based, statewide message, delivered by a non-IOU messenger that makes a personal connection between customers, electricity, and the grid. It does this by highlighting that electricity is the one thing that keeps them connected to the people and things they care about most.

³ https://en.wikipedia.org/wiki/Go_to_market



Based on qualitative research with residential customers, Greenberg recommends two customer experience pillars of the statewide message:

- Electricity – The “Lifeline” (A reason to listen and care)
- The Electric Grid – Be Thoughtful (Something real to care about)

These pillars provide a strategic foundation for shaping a sequenced, phased campaign as the customer experience evolves prior to and during default.

This statewide message will be delivered by a non-IOU entity. Key criteria for identifying this messenger include that it must be perceived as agnostic, without an agenda or mission-focused brand, while clearly holding the public interest. To support the statewide messenger, networks of the key actors (such as CBOs) will play an important supporting role in delivering the statewide message.

With respect to rate education, messaging that specifically refers to TOU rates will be delivered during the rollout of Default TOU, *after* the statewide message has prepared customers by creating a new relationship with electricity and the grid. This sequence is fundamental to this strategy.

Personalized educational material and messages will be sent to specific customer segments beginning 90 days before default. The specific messaging will depend on whether their predicted bill impacts are positive, neutral, negative, or extremely negative. Psychographics can be overlaid on these bill impact segments to increase the message’s effectiveness through greater customization and customization.

Key Tactics

Messaging: An emotionally-focused, statewide message must take priority to prepare residential customers for default TOU in 2019. This message will begin in Q2 2017. The statewide message won’t refer to TOU or rates per se, but instead will increase the customer’s perceived value and positive emotional connection with electricity and the grid.

As the statewide message evolves, it will sensitize customers to a new way of looking at electrical consumption – “when” matters as much as “how much.” This will prepare customers to receive specific, TOU rate-change, and bill-impact messaging from their IOU. This message structure and division of responsibilities will be critical to creating optimal customer experiences, and effectively deploying MEO assets and resources.

Marketing and Media: The GTM activities will target a reach of 85%–90%, and an effective frequency of 10+, to overcome low engagement and ensure needed levels of awareness and education, with *flighting*⁴ from mid-2017 to late-2019.

- The statewide message will utilize mass media (e.g., radio, TV, print, OOH, digital).
- The IOU GTM will predominantly use direct-marketing tactics (in-home, events, email, direct mail), plus the network of marketing partners (e.g., CBOs, local government).
- Marketing will focus on 90/60/30 days prior to Default TOU, with support-focused marketing for 90 days during the transition to TOU.

⁴ [https://en.wikipedia.org/wiki/Flighting_\(advertising\)](https://en.wikipedia.org/wiki/Flighting_(advertising))



Marketing Automation: IOU marketing operations (systems and teams) must be augmented to enable targeted and responsive marketing based on bill impacts, as well as to have the raw capacity to properly service customers. Most of the data to target and service customers exists today, but new data management and integration services will be required to effectively use the data to ensure an effective customer experience.

Metrics and Measurement

The Blueprint includes a measurement strategy that is tightly integrated with GTM activities. The role of metrics is to measure “outcomes” – progress against goals – and adapt with the market, and to inform campaign development and adaptation. All metrics are linked to specific actors, phases, and initiatives.

The strategy includes conducting longitudinal surveys of residential customers to measure the performance of the statewide and IOU messaging, beginning in Q1 2017. Overarching “Vision Metrics” will help determine progress over time. For example, a key Vision Metric agreed to by the Working Group, includes: *“What % of Californians feel a personal connection to electricity and feel strongly that it is important to be thoughtful about when and how much they use electricity?”*

Three core studies will monitor MEO performance over the short and long term (through 2020):

- Statewide “Market Movement” Surveys to measure the influence of various constructs and changes in attitudes and beliefs on load-shifting behaviors
- IOU-Specific Tracking to measure and monitor customer responses to rate-specific communications and customer awareness of resources that will facilitate behavior change
- Mobile-based Default “Pulse” Surveys to gain real-time feedback during the default period to monitor awareness and responses to TOU

All research will serve as embedded feedback to the campaigns in order to maintain positive customer experience by adapting to market progress in real time.

Key Requirements for the CPUC

The MEO Blueprint includes an “Alignment Strategy” – a set of collaboration, governance, and operationalization principles to ensure MEO and measurement activities are coordinated between stakeholders in the RRR proceeding, as well as to ensure coordination among the various CPUC proceedings that have electricity MEO components.

The Blueprint is based on the premise that the CPUC adopts and promotes a customer experience-first approach to all its MEO efforts (versus current operations, rate/education, and “mechanical” approach).

This requires the establishment of marketing, measurement, and integration competencies to lead and execute the MEO Blueprint. It is understood that these skills – as a coherent organization – do not exist within the CPUC today.

The Alignment Strategy proposes two organizations: a Customer Experience Leadership Team (CELT) and a Statewide Alignment and Coordination Team (SW ACT).



- The CELT team would be external, but fully dedicated to leading the statewide MEO (not IOU) efforts, and hold professional marketing competencies to lead the campaign and coordinate alignment across IOUs and proceedings.
- The SW ACT group would be within the Energy Division, made up of a group of multidisciplinary analysts. Its purpose is to ensure that proceedings across ED are designed and integrated with the customer experience in mind.

The Blueprint recommends that the CPUC sets strategic goals and clear customer experience expectations. This includes expectations that IOUs segment their customers and regionalize marketing, using market-specific insights, expertise, and resources in a manner that achieves their individual goals *as well as* the greater campaign goals. The CPUC must also guide the MEO Working Group and help develop metrics and contract for a metric surveyor and evaluator.

Key Requirements for the IOUs

The Blueprint requires the IOUs to upgrade their focus on the customer experience. IOUs must take responsibility for recasting the experiences they deliver and how they communicate with their customers to become much more value-based, personalized, and responsive (supported by marketing automation) in their approach. This will require strengthening the tools they use and refining how they use customer data to establish one-to-one customer rate messaging.

IOUs play a critical role as “credible messengers” to their customers on TOU rates and bill impacts of TOU during the rollout of Default TOU. IOUs must be prepared to provide consistent, expert advice on rates, rate impacts, and behavior changes to win and/or maintain their customers’ trust.

Divergence From Existing Mandates

The RRR Decision and ACR prioritize rate education and measurement of customer understanding of rates over preparing the customer for the best experience with Default TOU. The MEO Blueprint recommends that these priorities must be adjusted.

The Blueprint argues that the CPUC must lead the effective priming/preparing of the market with emotionally-focused messaging to elevate the personal value and benefit of electricity and the grid, as well as the importance of electricity management practices (how and when we use electricity).

- To do this, messaging will begin with an emotionally-focused, (customer value-based) statewide message, and then harmonize with IOUs to deliver rate-specific communications closer to the moment of default, when customers are primed to receive this communication.
- This approach prioritizes the customer experience to ensure customer receptivity to personalized rate information and rate impact education closer to the moment of default – from the IOUs.
- This approach will ease customers in to the transition to Default TOU rates and reduce the likelihood of “shocking” the marketplace. Ensuring a positive customer experience will have the greatest impact on customer acceptance of Rate Reform and TOU.

Opt-in TOU prior to default rollout is deprioritized, but not abolished. IOU messaging to encourage Opt-in TOU enrollment before 2019 is limited to those who would see significant annual bill savings on an



Opt-in TOU rate to establish goodwill. It will also focus communications and enrollment toward winners during the summer months to ensure that customers aren't enrolled during low-cost winter months and then see a higher than usual bill in the summer months, thus avoiding customers feeling deceived.

Budget Estimates

The MEO Blueprint provides preliminary estimates – cumulative for 2017–2019 – based on assumptions agreed upon with the Working Group. Should assumptions change, these budgets will change.

Broad estimates include:

- Mass media spend (statewide and IOUs): ~\$200 million
- Direct marketing costs (IOUs only): ~\$132 million
- Survey development and metrics evaluation (statewide and IOUs): ~\$4.2 million
- Personnel costs for oversight and coordination (statewide and IOUs): ~\$26 million
- IOU IT upgrades necessary for marketing automation are not included in these estimates.

A number of budgeting variables were not possible to establish without further input from the IOUs or agencies that will be engaged. Thus, marketing estimates exclude production costs and agencies fees, and mass media rates and costs do not include rates already negotiated. Potential cost savings will be achieved where and if aggregated media buying is possible. Additionally, incremental costs for the IOUs to overhaul marketing data systems are unknown at this time.

Summary and Next Steps

The MEO Blueprint is a multidimensional solution to a complex challenge – establishing the marketing, metrics, and alignment strategies to make RRR and the transition to Default TOU a success.

Since key factors that characterize the launch of Default TOU have yet to be defined, further work will be required on the MEO Blueprint to update the assumptions on which it is based, as well as key recommendations. In this way, the MEO Blueprint serves as a “living” document – a strategic framework to be revised to account for changes in policy, regulation, and most importantly, customer experience.