Dynamic Pricing: What You Need to Know and Lessons from the Field

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Industry Trends

Pacific Gas & Electric Introducing new Time-of-Use Rate in April

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Beyond TOU: Is more dynamic pricing the future of rate design?

Analysts say sending stronger price signals to residential ratepayers could help reduce peak demand, but consumer advocates are leery

Massachusetts approves new demand charge for Eversource's net metering customers

Data reveals real-time electricity pricing would help nearly all ComEd customers save money
Why Should Electric Utilities Tie Rates to Costs?

- Incentivize customers to behave in ways that **lower system cost**
- **Empower customers** to manage their energy bill
- Allocate costs fairly across customers
What is Price-Based Demand Response?

Charge customers more for actions that lead to higher cost to serve and less for actions that reduce cost to serve.
Dynamic Pricing Spectrum

- Flat price per kWh
- TOU + CPP
- RTP + Coincident Demand Charge + Fixed Charge

**Simple to Understand**

**Reflective of Cost**

**Arguments for Simplicity**
- If opt-in, must convince customers to sign up
- Overly complicated rates may backfire if customers don’t understand how to respond or become frustrated

**Arguments for Complexity**
- Drive action that actually lowers cost
- Give customers more mechanisms to manage bill
- Opt-out programs may allow for introduction of more complicated rate structures
Driving Customer Acceptance of Dynamic Pricing

Target the right customers
- Use meter data to ID customers most likely to benefit
- Segment customers to deliver most effective marketing messages

Provide appropriate coaching
- Deliver customized tips at the right times to help customers save money

Automate price response wherever possible
- Target thermostat, water heater, pool pump, or other connected loads
- Create flexible, dispatchable, predictable demand response resource
Benefits of Automation

Average increase in response = 90%

Source: Ryan Hledik, The Brattle Group
Why Now?

- Distributed Energy Resources
- Connected Loads
- AMI Proliferation
- Digitally Engaged Customers
Gulf Power Energy Select Program Objectives

• Reduce generation needs
• Better use existing capacity
• Enhance customer satisfaction and value
Energy Select Today

- Residential Service Variable Price
- WiFi-Enabled Tstat & LCRs
- Online Programming Portal
- Customer’s Secure WIFI Access

Residential Service Variable Pricing (RSVP) Rate
Percent of Annual Hours in Effect

- Lower prices 87% of the time
- 59% Medium Price
- 28% Low Price
- 12% Critical Price (Maximum)
- High Price
Program Stats

• Customers: 19,000+

• Per household reduction
  • Winter 2.4 kW
  • Summer 1.7 kW

• Customer Satisfaction
  • 95% Satisfied
  • 57% Extremely Satisfied
Success Factors

Engage Key Constituents → Make Participation Easy → Continuously Innovate
Staying Relevant

ES Maingate

ES Broadband

ES DirectLink
Staying Relevant
Staying Relevant

Energy Select Transactions

- Year
- Customers YE
- Enrollments
- Installs
- Removals
- CRSVP
- Net Additions
- Service Calls

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Summary

» Dynamic pricing is about aligning pricing structure with cost structure

» Benefits include:
  • Reduces system cost
  • Gives customer control
  • Ensures fairness in cost allocation

» Dynamic pricing toolbox is varied

» Engagement and automation help drive success
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