



Working Group 4: Customer and Community Participation

Meeting No. 3

May 15, 2018

MEETING SUMMARY

[Note: descriptions of comments and discussion are condensed summaries and paraphrases]

Agenda Item I: Introduction

Working Group Leader Marty Cohen welcomed participants and reiterated his description of the theme of WG4 as focused on examining the opportunities and challenges to customers and communities posed by emerging changes in technology, markets, social goals, customer behaviors and preferences that are moving in the direction of a different energy landscape. He described the three central and related areas of change focused on by the NextGrid study as the wide availability of granular data, the emergence of cost-effective DER, and the move toward electrification. He noted that the meeting would include four presentations – by Evan Wilson, Product Leader at retail supplier IGS Energy, Kevin Dick, President of the Delta Institute (a sustainable economy advocacy organization), Dave Kolata, Executive Director of the Citizens Utility Board, and Karen Lussion, Assistant Bureau Chief, Public Utilities Bureau, Illinois Attorney General’s Office. Cohen said this was the third of four scheduled meetings and a fifth meeting might be subsequently added to the agenda if there were a need for further information and discussion.

Agenda Item II: Participant Introductions

WG4 Members in attendance at the ICC an on the phone/Webex introduced themselves and identified organizations they represent.

Agenda Item III: Presentations

[Note: The following summaries of presentations are condensed and paraphrased. Presentation decks are available on the working group shared drive and will be publicly available on the commission NextGrid website. IGS requested that their presentation not be published or disseminated]

Presentation #1: “How Suppliers and Utilities Can Provide the Next Level Energy Experience,” presented by Evan Wilson, Product Leader at retail supplier IGS Energy.

In summary:

IGS Energy provides competitive energy products including natural gas and electricity to more than 1.5 million residential and commercial customers in the US, including in Illinois. The company is driven by responding to customer needs and what they are asking for. The best approach is to make the value of products and services clear, keep the products simple, and provide information so the customer can understand the benefits. To successfully engage customers, these product offerings should go beyond simply providing commodity energy products and include access to energy management tools such as smart thermostats, hot water tank controllers, and other efficiency products. Retention of customers requires a long-term focus on their concerns, and a well-rounded customer experience, not just a commodity sale.

Utilities and retail suppliers have complementary roles to play in delivering a “next level energy experience” to customers. Utility-driven elements should include real-time access to smart meter data, RTO settlement on true capacity and energy charges, and providing third-party access to rebate incentives and programs. Supplier-driven value includes methods to deliver insight to customers, offers that give customers understandable prices and more control over their usage and costs, including bundled offerings of products and services, and “white-glove” customer support.

Presentation #2: “LMI Digital Engagement,” presented by Kevin Dick, President, the Delta Institute. In summary:

LMI (Low and Moderate Income) utility customers can be defined as those households with annual income below 200% of the federal poverty level of \$24,300 (in 2014) or 80% of the median income, which in Illinois is \$60,960 (calculating to LMI ceiling defined as \$48,768). LMI customers have digital adoption rates that remain behind higher income households, but the gap has been shrinking. For example, smartphones are used by 64% of adults in households with less than \$30,000 income, as compared to 81% of households with income of \$30-100,000. The gap is greater for home computers (56% vs. 87%) and home broadband (53% vs. 80%), and a growing percentage of low-income consumers are smartphone-only internet users (data from Pew Research). This is a global trend, though US is below average in share of all internet usage that is mobile. Smartphone purchases have flattened in recent years as a saturation point is nearing.

Digital engagement is increasing, as evidenced by increasing time spent per average adult user with digital media, which is moving to mobile devices, reaching a total of 5.6 hours per day in 2016, with much of the increase coming from messaging apps (data from Kleiner Perkins). A conclusion is that LMI customers can be engaged through digital and social media, which has implications for energy engagement strategies and programs. And digital media can enable partnerships to enhance customer experience, such as, for example, we are beginning to see in the healthcare industry between doctors and patients, using apps and IoT devices like Fitbits.

We have seen trends in other industries that may foretell rapid changes in adoption of beneficial energy technologies, as evidence by increasing adoption speeds. For example, electricity (beginning in the late 19th century) took 46 years to reach 25% of US households, telephone took 35 years, television 26 years, cellphones 13 years, Internet seven years, and social media five years (Kleiner Perkins). While DER and smart technologies may not be as revolutionary as these, beneficial technologies can be very quickly adopted by customers, including by tomorrow’s LMI customers, though likely at a somewhat slower pace and level, and assuming barriers can be addressed.

Presentation #3: “Utility of the Future: Customer and Community Participation,” presented by David Kolata, Executive Director of the Citizens Utility Board.

In summary:

CUB is statutory advocate for Illinois consumers on utility matters. Key first question is assessing what consumers want: Low average bills, high reliability of service, clean power, easy access to information, and a range of beneficial energy options.

Will focus here first on transportation electrification, which is increasingly likely to become a mainstream choice, has both opportunities and challenges for all customers and utilities, implications for proactive regulatory policies. Penetration forecasts vary but Goldman Sachs sees 22% of the car market being electric by 2025 and Bloomberg analysis predicts 54% by 2040. For LMI consumers to benefit, it's crucial for the right policies to be implemented, and they should start with customer-focused principles.

The focus of regulation should start with optimizing charging pattern to improve system load shape, prevent peak demand increases, better integrate variable energy sources, and maximize grid value. With the right policies and programs in place, energy to charge EVs can be provided with little or no new infrastructure investment, thus spreading utility fixed costs over larger volumes and putting downward pressure on per unit delivery service prices.

Tools for managing charging include price signals and rate design, as well as smart charging programs. Dynamic and time-variant rates should be available from the utility. Optional hourly pricing can motivate EV owners to charge at lowest cost hours, and other Time of Use variants, including bundled service, can provide more predictability that may be more widely adopted.

The role of the utility should evolve to suit customer needs. One likely set of utility roles would involve coordinating, facilitating, and optimizing charging patterns to provide maximum value for all customers, whether or not they have an EV. Regulation should focus more on guaranteeing system benefits and advancing the public interest and less on "who owns what."

Competition has an important role to play but it must be effective competition that provides benefits to consumers, not just competition for the sake of competition. Unfortunately, we have seen the failure of customer choice in the retail energy market to provide customer value. According to reports of the ICC's Office of Retail Market Development, residential customers of alternative retail suppliers in aggregate have paid hundreds of millions of dollars more for electricity than had they stayed with utility supply service. And there have been ongoing instances of deceptive marketing investigated by the ICC and the Attorney General.

Automated responses to price and other signals has great potential for customer benefit, as do peer-to-peer transactive models eventually, and community energy models. Competition can play an important role when market forces are harnessed for the public interest and markets must be designed and overseen to enhance outcomes for customers.

Future regulatory models should be responsive to customer needs and attempt to align them with utility incentives. To that end, well-designed performance-based regulation may have a place, provided it includes clear metrics of public interest benefit and customer value, including bill savings, and leads us in the direction of a 100% clean energy future.

Presentation #4: "What Utility Customers Want and What the Law Demands" presented by Karen Lusson, Assistant Bureau Chief, Public Utilities Bureau, Illinois Attorney General's Office.

In summary:

The Public Utilities Act contains requirements for regulators to oversee utility rates to ensure they are affordable and available to all citizens. This is of primary importance in an era of substantial poverty. The Act contains a series of goals and objectives including efficiency and least cost reliable service at rates that accurately reflect costs of delivery and allow utilities to recover the total costs prudently and reasonably incurred. Utilities are regulated because they provide monopoly services. Electricity usage fluctuates due to weather and other factors but the trend is flat, with ICC statistics showing a 1.9% decrease in overall Illinois MWH usage over a period of six years ending in 2016 in which utility revenues increased. Higher costs are largely due to the Energy Infrastructure and Modernization Act (EIMA) which provided for \$3.25 billion in investments by ComEd and Ameren in reliability improvement and AMI, (aka smart grid) that have resulted in increases in utility rate base of 47% for Ameren and 54% for ComEd. These costs are recovered under EIMA through a formula rate mechanism, with varied effects in each year but an overall rising trend.

The most recent legislation to be approved was the Future Energy Jobs Act (FEJA), which contained many provisions including support for nuclear plant jobs, energy efficiency investment with opportunity for utility earnings, and support for solar expansion, including community solar. The result is that utilities have very little financial risk and affordability is not at the center of ratemaking objectives. Therefore, the Attorney General's office (AG) has attempted to maximize efficiency spending for the low-income consumers who most need it. The AG is skeptical that earnings on energy efficiency are needed to have successful programs and is concerned that targets may be understated to increase apparent savings.

With regard to solar expansion, the Illinois Power Agency and ICC must maintain protections of consumers. Suggestions for solar-specific consumer protections including disclosure, licensing, and marketing are contained in a report that will be made available to the working group. Another important issue is the treatment of customers who are in danger of disconnection from service and would be better able to maintain service if payment plans were more affordable and flexible, as 47% of residents in ComEd territory and 41% of residents in Ameren territory live at or below 80% of the average median income and subsidy programs are insufficient to meet their needs. These customers would also be helped by reduction or elimination of deposits.

The alternative supplier retail market has resulted in significant customer confusion and marketing abuses, in many cases targeting vulnerable populations such as low-income and seniors. The published offers on the ICC's Plug-In Illinois site show 78 of 88 prices to be higher than utility supply charge. According to the 2017 ICC Office of Retail Market Development report, residential RES customers paid an average of \$11/month more than the utility supply price-to-compare, a gap made larger by the PEA credit in eight months, totaling 1.45 cents/kWh in higher costs. Potential fixes to marketing abuse include prohibition on marketing to LIHEAP/PIPP customers and ending the Purchase of Receivables policy that eliminates collection risk from ARES.

Benefits exceeding costs should be a standard for utility investments, which should not include products available from other providers, such as microgrids. Utilities should be reducing costs as sales decline and should expect lower earnings. Regulators should not allow "learnings" at the expense of customers. NextGrid should not promote electrification. Time-variant rates should always be opt-in, not opt-out. Any changes in regulatory policy should be based on evidence in a contestable proceeding that observes all due process rights.

Agenda Item V: Discussion among presenters and members

The Working Group Leader asked the panelists to consider, during the break period, what they would recommend as the first or most important policy that would capture value for customers from the

changes underway in the electric industry involving the three areas of data availability, electrification, and DER proliferation. Discussion continued after break.

AG: one policy would be to have opt-in (not opt-out) dynamic and/or TOU rates, especially for EV users. Flat-rate customers should not be punished for not choosing TOU.

IGS: Customers should be incentivized to reduce usage at peak and acquire technology for their home; intermediary can monetize value of data to reduce costs; customers want immediate and observable results.

CUB: transition to more performance-based system from cost+ can create better utility incentives; utility earnings could be affected by metrics such as peak demand reduction, lower average bills, customer satisfaction, decarbonization and other goals; no reason to wait to implement new rate options.

Delta: Need to make sure data is available but not compromised and that utility pilots to test new technology are implemented, always with customer interests in mind; many pilots may not be needed because of already available data to analyze; Green Button functionality needs to be looked at because rules hinder sharing of data for analysis by third parties.

A wide-ranging discussion ensued about views expressed by presenters. Points made included:

- Push-back on PBR: it allows higher return to utility for just doing its job; regulators should be requiring high performance without additional incentives; PBR allowed by PUA and approved for gas industry had bad result; contrary view that well-designed electric PBR would look nothing like the gas experience; outcome-based earnings could benefit all sides; customers focused on bills more than rates.
- If utility has a goal to reduce peak demand, that should reduce need for infrastructure and lower costs, leading to lower rates; contrary view: grid costs don't decline with lower usage and must be spread over fewer kWh; should try to increase energy usage through managed electrification such as optimized EV charging.
- Dynamic pricing has little downside, with risks that can be managed in variety of ways; should be seen as opportunity for customer benefit, reduction of peaks, part of decarbonization strategy.
- Grid has enormous value and substantial defection is unlikely but policies shouldn't encourage it, because remaining (mostly small) customers would pay higher costs.
- Segmenting customers for using data to drive load shaping is useful; also could break down customer satisfaction metrics in different ways for better information on performance and response; utility brand is trusted because regulated.
- Opposition expressed to view that we should not have competition for competition's sake; we should be working to improve the Illinois competitive environment and address out-migration of residents; contrary view that this is beyond NextGrid scope.
- Should be cautious and strategic about pilots, which can be useful but should not duplicate others around country unless reason to believe Illinois results would be different.
- Focus for LMI customers usually has been on costs and payment, but digital divide issues may be very important as Delta has found; need to look at efforts elsewhere to close the divide;

technology gaps, particularly lack of high-speed internet is barrier; needs vary by household not just communities; telecommunications and perhaps telecom companies could be part of solutions.

- Social media are the primary avenue to interact with customers, not utility or government apps and sites; mainly use native smartphone apps.
- Latinos are very high users of smartphones; even low-income households make it a high priority expenditure; need to leverage the phone to link to customer experience; can reduce language barriers, use pictures, graphs for consumer education; some people may be illiterate but still learn to use smartphones; different bill payment options should be considered.
- Illinois has many challenges regarding taxes, fiscal issues, growth and others but we've experienced relatively lower electricity costs overall in recent decades and are ahead of most other states; we should build on what's worked here before introducing new rates and options, and change regulatory policy slowly and incrementally; should give ratemaking power back to ICC, which formula rates removed; contrary view expressed that progress may have been because of EIMA, not in spite of it, that big regulatory and structural changes have been legislative.
- Given the level of economic inequality, the central regulatory goal and effort should be directed at using new technology for system optimization that benefits all customers.
- Low-income issue is being studied and piloted around US; lots of info to draw on; New York has LI working group and California has series of laws and pilots looking at LI and community impact; plug loads (devices) are increasing and have greater impact, even as some loads (lighting) are shrinking due to efficiency; need market transformation and behavior transformation efforts to address; can also integrate incentives to avoid purchase barriers and link to other affordable tech

Agenda Item VI: Next Steps

Cohen stated that the next meeting originally scheduled for May 30 had been rescheduled for June 5, 1-3:30 at the ICC in Chicago. It would focus on the large commercial/industrial customer perspective as well as continue the community and LMI discussion. Another meeting may be scheduled subsequently for additional group input including specific policy, program and pilot ideas prior to beginning to draft the WG4 report.

The meeting was adjourned at 3:35 PM.