Case Study Interview: Reliant Energy—Bill Harmon

Prepared for the National Forum on the National Action Plan on Demand Response: Program Design and Implementation Working Group

AUTHOR:

Dan Delurey—Association for Demand Response and Smart Grid

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Case Study Interview: Reliant Energy—Bill Harmon was developed to fulfill part of the *Implementation Proposal for The National Action Plan on Demand Response*, a report to Congress jointly issued by the U.S. Department of Energy (DOE) and the Federal Energy Regulatory Commission (FERC) in June 2011. Part of that implementation proposal called for a "National Forum" on demand response to be conducted by DOE and FERC.

Given the rapid development of the demand response industry, DOE and FERC decided that a "virtual" project, convening state officials, industry representatives, members of a National Action Plan Coalition, and experts from research organizations to work together over a short, defined period to share ideas, examine barriers, and explore solutions for demand response to deliver its benefits, would be more effective than an in-person conference. Working groups were formed in the following four areas, with DOE funding to support their efforts, focusing on key demand response technical, programmatic, and policy issues:

1. Framework for evaluating the cost-effectiveness of demand response;
2. Measurement and verification for demand response resources;
3. Program design and implementation of demand response programs; and,
4. Assessment of analytical tools and methods for demand response.

Each working group has published either a final report or series of reports that summarizes its view of what remains to be done in their subject area. This document is one of those reports.

The Implementation Proposal, and the National Forum with its four working groups' reports, is part of a larger effort called the National Action Plan for Demand Response. The National Action Plan was issued by FERC in 2010 pursuant to section 529 of the Energy Independence and Security Act of 2007. The National Action Plan is an action plan for implementation, with roles for the private and public sectors, at the state, regional and local levels, and is designed to meet three objectives:

1. Identify requirements for technical assistance to States to allow them to maximize the amount of demand response resources that can be developed and deployed;
2. Design and identify requirements for implementation of a national communications program that includes broad-based customer education and support; and
3. Develop or identify analytical tools, information, model regulatory provisions, model contracts, and other support materials for use by customers, states, utilities, and demand response providers.

The content of this report does not imply an endorsement by the individuals or organizations that are participating in NAPDR Working Groups, or reflect the views, policies, or otherwise of the U.S. Federal government.

Case Study Interview: Reliant Energy—Bill Harmon was produced by Dan Delurey (Association for Demand Response and Smart Grid) for the Lawrence Berkeley National Laboratory, who is managing this work under a contract to the National Electricity Delivery Division of the U.S. Department of Energy's Office of Electricity Delivery and Energy Reliability under Contract No. DE-AC02-05CH11231.

FOR MORE INFORMATION

Regarding *Case Study Interview: Reliant Energy—Bill Harmon*, please contact:

Dan Delurey
Association of Demand Response and Smart Grid
E-mail: dan.delurey@demandresponsesmartgrid.org

Charles Goldman
Lawrence Berkeley National Laboratory
E-mail: CAGoldman@lbl.gov

Regarding the National Action Plan on Demand Response, visit:

http://www.ferc.gov/legal/staff-reports/06-17-10-demand-response.pdf

Regarding the Implementation Proposal for the National Action Plan for Demand Response, visit:

http://www.ferc.gov/industries/electric/indus-act/demand-response/dr-potential.asp

OR

http://energy.gov/oe/downloads/implementation-proposal-national-action-plan-demand-response-july-2011

Regarding the National Forum for the National Action Plan for Demand Response project, visit:

http://energy.gov/oe/national-forum-demand-response-what-remains-be-done-achieve-its-potential

or please contact:

Lawrence Mansueti
U.S. Department of Energy
E-mail: Lawrence.Mansueti@hq.doe.gov

David Kathan
Federal Energy Regulatory Commission
E-mail: David.Kathan@ferc.gov

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Acknowledgements

Case Study Interview: Reliant Energy—Bill Harmon is a product of the National Action Plan on Demand Response Program Design and Implementation Working Group.

The author received guidance and input from the Program Design and Implementation Working Group which comprises the following individual members:

Name	**Affiliation**
Aaron Breidenbaugh	EnerNOC
Alicia Collier	Honeywell
Anthony Abate	NYSERDA
Andy Campbell	Tendril
Bruce Campbell	Johnson Controls
Butch Massey	TVA
Chris King	eMeter
Chris Villarreal	CA PUC
Christine Wright	Texas PUC
Colin Smart	Con Edison
Dan Violette	Navigant
David Daer	Salt River Project
Frank Lacey	Comverge
George Karayannis	Lockheed Martin
Harlan Coomes	SMUD
Heather Sanders	CAISO
Jim Gallagher	NYISO
Jim Greer	Oncor
Jim Parks	SMUD
Jordan Doria	Ingersoll Rand
Kenny Mercado	Centerpoint
Larry Oliva	SCE
Larry Plumb	Verizon
Laura Manz	Viridity
Louis Szablya	Energate
Matt Johnson	EnergyHub
Nick Braden	APPA
Paul Wattles	ERCOT
Phil Cleveland	Duke Energy
Phil Davis	Schneider Electric
Rick Voytas	Ameren

Stacia Harper	Ohio Partners for Affordable Energy
Steve Cowell	Conservation Services Group
Steve Nadel	ACEEE
Steve Sunderhauf	Pepco
Susan Covino	PJM
Toby Sellier	APPA
Ward Lenz	North Carolina Energy Office
Wayne Harbaugh	BGE

Introduction

The Program Design and Implementation Working Group acknowledges the significant level of experience and knowledge about design of demand response programs and products that exists throughout the electric industry, but recognizes that this information is diffuse and has not been captured in a way to allow best practices and lessons learned to be identified. Thus this Working Group has focused on interviewing and gathering information from DR practitioners and presenting it in a way as to allow others in the industry to learn from what has already been experienced.

This report contains a transcript for one in a series of live interviews conducted by Dan Delurey (Association for Demand Response and Smart Grid) with a number of demand response practitioners from both the retail and wholesale side of the industry. This interview with Bill Harmon, Vice President for Residential Marketing and Product Development at Reliant Energy, was conducted on September 12, 2012.

To date, transcripts for the following interviews are available:

Name	**Affiliation**
Col Smart	Con Edison
David Eggart	Gulf Power
Pete Langbein	PJM
Bob Donaldson	Progress Energy Carolinas
Bill Harmon	Reliant Energy
Paul Kasick	Southern California Edison

These "case study interviews" focus on identifying and capturing lessons learned from current demand response programs. The interviews were conducted via private webinar with the interviewee. In addition to this document, the interviews are available as webinar recordings, transcripts and downloadable PowerPoint presentations on the ADS website: http://www.demandresponsesmartgrid.org/CaseStudyInterviews.

Interview: Bill Harmon of Reliant Energy

Dan Delurey: Today we're going to be talking with Bill Harman who's Vice President, Residential Marketing and Product Development for Reliant. He's going to talk to us about a time-based pricing program.

Bill—First of all, welcome. Before you talk about your program, let me ask you to give a little context on Reliant and the state of Texas where you're operating this program. I think some people that have been in the electric utility industry for some time may still think of Reliant as a regulated utility in Texas, and they may think of Texas as a regulated state. But that's not the case is it? Why don't you just give us a little bit of background and then we'll turn to talking about the program.

Bill Harmon: Absolutely. Thanks Dan, again for inviting us to share our experiences and lessons learned on time-of-use rate plans. Texas is, indeed, a bit different than other parts of the country, and therefore Reliant is different than other utilities. In the late 90s, Texas Senate Bill 7 was passed which essentially created a restructured market here in Texas which went into full effect in January of 2002. It essentially split what was once an integrated utility or different integrated utilities throughout the state of Texas into three different operating entities. One of those parts is the generation company. The second part is the poles and wires company, or the transmission and distribution aspect of the electricity business. And the third is the retail aspect, the customer facing aspect. Those three aspects of our business were divided into different operating entities out there. In the state of Texas, specifically within the ERCOT market which covers the majority of Texas, we now are operating under that structure and have been for nearly 10 years now.

Reliant is one of about 50 competitive retailers that are that third component, the retail consumer facing aspect of the business. We operate in five different utility districts throughout the state of Texas. Those five different utilities that I refer to are defined by the footprint of the poles and wires companies, and regardless of which of the 50 competitive resellers that a residential or commercial business might choose, the delivery of that electricity is handled through one of those five geographically based transmission and distribution companies.

Reliant was an incumbent when the market opened so we were granted 100% of the Houston market, if you will, while other parts of Texas had a similar situation where the incumbent in that area was initially granted the entire market. Over the last 10 years we have all competed, and naturally we have lost some of our market share here in Houston while we gained it outside of Houston in some of those other four distribution markets.

That is the situation that we are in from a competitive retailing standpoint. The one thing I will share that's a little unique about the competitive market in Texas that you might find different than some areas of the northeast or the Midwest, is that in Texas the retailers, or Reliant as an example, fully own the relationship with the customer. We are responsible for billing, managing payments, and customer service. We also bill customers for the transmission and distribution charges. The only time the customer in Texas interacts with the transmission and distribution company would be when there's an outage, and that would be the time they might call them to report an outage or report issues with the wires, meters, or other aspect of the distribution infrastructure.

The last thing I'll share with you on how the market is structured here would be around the Smart Grid here in Texas. It was implemented with a standard set of rules and interactions that work across all five transmission and distribution markets. What that means to us as a retailer is, I effectively only have to implement one set of rules, systems, and policies across the state of Texas, and I can be relatively assured that whether I'm serving a customer in Houston or Dallas, that even have different smart meter manufacturers, that the same set of functionality and rules exist between those. I'm essentially…I'm agnostic, really, to what market I serve a customer in. Naturally that creates for us as a retailer, and ultimately to the customer, the ability to serve our customers very efficiently and provide Smart Grid enabled programs across the competitive regions of the entire state. Right now in Texas just about the entire state, or at least the entire ERCOT market, has smart meters rolled out. We're sitting somewhere between 85 and 90% of all residential consumers, and commercial businesses as well, operating with a Smart meter today that is provisioned to an AMI network.

Dan Delurey: That's quite a story when you compare it to most other states, if not all other states in terms of what they're doing. When you're going to tell us about in a minute is a time-based pricing plan, something we focus a lot on in our work at ADS. But a lot of the activity on time-based pricing is where it is added as a rate offer within the utility's portfolio that they offer to their captive customers. If I understood what you just said, these are not captive customers and you're using these types of offerings in a competitive sense. Why don't you tell us more about the program that you've chosen to talk to us about today?

Bill Harmon: Absolutely, and you brought up a very important point that we don't have captive customers. They can choose among those 50 providers. They can literally, as a result of some new rules in the last several months, switch to a new provider the same day. They can call another competitor today and say "I want to leave Reliant." This is my worst case scenario, and by the end of that day, with smart meter implementation, they are now flowing under the other provider. The switching ability has become extremely efficient.

Our program, we refer to as the Reliant eSense Program. eSense is actually our branded name for a suite of Smart Grid enabled products and services. We're going to talk about one of those today, but I'll share that eSense is a bit broader than just our time-of-use rate plans. We think of eSense being that full suite of insight services that we provide to customers that share with customers their interval level data that we are getting back from those smart meters now (e.g. Sharing with customers insightful information about when they're using and what they're using, and how that compares to peers, setting alerts up so they can be alerted if their projected bill amount exceeds a pre-defined amount that they established). There is a full suite of insight services that sit in the eSense product category for Reliant.

Then there's a suite of choices, and that's really what we're going to talk about today, such as the time-of-use rate plan, so the customer can choose from the best rate plan for their situation and needs. The last one we won't talk about today, but just to round out eSense at Reliant, there's a set of what we'll call convenience options for customers. These include products like learning thermostats, programmable thermostats, tools that a customer can arguably set and forget, and will be either shifting or reducing usage or at least giving them the ability to do that without having to spend a lot of time thinking or analyzing.

Our eSense time-of-use program began with a traditional time-of-use rate plan. It has two different tiers of pricing during the off-season and three different tiers during the summer season. We have since added a simple and more customer friendly version of a time-of-use rate plan, which is a nights and weekends rate plan that essentially provides a discount off a standard flat rate to customers for any usage from 8pm to 8am and on the weekends. We complement both of these time-of-use rate plans with those insights services that educate customers on when they personally use electricity. We provide those insights through different channels, but the primary channel is through a weekly email that details their usage and costs.. This service is currently focused on our residential consumers. We've had fantastic success with our Time of Use rate plans and the Weekly Summary Email so far. We're setting new records every month in terms of the number of customers enrolled on them.

Dan Delurey: In terms of how the program got started, and what the driver was for the program… I guess I already feel like I know the answer to that, which is customer acquisition and retention. Was there more to it than that?

Bill Harmon: Yeah. You hit the nail on the head, Dan. That's exactly what our primary driver was. In Texas we've got to find ways for retailers—there's 50 of us—to differentiate our products and services. Ultimately we're selling a commodity. The electricity coming out of the wall in a consumers home is exactly the same whether you choose Reliant or someone else. We seek to differentiate ourselves to consumers in a lot of ways, but one of the ways is innovative products and services that allow us to be trusted advocate or advisor to consumers. Time-of-use rate plans really were an answer to that question, or one of the answers to that question in terms of providing consumers the ability to understand their usage and to save by getting on a rate plan that really works for them. That's our driver.

When I think about how we measure the success of this program, it is primarily measured by consumer adoption and retentive benefits of this plan vs. others.

Dan Delurey: Now, I know there have been, and there are, time-based-pricing examples in the regulated utility industry. Were you able to glean anything from those, or did you find yourself for your purposes having to sort of start from scratch?

Bill Harmon: We started with the same concept, but learned that what works in a regulated market may not work as well for us here. The thing that really showed up for us with our initial offering is that customers were fearful of higher priced peak tiers because they didn't know how much they currently used during those period. They have a lot of options in the market, and even a lot of options with Reliant, so when they saw—I'm going to make this up to be representative—a $0.23 price during that peak tier, even if we communicated to them that 3% of their annual usage might be during that peak period, they were deterred from it because they have so many options. Why should they give that a try? That really was an initial challenge for us. We ended up doing a lot of research on what pricing tiers and what kind of pricing spreads would generate enough comfort and enough interest with customers, while also creating some usage shifting, which is beneficial to us. It's a secondary benefit behind the acquisition and retentive benefit.

I think that's one of the key ways that that we learned a little bit from what had been done in other markets. We really had to reinvent what works here in Texas.

Dan Delurey: Now were you, in the competitive market there, the first one out of the gate to offer this and were sort of standing out there alone and therefore you looked different and fearful as you just described? Or was everyone in the market sort of realizing that these were products that could be offered?

Bill Harmon: I think folks that are in our industry certainly understood that these were products that could be offered. I don't think consumers understood that. I'm not sure that there's broad understanding of that concept today, years into the program across the mass market. We were the first, but we were followed fairly closely by a couple of our competitors with a similar time-of-use product. Even as we sit here today, there are only, out of the 50, only three of us that I'm aware of that have a time-of-use rate plan in the market today. To date, I think Reliant has spent the most and put the most effort into creating consumer awareness and enrolling customers.

Dan Delurey: What about the internal development process? Any lessons learned in how you designed and developed it internally?

Bill Harmon: There were definitely a few things that we learned as we went through development. The one thing I'll share that's a little unique about Reliant is we have, at any given time, roughly 20 different products, rate plans if you will, in the market available to residential consumers. We have a competency that we have been forced to build around building new rates and plans. One thing that might be a little bit different for us is we build "products", and as a result we have a product development team. We also have a consumer research team. These teams are used to rolling out a minimum of two to three new rate plans a year. That's a little bit unique to Reliant and competitive markets.

It wasn't terribly scary for us to think about implementing a new rate plan and going through that development. But this one had some complexity to it in terms of basing the rates on time. We learned along the way. I think one of the key lessons learned along the way as we implemented it was dealing with interval level data, specifically dealing with the exceptions that come through. I think we all wanted to start with this belief that every single interval for every single home would have a well-qualified usage figure, and that we could grab that data and bill based on that. What we learned is that like any technology, that's not practical. There is a subset of what "poor reads" that you get through the process, so it really requires you to think through all of the exceptions, and input a error handling so that when we get that interval level data today, we "VEE" that data, which is where we go through and validate checking for errors and exceptions. We're looking for crazy outliers in there that we know just can't be right. You know, a home that normally uses 5 kW in an hour and if we see it use 500 we know something's wrong, and we're going to take that interval and we're going to throw it away and replace it with an average.

Those are some of the things we tripped across, and I think it wasn't that we were blind to the fact that there would be exceptions. I think we learned that there were more exceptions and there was more error handling required than we initially anticipated, and we really had to build a robust process around validating the data before we billed the customer for it, and left them with a bill that they're asking, "What in the heck is going on with this new rate plan?"

Dan Delurey: Yeah, that's very interesting. You already talked about the fact that there's such wide deployment of smart meters in Texas, but what else was necessary for you to have, or else for the utilities to have, in order for you to do this?

Bill Harmon: It is unique here in that we don't own the poles and the wires, or the meters. The first thing that naturally is required would be that whether it's a regulated utility that might be considering this or in a competitive market like Texas that the AMI infrastructure has to be in place. Additionally, you have to ensure that, once it's in place, you have a way to process and manage that data. That was a bit of a lesson learned for us as well. We spent a fair bit of time evaluating how we would manage the volume of data. Just to get a sense for that, with our…I'm going to make it up…about one and a half million customers that we serve today, in the old world…we've all heard these numbers…but in the old world you get one meter read a month, so I've got one and a half million data points a month. I was giving a presentation a couple of days ago to our team and we did some quick calculations. For the month of August we collected 4.1 billion data points of usage for that same customer base.

We've all heard it before, but the reality is you've really got to spend some time thinking about how you will manage that data. One of the lessons learned, or at least one of the things I think we did fairly well was instead of just buying a meter data management system, an MDMS system from a vendor, we really spent time deeply understanding what our requirements were. What did we need? What we ended up choosing, and it's not right for everybody, but for Reliant we ended up choosing not to buy a package from one of those vendors. It wasn't that the packages weren't good…there are many MDMS packages out there that are fantastic. What we found was we only needed a portion of the functionality. It just didn't make sense for us to spend all of that money when we only needed a portion of it. That took a little bit of pushing internally to really understand and say, "No, no, we want to build versus buy."

An MDMS system, to answer your question, is one of the key requirements to put a plan like this in place.

Dan Delurey: Let me ask you to differentiate between all your other offers with customers, the ones that are not time-based and the ones that are time-based, and did you require any special technology to add on this time-based offering?

Bill Harmon: Yes. The specific technologies that we required would be the MDMS system to manage the data, and also some complex billing capabilities. Within a utility's billing system, or within a retail provider or electricity provider's billing system, clearly it has to have the ability to handle and process that interval level data and bill based on that. Outside of just managing and having the data in the MDMS, the billing system has to be able to properly process that data.

The last thing that we had to build as well from a technology standpoint was the email distribution systems, to support the weekly email to communicate with customers about when and what they're using. That's not necessarily required for the rate plan to operate, but we believe it absolutely is required to truly engage and enroll customers in what they use, and when they use and why a time-reduced rate plan might make sense for them.

Dan Delurey: Let's return to talking about promotion and marketing. You talked about that briefly earlier on, and you mentioned that you did a lot of research up front to presumably get a feel for which customers might be most receptive to this offer?

Bill Harmon: We did. We've got a group that does a lot of research every year to try to make sure we're up to speed on the emerging energy customer, and what their needs and interests are. Naturally we did some research on time-based rate plans to understand what the interests were. We found there was a segment of customers that were interested. There were others that said, "I want simple," and weren't interested in a more complex rate structure but there were many were driven by the opportunity to save. We started with that research that really was the gating criteria for us to begin pursuing building the product and then marketing it.

Dan Delurey: So you initially cast a wide net, and then tried to look for people to sort themselves out based on certain offerings?

Bill Harmon: Yeah. Initially when we started the program the smart meter deployments were actually pretty small. If I were to rewind to about three years ago when we started the plan, we might have had…

Dan Delurey: I see, so you started this before all the meters were deployed?

Bill Harmon: Oh, yeah. When we started our eSense program and this rate plan, 10-15% of the market had smart meters. As we grew the product offering and expanded it into other variations the eligible market was growing at the same time to arrive where we're at today, where most of the market has a smart meter and is eligible for the plan.

Dan Delurey: Now is this a case of where you were promoting the eSense separately or were you promoting Reliant as a company as providing service and eSense was one of the options?

Bill Harmon: Yeah. Great question. I think the answer's evolved over time. In the beginning it was a test. We carved off segments of our customer base and marketed to them the time-of-use rate plan versus what we would have otherwise marketed to them with. That would have been both on the acquisition side, marketing to people who are not our customers, but also on the retention side to the extent customers were coming up on the end of their term, and we would market to them to renew. We chose a segment of customers and marketed the time-of-use rate plan testing customer adoption rates. We could also test the retentive stickiness, if you will, of this plan versus other plans. We started on a test & control basis. We've evolved quite a bit such that last summer we actually marketed our nights and weekends plan in mass media.

When you talked about the branding of Reliant and what we want to stand for, we transitioned really last summer such that our nights and weekend plan is our premier offer. It's the offer we're talking about in mass media. For the movie fans out there, Matthew McConaughey is our spokesperson, so you can imagine when we have commercials with Matthew McConaughey backing our plans and talking about what's unique and different about these rates plans in TV and radio and billboards. Really we've evolved from it just being a test to being a pillar of what Reliant stands for.

Dan Delurey: I've not seen the ads you're talking about, but I sense you're talking about what I might call the "real thing"…Class A advertising, big budget advertising to really try and make an impression on people?

Bill Harmon: Absolutely. Like I said, we're hitting every aspect of the channels that we often think about in marketing. You literally have TV advertisements, we have radio, we have, I mentioned billboards and other outdoor advertisements. We have direct mail campaigns going out. In Texas the market's competitive, and being able to differentiate yourself with these kinds of products is meaningful. We would be proud to be thought of as running a Class A marketing campaign that's standing behind the Smart Grid and time-of-use as a premier offering.

Dan Delurey: In looking back was there something that didn't work? You tried it but it just wasn't the right way to get across what you wanted to do?

Bill Harmon: Yeah, definitely. We touched on the point of the consumer participation or adoption. If I think about those kinds of lessons learned we certainly learned that, at least in our market, that a big pricing spread between the peak and off-peak rates was scary to the customer. That was the first thing we learned.

I mentioned the point around understanding the data and understanding the degree of exceptions that we have to deal with. That was certainly a point as well that we had to manage. I think those were the big lessons learned.

The other piece that we haven't done, and that I wish we would have done earlier, but are working on now, is identifying what segment of customers are what we call the "engaged customers." There's always that segment of customers that are happy to dig into their interval level data, study it and understand it and are willing to take some actions in their life. There's another segment that just don't have time for that. I think one of the things I wish we would have done in retrospect and that we're doing now is really trying to identify that segment and market to that segment. That's the segment that's going to be most interested in this particular product, and also that would benefit most from it, because they're willing to make some behavioral changes in their life.

Dan Delurey: Let's turn to management of the product here. We talk a lot with utilities about the programs that they have, and how much effort it takes to administer those programs inside. You talked about having to deal with MDMS and the exception readings and all of that. Is this a major program to be able to, and I use the word "program" when I probably should have said "product"…is this a major inside operation that you had to mount?

Bill Harmon: I think like anything for us, it was big in the beginning. Again, for us, we launch new products regularly so this was what I would call… it was one of those new products. It certainly wasn't the most complex product or plan that we ever created. Once it was created and we consider what it's taking to maintain that today, we certainly have some partial resources that are monitoring the product and inventing new versions of it.

As an example, I mentioned to you that we've got a fairly small spread between the peak and off-peak pricing. Now that we have customers that have been on the product for a while, we're looking now to introduce new versions of it that have a larger spread and a larger incentive, and specifically going after those customers that have already been on the plan for a year or so and say, "Listen, you've been on it for a while, you've experienced it with a fairly small spread. Your opportunity to save could be much larger. Would you be interested in exploring a time-of-use rate plan that had a bigger spread? So there's a bigger up side and a bigger downside in terms of the pricing?" Those are the kind of things that keep our product development team still spending some amount of time on what's out there.

We also have a couple operations resources that are maintaining, not necessarily the product itself or the billing aspect of it, but they are required to manage our weekly summary email service. So that's kind of that ancillary product that supports the rate plan. That definitely takes a couple FTEs on an ongoing basis just to manage and monitor and ensure that that product works, or that supplemental service works as it is intended to.

Then, naturally from a marketing standpoint, the more complex these different plans get and the more segments we go after, the more marketing resources it takes. We dedicate one to two resources, on the marketing side that I think of as being somewhat incremental to what we would have had before we really got into the eSense and the Smart Grid enabled process products and services phase.

Then you've got your IT folks. The minute you introduce MDMS and interval level data, it takes some ongoing resources, even once you finish the implementation, to manage and monitor that data on an ongoing basis.

Dan Delurey: In these Case Study Interviews, as I talk to people, it seems like on every one there's one particular thing that is said that just hits me square in the face, in that, "Boy, I never thought about that." You gave me one just a moment ago where you talked about going back to the people who had already agreed to go on time-based pricing. They were on a time-based program and they were comfortable with it, then you're going back to them and saying, "Well, would you like to save even more, because we can change things up and give you an even more interesting deal." I've never heard anyone talk like that just yet, because this is really still in its infancy out there, and I simply have never heard anyone talk like that. That's interesting.

Bill Harmon: Yeah, definitely. We have a lot to learn. We don't know at this point how that will play out. I don't know what the adoption will be. Will those consumers still be fearful of a higher price point? Will that deter them or will they say, "Hey, now I understand. I've been watching my weekly summary email and watching my bill, and I have a sense for when I use and hey, that's not scary to me because I love the off-peak price. I love seeing how low that can be." We have a lot to learn, still, in how we do that. Conceptually we think it makes sense that customers who have been on the plan for a while will be willing to explore a deeper opportunity.

Dan Delurey: Let's quickly touch upon budget and cost. I say quickly because you're obviously a competitive company and so you don't want to talk too much about this. I guess maybe my only question in this area is was there any need for you to deal with regulators before you popped this out into the market place?

Bill Harmon: No, that's one area that we did not and would not have to deal with. In our space there are some customer protection rules that define the types of rate plans that we can roll out. As long as we work within the framework, we don't need to approach regulators about a new rate plan. In this case, a time-of-use rate plan fits in Texas in a category called "indexed rate plans." It's indexed based on the clock, basically, indexed based on time. We did not have to approach them in any way, or work through a rate case or any of those type of proceedings that a lot of folks at integrated utilities may have to.

Dan Delurey: In terms of meeting your goals and evaluating the program, you talked early on about what some of those goals were. It sounds like you've done pretty well and that you're still offering this and have ideas for how to keep offering it. What other type of evaluation can you talk to us about, in terms of how you know that this is going well?

Bill Harmon: Right now our primary measure is consumer adoption. We're extremely pleased with our results, particularly in the last year as interest has exploded. Part of that, frankly is we've gotten better at marketing and talking about the value proposition of the plan. We've explored new channels to put it out in front of customers. As an example, we have door-to-door agents that will go to consumers' homes and offer the benefits of Reliant and switching, and recently those agents are talking about our nights and weekends plans with customers. The complexity of the plan versus a standard flat rate plan created some initial anxiety in our sales organization but they quickly worked through it and are now very effective and explaining how time of use benefit the customer in a compelling way.

From a usage shifting usage standpoint, which for us was a secondary goal to understanding the product and understanding consumers, we are seeing some shifting of usage. It's not huge; it's not dramatic yet. Part of that is a function of the pricing spread not being dramatic. As we evolve the program we will look to try to make that pricing spread larger with a goal of really shifting more usage off those high periods, those peak periods of time. For us, the initial goal was all about consumer understanding, consumer adoption and building that relationship with the customers. Ultimately we consider it a success and as we look forward, our plans are to continue expanding new variations of time-of-use rate plans and engage the right segment of customers in them.

Dan Delurey: It sounds like you've got a feedback mechanism built into this, and so you're always modifying the program. It doesn't sound like major changes have been made since the beginning. It's been more modifications along the way based on feedback? It's not as though maybe something didn't work. Is that fair to say?

Bill Harmon: Yeah, I don't really think of their being substantial changes to what we originally set out to do, so even to the extent that we created new variations of the time-of-use rate plan, that was frankly part of the plan from the beginning. We started with a very traditional multi-tiered plan and then launched the nights and weekends plans. There are other variations of it as well that we have on the roadmap. I really don't think of the plan, or the program if you will, taking any kind of material right or left turns along the way. There have certainly been a few course corrections, but generally I'd say we're on track with the original plan and pleased with the results.

Dan Delurey: As we move towards closure, Bill, anything that in looking back on creating this, and getting it out there and managing it today and in the future, that you haven't had the chance to talk about that you think would be useful for others to know?

Bill Harmon: We talked about making sure the pricing spreads are interesting, and we talked about adopting data, or ensuring that your data is well managed and you deal with exceptions.

The one point I may not have made as crisply, and that I think I would share with anybody considering this would be to really invest on the educational aspects with customers. If you want them to adopt the program, and if you want them more importantly to change their behavior, which is I think most of our goal in adopting is to actually shift some usage, you've really got to invest in educating consumers on when they use and what uses electricity in their homes. I think there's a lot of ways you can do that. We do that through a weekly summary email and other services. There are other solutions out there that customers use. I think that is really a key point that often gets overlooked. It's kind of… "I've got this new rate plan, I got someone to say yes to it", but if you want them to really understand it I think we have to…sometimes we have to recognize that the only people really paying a ton of attention to this are those of us in the industry that are fascinated by what the Smart Grid can do. You talk to the average consumer out there, and they just don't have a concept, and they're just very distant from these concepts. I think a well-planned educational program is really a key to being successful as well. Following it up with telling the customer the successes they've had, letting them know what they save afterwards, and to the extent we can compare, "When you're on your old rate plan here's how things looked. On your new rate plan here's how things look. Isn't that fantastic?" I think that goes a long way to creating advocates out there in the residential consumer base for the Smart Grid and for what it can do for them.

Dan Delurey: Last question, Bill. In terms of the lessons learned that you've talked about, or anything you've talked about here… is there any of it that wouldn't be applicable to a utility trying to offer time-based pricing in the traditional vertically regulated situation in another state?

Bill Harmon: I certainly think there are some differences. Certainly we didn't have to tackle the regulatory side and others would have to deal with that aspect of it.

Dan Delurey: Yeah. I guess I was thinking in terms of program design and marketing and all of that.

Bill Harmon: I think fundamentally any of the lessons learned would apply to another market. I do think there are some of the key differences you'll see in our market is that consumers are used to switching providers. They're used to switching plans. They might do that every year. We're past that hump or that hurdle.

Dan Delurey: That's a good point.

Bill Harmon: We didn't have to deal with getting there. That probably worked in our favor. The opposite side of that would be that because consumers have so many choices both in terms of providers and even rate plans that are out there, that created to some extent, a barrier for us or a difficulty in how we designed the plan. I think maybe some regulated utilities that might just have, perhaps a standard residential tariff, and maybe a prepaid tariff or maybe a time-of-use… there's just fewer choices. I think sometimes when there are fewer choices it's easier for consumers to get their heads around where they want to go. When you're overwhelmed with 50 providers and 500 different rate plans, it can be difficult to get a customer to spend the time really understanding a more complex plan like that. I think those are probably a couple of pros and cons or differences.

Dan Delurey: Very interesting. Well Bill, on behalf of ADS and the viewers of this webinar, and I should have noted at the outset that Reliant Energy is an ADS member, I want to thank you and Reliant for participating today. I think people are going to get a lot out of this case study interview. Thanks again for doing this.