

*Opening Statement of James D. Steffes
Executive Vice President, Corporate Affairs
Direct Energy*

Prepared for

*The Quadrennial Energy Review
Second Installment
Electricity: Generation to End Use
Stakeholder Meeting #5: Austin, TX
May 9, 2016*



Thank you for the introduction. Before I start, I'd like to thank the Secretary and his team for the opportunity to participate in this panel discussion today. It is a pleasure to be here in Austin with you and to hear from so many industry leaders who are working to drive our industry forward.

My company, Direct Energy, is North America's largest competitive energy and energy services company, serving close to 5 million customers in competitive markets throughout the United States and Canada, including a large number of customers here in Texas. We are one of the largest suppliers of grid energy coupled with a large home services business that includes a number of well-known providers of heating and air conditioning, plumbing, and electrical services. Our vision is to be a leading energy innovation firm focused on our customers.

Together, our more than 5,000 employees in North America are focused on helping our customers better understand how their day-to-day decisions impact their energy usage and bills ... and our goal is to empower our customers to become more energy efficient. In other words, our business model is designed to help our customers – from individuals and families to businesses of all sizes – *use less of what we sell*. That may sound strange, or counterintuitive, but we believe that by giving our customers the insights and knowledge they need to make smart decisions about their energy usage, our customers will remain with us over the years as we continue to help them on their energy journey.

Here in 2016, technology makes our lives easier in many different ways. With a smart phone and an app, for example, we can order lunch from a local restaurant or in many cities summon a driver from Uber or Lyft, all with the touch of a button.

But while industry after industry has been disrupted by technology and innovative business models, unfortunately not much has changed for many electricity consumers. Their only interaction with their energy utility remains an old-fashioned paper bill that comes in the mail once a month and tells them how much they owe due to their actions 30 days ago. Few customers read it. Fewer still understand what the numbers mean. And even if those customers somehow figure it all out, they still have little idea how to better manage their energy usage, short of remembering to turn off the lights when they leave the room.

At Direct Energy, we've been working to change this dynamic by using technology to put easy-to-understand, actionable insights about energy usage into our customers' hands. Let me share with you a couple of examples.

A few years ago, we launched a program here in Texas that sent daily text messages to customers' phones telling them how much money they spent on their electricity over the last day. Each day, participants would get a text that said "today was a \$4 day" or "today was a \$7 day." These messages were timely and easy to understand, and they worked ... customers in the program reduced their energy consumption on average by over 10 percent – and sometimes as more than 15 percent.

Those results convinced us that consumers would respond to actionable insights, and we moved forward with additional innovation. For example, we have been working with technology companies such as Nest to put next-generation thermostats in our customers' homes, and developing sophisticated algorithms that enable us to give customers detailed insights into their energy usage.

Those efforts led to our Direct Your Energy platform, which is currently available to all of our customers in Texas and will soon be available to our customers in other states. The Direct Your Energy platform allows our customers to log in at their convenience and view an easy-to-read dashboard that includes information about how much energy each major appliance is using and what that is costing

them in dollars and cents, not in kilowatt-hours. Our Direct Your Energy effort is basically a “grocery store bill” for electricity. No longer do customers simply have to guess why their bill is going up or down, they can see that their air conditioning is running hard and finally be able to link their electricity service to their home comfort and convenience.

As I mentioned, we are moving this to other markets where we can obtain our customers’ accurate smart meter data and create this meaningful conversation. Unfortunately, while there are over 50 million smart meters deployed nationwide, we really do not have access to drive this product throughout the United States.

On this point, most experts would I think agree that our energy future is more and more tied to advanced solutions, new technologies, and innovative business models. Much of those winning products and services start with a new level of energy consumption data. Data which is being created but not fully utilized. We at Direct Energy stand ready to help the Department think through these issues and options to ensure that we protect consumers but also unleash more creativity in using the energy data.

Speaking of new innovation and creativity, we are moving fast for our business customers by offering an innovative technology and insight service called Panoramic Power. Panoramic Power is a small piece of hardware capturing device and circuit level energy information. Coupled with data analytics, this low cost building energy information system empowers our business customers with real-time visibility to actionable insights that can improve operational excellence and business performance.

Just last year, the Carrollton-Farmers Branch Independent School District, which is located north of here, near Dallas, installed Panoramic Power in three schools as a test pilot. In just two months, the district identified the potential for annual energy savings of nearly \$23,000. Panoramic Power’s tiny sensors revealed that some rooftop air conditioning units, cafeteria food warmers, water heaters, and lights were operating during non-school hours. The data also showed that as much as 25 percent of the schools’ electricity was being used by small appliances that were left plugged in at night and on weekends. It’s not that the school district

was intentionally using too much energy or didn't care. They simply didn't realize that power was being wasted.

These are just two examples of where our willingness to be creative has led to innovations that are not only popular with consumers, but are importantly driving down energy consumption. As I said earlier, our goal is to leverage technology and creativity to help our customers use less of what we sell.

I share these examples with you to demonstrate how a competitive energy retailer produces innovation and benefits customers in ways many traditional utilities are not. Competitive energy suppliers, like Direct Energy, are driving innovation around energy. It's a business imperative. Because of this imperative, we are partnering with technology firms to help drive more smart products into market. As I said earlier, our goal is to help our customers use less of what we sell, and we are doing that where and when we can.

And competitive retail energy firms like ours are increasingly the conduit to consumers. A 2015 study of 14 competitive retail power markets – states like Texas and New York and Massachusetts and Pennsylvania – showed that more than 17 million customer accounts were buying energy supply competitively, and more than 71 percent of the eligible load overall in those markets was served by non-utility suppliers, such as Direct Energy.¹

For these reasons, I'm especially glad that the Department of Energy invited us here today, and it is my hope that the Department will continue to reach out to firms like Direct Energy to consider how to advance our country's broader goals of energy affordability, energy sustainability and energy resiliency. The energy utility model is changing for many reasons. Direct Energy looks to work with all of the players in this area, both old and new, to create a better 21st century economy fueled by a more consumer-driven, digitized, and personalized energy world.

In many ways, this energy revolution started in the 1970s and has been accelerating ever since, with some fits and starts along the way. But we are just

¹ Erin O'Connell-Diaz and Philip R. O'Connor, "Evolution of the Resolution: The Sustained Success of Retail Competition," COMPETE Coalition, July 13, 2015. [Link](#)

at the really early days of the disruption of the consumer markets for energy driven by new technology and new buying behaviors. Free and frictionless is the mantra going forward and if we don't help consumers find an easier and cleaner way, they will find it themselves.

I want to thank the Department of Energy for seeking input into our countries' evolving energy needs. Direct Energy stands ready to bring its unique, competitive, consumer-focused perspective to work with the broader energy industry and help drive our energy future forward.

Thank you for your time and attention today, and I look forward to the discussion.