Innovative residential rate design and pricing

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This E Source market research study provides utilities with critical customer insights as they consider changes to residential rate structures and pricing options. It delivers detailed data and segment-level information on customers' knowledge of and willingness to accept various rate structures; opinions on solar incentives and net metering; and interest in certain behind-the-meter technologies and associated pricing options.

Access study results

If you're a subscriber, this link will take you to the study deliverables: Innovative Residential Rate Design and Pricing 2015: Customer Preferences and Acceptance. If you're not currently a subscriber, you may contact us for information on membership to pertinent E Source services.

Key findings and strategic implications

It's clear from the data that age and self-identified segment played major roles in respondents' opinions about the survey topics.

Age matters. Age was one of the biggest differentiators when we looked at a wide variety of drivers for attitudes and actions around electricity pricing and technology adoption. From satisfaction with the utility to desiring detailed information on their smartphones, millennials demand a different level of service than other customers. This group was also more willing to adopt smart thermostats and to support green energy.

Segment matters. We asked respondents to self-select into one of five segments: technology-focused, convenience-focused, cost conscious, quality-focused, or environmentally focused. As with age, respondents' chosen position along this spectrum turned out to be a big driver for various rate and pricing options.

Utilities should take these differences into consideration when designing rates and pricing plans and when communicating with or marketing to specific customer groups. The one-size-fits-all pricing

approach, so common in residential rates, should be replaced by new choices that match the specific needs and wants of different customer segments. It's clear that although low energy costs are most important to a large proportion of customers, some segments are willing to engage in nontraditional and more-complex options in the future.

We asked respondents if their utility should provide a flat or fixed bill option. About two-thirds said "Yes," and respondents under age 45 were significantly more likely to support these utility programs than those 45 and older.

Study goals and objectives

E Source conducted a quantitative online survey with a representative sample of 3,000 residential utility customers from the US and Canada. The survey investigated:

- Which rate design and pricing factors, elements, and trade-offs are most important to various customer segments
- Customers' interest in and willingness to participate in time-of-use pricing, peak pricing, and other demand-based rate options
- How customers perceive the fairness of various rate and pricing scenarios
- Their opinions about net metering and solar incentives
- How customers view fixed charges and demand charges
- Their desire for more-predictable bills, including flat bills and prepayment options
- Customers' interest in connecting home energy management systems and smart devices with pricing options
- Their interest in battery storage and electric vehicles and the pricing programs that accompany those technologies
- Their current understanding and perceptions of utility terms such as kilowatt-hour, demand, and peak

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