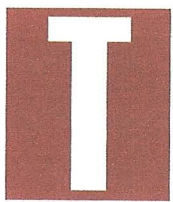


Growing Pains

A large, textured background image. On the right side, there is a bright, circular light source, possibly a sun or a lamp, creating a strong glow and casting a long, dark shadow across the lower half of the page. In the lower-left quadrant, a human hand is shown from the palm side, reaching out towards the right. The hand is illuminated by the light source, with the fingers spread. The background has a fine, pebbled texture, similar to leather or a coarse fabric.

Utilities work
toward a more
mature relationship
with customers.

BY STEVEN ANDERSEN



he observation that utilities don't excel at consumer engagement is getting to be an old chestnut. It's all too easy to paint them as being behind the times, out of touch, stodgy even. That might be true in many ways, of course, but is it only half the picture? What if the Customer—that mythical character who's supposedly always right—isn't exactly playing on the level? What if the customer is in fact a little bit crazy?

Customers demand perfection when it comes to cost and reliability. Beyond that, they don't want to know much. They respect utilities as the authority on electrons, but they're highly suspicious of the profit motive. Any impact on their pocketbook is blamed on the greedy fat cats on Wall Street, not on that new plasma TV in the living room.

"They're schizophrenic and they don't really want to be engaged," says Suzanne Shelton, president and CEO of Shelton Group, an advertising firm that specializes in efficiency and renewable energy marketing. "What Americans want from their utility is low cost, reliable power. They see it as an inalienable right, and if the utility tries to charge more money for it, they scream and yell."

Shelton's firm conducts a survey on perceptions of energy efficient home improvements, as well as incentives and billing programs. The 2011 survey data, released in February, demonstrates a stunning level of cognitive dissonance.

For example, despite their ever-proliferating number of electronic devices and appliances, 72 percent of Americans believe they aren't using more electricity today than they were five years ago. Fully half of customers believe their homes are already energy efficient, despite the fact that more than half have done little or nothing to improve its efficiency. The report suggests a defiant, have-your-cake-and-eat-it-too brand of willful ignorance—or at least a rather immature way of thinking about utility services.

That's not to say utilities have been particularly adept at communicating with consumers. But it does take two to have a conversation.

"I would say historically, the utility-customer relationship has been somewhat parental," says Ted Reguly, director of smart meters at San Diego Gas & Electric. "They only call us when there's an issue, and there isn't much interaction."

For well over a century, utilities dutifully went about providing the essentials to a mostly unknowing and ungrateful public. That's not a bad thing; It worked, and it made for a steady, stable, profitable industry. But times are changing. Energy generation is more visible than ever, and every resource comes with social and environmental caveats. The smart grid is inching forward, and with it the need for consumers to participate in meaningful ways—far beyond glancing at and griping about the bill every month or two.

Steven Andersen is *Fortnightly's* contributing editor, based in New York.

The industry has struggled to communicate customer benefits because they've been anything but tangible.

For any of the smart grid's efficiencies to actually pay off, customers need to be on board—as true partners. That's not going to happen if they have their fingers in their ears.

Customers are on the verge of a major transformation. On some level they know the change is coming; their childhood is coming to an end. And

in their parental role, utilities have a responsibility to push the conversation. Tactfully and delicately, but relentlessly—because not doing so will have dire consequences for everybody.

No Capital C

The first step for utilities trying to improve customer engagement is to rethink their notions about who their customers are.

"There isn't 'a' customer—there's real heterogeneity out there, and that's no different from any other market," says Cameron Brooks, senior director of market development and policy strategy at Tendril, which provides energy management systems. "But there's still this discussion of the customer with a capital C, as if there's just one profile."

In the old days, it didn't matter much. The main thing that differentiated one customer from another was how much juice they used. The smart grid rewrites that script. For starters, different customer segments have divergent preferences in the way they interact with things like usage information, dynamic pricing and demand response programs. Individual choices get increasingly complicated from there, with green power options, net metering for rooftop solar panels and eventually smart charging for electric vehicles (see *"Austin Plugs In"*).

That diversity must shape the programs and communication tools that utilities offer. One size won't fit all. Some consumers will no doubt prefer the old-fashioned paper report. Others will gravitate to mobile devices or the web. It isn't a matter of determining the right platform, but embracing all of them.

"We're learning from market research that customer segmentation is fairly complex. There are different motivators for how

people want to manage energy and why," says Tim Wolf, director of consumer outreach at metering company Itron. "It ranges from the committed green segment on one end, to the diehard skeptics on the other. In the middle are people who will do it if it's cheap and easy. As an industry, we're just starting to get our arms around both the rational and the emotional motivations that drive people in those segments."

Shelton's firm divides the market into quarters: "True believers" are the early adopters. Optimistic, tech-savvy and green, they're impatient to get their hands on new toys and tools. "Concerned moms" and "working-class realists" are on the fence. They don't fully understand what the smart grid will give them, or what it will cost. They need clear, digestible information—not esoteric technical data—to help them get comfortable with the brave new world. Then there are the "cautious conservatives."

"These are the guys utilities need to spend money marketing to, because they're the loudest opponents," Shelton says. "None of the other groups are going to go raise hell about it, but the cautious conservative group will—if it's not treated appropriately."

These are the skeptics, and they have a wide range of objections, from the health effects of wireless signals to the bottom line of the bill. Resolving their concerns won't be easy, especially for old-school utility managers.

Look Who's Talking

"When I speak to utilities, there's always a point in my presentation when I ask, 'How many engineers do I have in the room?'" Shelton says. "Half of the people in the room raise their hands, even at a marketing conference, because utilities frequently put engineers in marketing positions."

Not that there's anything wrong with engineers, it's just that their communication style tends to focus on technical data and operational logic. The entire industry is technically oriented, and the people who are best able to solve complex technical problems rise to the top of the organizational ladder. That's great for the reliability of the grid, but not optimal when it comes to answering emotional questions that might be fundamentally irrational.

Moreover, engineers tend to err on the side of providing too much information. So if, for example, customers don't understand the smart meter value proposition, the solution is to deluge them with data. But data doesn't win hearts and minds.

In this sense, utilities need a crash course in the fundamentals—Marketing 101. Other types of retail-product companies have been selling cars and sneakers on a purely emotional basis for generations, but utilities have never had to really sell anything before—and now they find themselves swimming in the deep end of the pool.

"There's a learning curve because of the history and structure of the industry," Wolf says. "It's been vertically integrated, regulated—almost a sanctioned monopoly. There hasn't been the

need to truly understand the customer. So this is a huge organizational and cultural challenge for utilities. They have a lot to learn from other industries."

Some utilities are taking the cue and beginning to hire marketing talent from outside the industry. That bodes well, Shelton says, especially when it comes to embracing social media and other facets of modern communication technology.

"They're making positive steps," she says, "but I think the challenge is the top tier and upper middle-level executives at utilities that are making these decisions. They're so engineering and operations oriented that marketing is kind of an afterthought. Being cautious conservatives themselves, they often try to take control of everything and over-manage the process."

Promises, Promises

Overbearing, tech-heavy messaging about the benefits of the smart grid might have led to more confusion than clarity among customers. For example, utilities often talk in terms of overall efficiencies that most directly benefit the utility itself. For a customer to truly understand how they fit into that picture, they need a working knowledge of market structure, regulation and rate-making, and that's asking a lot of customers who think of electricity as a God-given right, rather than a retail service.

"There's a disconnect between many of the statements that utilities make and customers' actual experiences," says Brooks. "I'm being told that smart grid is allowing more reliable service and that the utility is operating better, but my day-to-day experience hasn't changed."

"This is a huge organizational and cultural challenge for utilities. They have a lot to learn from other industries."

—Tim Wolf, Itron

A big part of the reason the industry has struggled to communicate customer benefits is that until recently, those benefits have been anything but tangible.

"When you look at the investment to date on things like AMI and substation automation, the benefits for customers have been opaque to say the least," says Kevin Lauckner, utility market leader at Honeywell. "Only now is that really starting to change."

With enough infrastructure now in place, utilities on the smart grid vanguard are implementing programs that actually will change customers' day-to-day experience. And utilities are learning lessons about the way they're talking to customers about it.

Southern California Edison, for example, is nearly half way to its goal of installing 5 million smart meters by 2012, and the company's communication strategy has evolved significantly since the \$1.6 billion project kicked off in 2009.

AUSTIN PLUGS IN

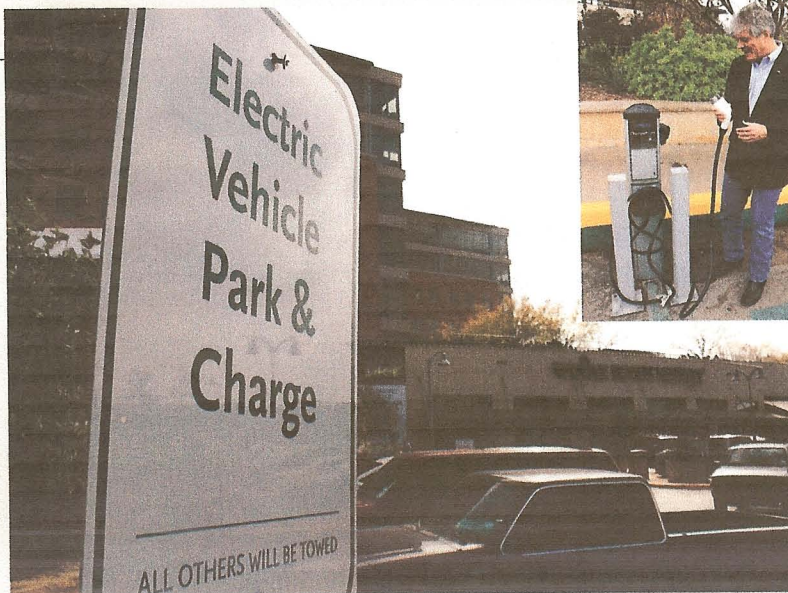
Electric vehicles present an opportunity for utilities to reshape and strengthen their relationships with customers. For one thing, the first people who buy EVs—tech-savvy early adopters willing to pay a premium for efficiency and the environment—will almost certainly be easier to engage than the average customer.

Austin Energy is betting that meeting these customers where they shop will pave the way to a more robust relationship. Last fall the municipal utility installed its first public EV charging station in the parking lot of Whole Foods' Austin flagship store, sending a clear signal to consumers.

"The most powerful message right now is that you can buy an electric vehicle with confidence that you'll have access to charging if you need it," says Karl Rabago, Austin Energy's vice president for distributed energy services.

The company has since installed dozens more public level-2 chargers at other partnering retailers, libraries and public buildings, aiming for between 100 and 200 to be operating by summer's end.

"One high-growth estimate says we could have as many as 200,000 EVs in our service territory by 2020," Rabago says. "That requires some serious grown-up planning. We'll have a lot of issues for the grid,



"We could have as many as 200,000 EVs in our service territory by 2020," says Karl Rabago of Austin Energy. "That requires some serious grown-up planning. We'll have a lot of issues for the grid, even before we reach those big numbers."

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But the company knows it can't just connect with the cars; it must also connect with the owners.

Most utilities expect the first wave of EVs to come in clusters on the grid, creating potential distribution problems at local transformers. That means they have to figure out where the cars are, and gather information from owners on their use and charging patterns. (See "Top 10 EV Challenges," 56.)

Austin Energy is offering a 50 percent rebate for in-home chargers and installation—up to a maximum \$1,500 rebate—in exchange for active consumer participation in a pilot program that allows the utility to gather information about how, when and where EV owners charge their cars.

"This is coming, and it's our duty to manage it," Rabago says. "It's our duty to make sure that we facilitate this new load emerging in a way that's safe, reliable, fair and cost-justified." —SA

"We've tuned our messaging on a dynamic basis," says Ken Devore, director of Edison SmartConnect, SCE's smart meter program. "We took some of the jargon out. We initially engineered it to our liking, because that's how we always talk to each other, but we've probably made half a dozen revisions to those first messages." (See "Taking it to the People.")

Throughout the industry, companies are going through a process of trial and error to learn which messages connect and which ones don't.

"We know that with consumers, money resonates," Lauckner says. "In some cases, utilities might have to be more frank about the fact that they're making these changes, at least in part, to avoid building a new power plant in your backyard."

Gradually, the industry is coming to realize that the primary thrust of its engagement strategy—at least initially—must be emotional. And when the target is less than fully mature, there's no more effective tack than a direct appeal to human psychology.

In Control

Human beings are driven by a range of motivational factors, some of them conscious, and others unconscious. Utilities need to think carefully about what messages they emphasize, and how they present those messages.

"The advice that we give our utility clients is to focus on the control aspects," Shelton says. "Try to make it less about the bill and more about the customer being able to take control of their consumption."

This can be a fairly straightforward message: Prices aren't going down, life isn't getting any easier, but the robust technology of the smart grid is creating a multitude of ways customers can control not only their usage, but their whole house and the nature of their relationship with utilities. Delivered correctly, this message has real appeal, because people prefer feeling like they're in the driver's seat, rather than being driven in the direction the utility wants them to go.

TAKING IT TO THE PEOPLE

Southern California Edison's SmartConnect program is among the nation's most advanced AMI initiatives. Approved in 2008, the plan aims to install 5 million smart meters by 2012. SCE is on schedule and has already installed almost half those meters, but engaging customers has been as big a priority as the technical challenge.

"We've made years of investment in research and development on the technology side, but we've also thrown the challenge at our team to think of the customer first," says Edison SmartConnect Director Ken Devore. "We put our feet in their shoes and try to match our technology effort on the engagement side."

With some more advanced smart grid features coming online—100,000 customers are now on full interval billing with web presentment enabled—the utility is starting to "hit the accelerator" on customer communication, Devore says. Part of that is through traditional channels like door hangers and call centers, but the project hinges on a comprehensive grassroots effort.

"Our local public affairs people go out and talk to community leaders," he says. "We work with local media, public access, city councils; we get our presence out there physically. If we have a chance to be a part of a community forum or what we call 'get connected' events, we take an RV that's fully outfitted to talk about energy efficiency, smart metering and smart grid."

SCE has taken a layered approach in an attempt to reach all its customers. Early messaging that was tech-heavy and jargon-filled has evolved along a number



As part of Southern California Edison's SmartConnect program, the utility produced videos featuring talking houses, Carl and Eddy, who explain changes in metering and billing. "They have a non-threatening, really positive impact, because you can't help but like them," says Ken Devore, director of SCE's SmartConnect program.

of tracks. That means delivering robust technical information to the early adopters who know well how to read their old analog meters, while giving the less tech-savvy majority a softer introduction to the service changes.

The goal, Devore says, is to demystify the meter change-out process for consumers, and build a broader story from there. To that end, the company has produced animated web shorts for YouTube distribution that explain the fundamentals of smart grid efficiency.

"We developed a couple characters—talking houses called Carl and Eddy," Devore says. "We have 10 vignettes where they take people through pretty complicated concepts about tiered billing, what it means to get your meter, what interval billing is,

what budget alert is, things like that."

The shorts, which also have Spanish and other language versions, are presented at public events as well as online, and have proven to be a hit.

"People are asking if we can draw those down into 30 second spots that can run on the air," he says. "Believe me, we're absolutely serious about doing that. They have had a non-threatening, really positive impact, because you can't help but like them."

The bottom line, Devore says, is trying multiple approaches, learning from mistakes and building on the messages that resonate.

"We don't want to leave any customer behind in their ability to participate in smart metering or the smart grid." —SA

"There are two universal messages that transcend and resonate across market segments," Wolf says. "The first one is control—consumer control rather than utility control. The second one revolves around the desire to not waste stuff."

Waste doesn't necessarily imply a green sensibility, which raises political and personal objections. Instead, it's about the fact that most folks don't like to throw away something valuable, especially something that costs them money. The urge to avoid waste and the urge to be in control represent universal psychological drivers—drivers that utilities can use to sell the benefits of smart grid changes.

"It absolutely has to be a combination of rational and emo-

tional messaging," Wolf says.

But there's a catch. Putting customers in control might be a powerful idea, but the word itself carries psychological baggage, triggering images of Big Brother, and implying that utilities want to take control, even if their messages state exactly the opposite.

"We've tested words for impact," says SCE's Devore. "We thought 'control' was a distinct word customers would like. But in our polling and focus groups it had a double meaning. So instead, we talk about decisions. We talk about options."

Likewise, SDG&E favors such words as "choice" and "convenience" in its systematic approach to communicating about its smart meter rollout (See "90 Days to Pave the Way").

90 DAYS TO PAVE THE WAY

Utilities take a lot of knocks for their lackluster consumer engagement track record, and that's not totally fair. Until the advent of deregulated markets and smart grid enabled services, they really didn't have much need for sophisticated marketing.

"The utility has historically been a monopoly, marketing a commodity in a very bland way," says Ted Reguly, director of smart meters at San Diego Gas & Electric.

As a result, the transition to modern consumer interface practices is a profound one, and not to be underestimated. Utilities can't be shy about the fact they have a lot to learn.

SDG&E began installing smart meters in 2009, and has constantly updated its messages and marketing materials based on consumer feedback, Reguly says.

"Effective marketing is proactive and targeted. It doesn't help to communicate to Hispanic-speaking individuals in English," he says. "It starts with simple things like that, and knowing what their communication preferences are."

Understanding the range of consumer concerns is equally important. Some customers are acutely sensitive to privacy issues, while others are primarily concerned with cost. Companies must actively bring answers and options to customers.

SDG&E uses a stepped process to gradually prepare customers for the transition to smart meters. Three months ahead of time, the focus is on bringing local public officials up to speed, so they can help deliver the news. At 60 days out, company representatives are on the

ground at local events like street fairs and club meetings, getting the word out. At 30 days, mailings go out to individual customers. Then, seven days ahead of time, the utility calls customers to notify them of the installation and offer the opportunity to schedule appointments.

By the time technicians arrive, the utility hopes the way has been paved, with customers' questions answered and fears allayed. As hard as the utility has worked to engage customers, though, Reguly says if he could, he'd redouble the effort.

"We're probably one of the most aggressive utilities in understanding the customer and being sure that we deliver customer benefits early," he says. "If I had to do it again, I would have been even more aggressive."—SA

Euphemisms, of course, are nothing new to marketing professionals, who practice the art and science of persuasion. If the science involves coming up with the right message, then the art is finding the words that get it across with the least friction. The good news for utilities is that other industries have already paved the way for overcoming customers' reflexive skepticism and aversion to change.

"People are comfortable now with online financial transactions," Devore says. "It will take a little while for them to get to that level of comfort with this new utility relationship."

Comfort Zone

Making customers comfortable means addressing their questions and concerns in a forthright way—even if they might be technically ridiculous.

"If you dodge tough questions, it'll be a nightmare," Reguly says. "RF is getting a lot of press right now—the radio frequency effects of smart meters—and customers are opting out because of it. There's no scientific basis behind these concerns. So we really need to get the facts out there, because this issue could derail the smart grid development process."

Privacy and security concerns are similarly unfounded, but they occupy the minds of consumers more than rate cases ever will. So along with control and choice, companies have to stress that smart meters are tested, safe, secure and benign. And there's no overstating the need for a constant delivery of these simple messages. Like political talking points, if people hear them over and over again, eventually they'll come to accept them.

But in the end, if utilities want to engage consumers as

true partners, they have to start the process by treating them as partners.

"We've had to develop a much more open, honest, and transparent relationship with our customers than we've had in the past," Reguly says. "That's where other utilities have failed. They've seen this as something they can do in stealth. I firmly disagree. You need to be out front with your customers."

Eventually—and sooner than later—those customers will want an answer to a question any true partner would insist on

"We thought 'control' was a word customers would like. But in our polling and focus groups, we learned it has a double meaning."

—Ken Devore, Southern California Edison

asking: "Why?" On this question in particular, utilities struggle against the urge to unleash a technical torrent. Instead, they need to communicate a thoughtful but meaningful response.

"Why do things have to change? That's what it boils down to for people who have concerns about smart meters," says Wolf. "The answer might be that things need to change in order to remain the same. If

we want our energy resources to be efficient, affordable and reliable; to underpin a growing economy; to insulate ourselves from events in the Middle East, then we have to put more intelligence into the system and run it more efficiently. When you look at it in that context, things need to change to remain the same."

That's the kind of a message a grownup will understand. ■