



Smart Choices: How the Competitive Market Can Benefit from Smart Meters

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Our Focus on Residential Customers

Direct Energy is proud to serve residential customers in Ohio, Illinois, Indiana, Virginia, Kentucky, Connecticut, Maryland, Massachusetts, New Jersey, New York, Pennsylvania, Texas, and Michigan.

Across the United States, we serve more than 2 million residential Electric and Natural Gas customers.

We are dedicated to providing electricity, natural gas, and energy home services that allow residential customers to take control over their energy usage.

What is a Smart Meter?

Automatic Meter Reading (AMR) – 1-way communication, an AMR meter allows a utility to read the meter remotely

Advanced Metering Infrastructure (AMI) – 2-way communication, an AMI meter captures hourly interval data and allows data commands to be sent toward the home for multiple purposes, including “time-of-use” pricing information, demand-response actions, and power outage notification

With access to data gathered from AMI meters, Direct Energy is able to offer customers unique products that are easy to understand and help customers better manage their energy usage.

TOU Products Benefit the Competitive Market

What benefits do time-of-use (TOU) products bring to the energy market?

- Load shifting, away from peak demand times
- Increased conservation by consumers
- Retail price signals encourage economic efficiency
- Gives customers a meaningful alternative to traditional rates

Why does Direct Energy invest in developing TOU products?

Competitive suppliers like Direct Energy are motivated to:

- Reduce their supply costs by encouraging load shifting
- Make it simple and easy for customers to engage
- Improve the customer experience through new products and process improvements

Direct Energy's Current TOU Products

- Free Power Saturdays (TX and PA)
- Free Power Day (TX and PA)
- Power-To-Go (TX)

Free Power Saturdays and Free Power Day

In September 2011, Direct Energy launched “Free Power Saturdays” in three markets in Pennsylvania.

- The program later expanded to “Free Power Day” which provides customers with free electricity from 12:00AM to 11:59PM on any day of the week the customer selects.
- The electric rate remains fixed the rest of the week.

As of September 2012, Direct Energy also offers “Free Power Saturdays” in Texas.

To demonstrate how the program works, Direct Energy visited real-life customer Colleen Wassell and created a marketing campaign focused on how she maximized the benefits of her “Free Power Day.”

Free Power Day: Customer Feedback

What are customers saying about the “Free Power Day” Program?

“This is simple, I don’t pay for electricity on Saturdays”

“ I really was interested because it gives me free electricity on Saturdays”

“I’m always looking for a way to save money on my electricity”

“I’m off on Saturday and my husband is off every other Saturday, so I can plan on doing the wash on Saturday”

“Won’t be too hard for me to change since I’m not home much during the week”

Free Power Day: Results

Customers are changing their usage behavior.

○ Customers on Direct Energy's Free Power Day product shift roughly 16% of their energy consumption to their free day.

- This change in behavior moves load from higher load days to an off-peak period which benefits the grid

Power-To-Go

Power-To-Go is a prepaid electricity product offered in Texas. During enrollment, the customer pays for a specific amount of electricity to activate her account then continues to pay as often as she likes to keep the account balance above zero.

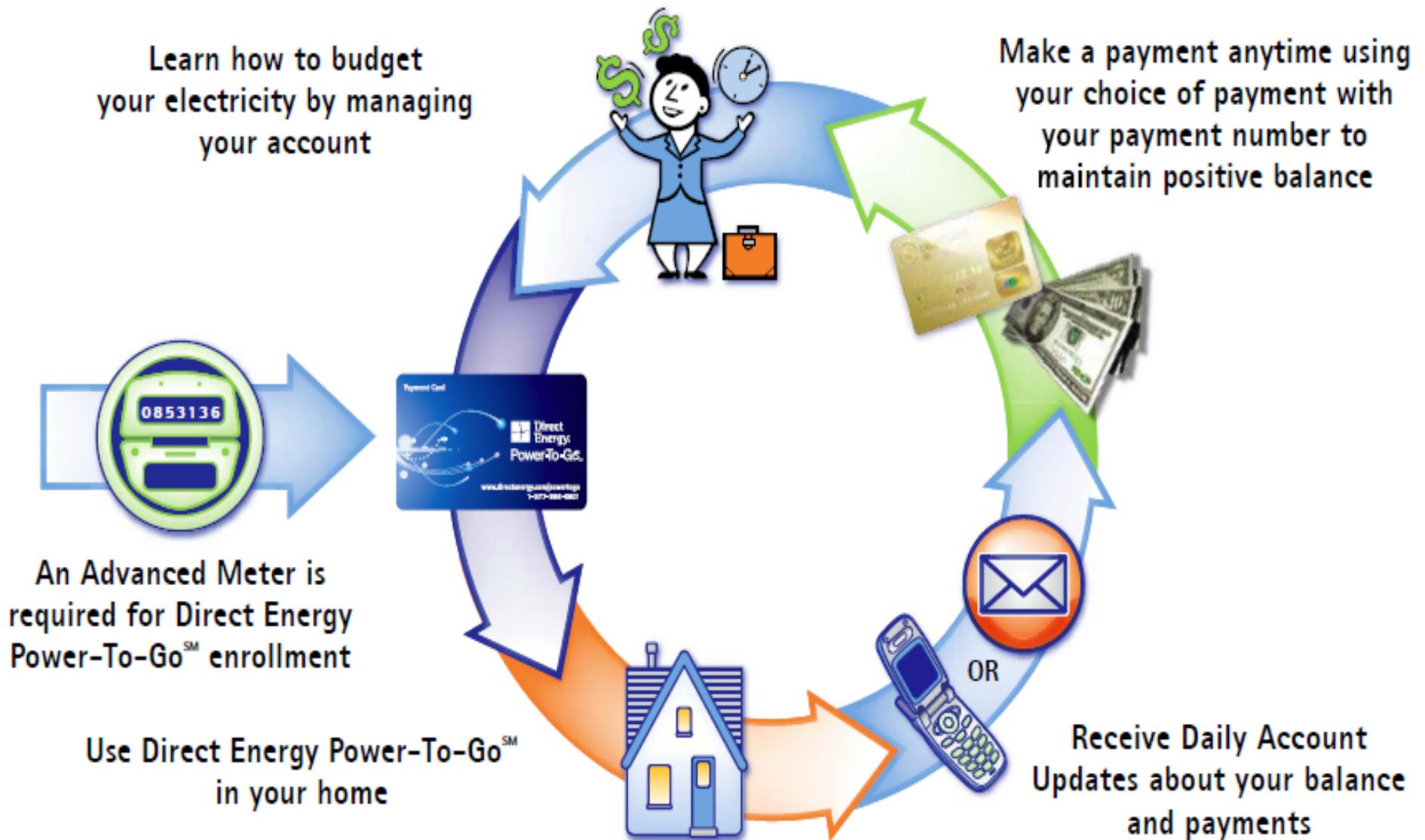
Features

- No Deposit
- Flexible day-to-day plan
- No reconnection fee
- Variable price product with a competitive price
- No Cancellation Fee
- Receive Payment Card Number via text or email

Benefits

- No surprises at the end of the month with summer bills
- Pay as often as you want, as much as you want
- You will be reconnected within 2 hours for no charge*
- Pay online with credit card or cash at authorized payment centers
- Daily Account Updates with your balance and usage
- Better management of your energy costs
- Low balance notifications are sent to you 3-7 days before your balance reaches \$0
- You choose email or SMS text as your communication method so there is no need to deal with paper or missed mail**

How Direct Energy Power-To-GoSM Works



Power-To-Go



Power-To-Go Sample Daily Communication

From: "noReply_powertogo@directEnergy.com" <noReply_powertogo@directEnergy.com>

To: E-MAIL ADDRESS REDACTED

Sent: Wed, September 29, 2010 11:03:29 PM

Subject: Prepay Electricity Account Notice

Direct Energy Daily Update: This is your daily read as of 9/28 - 11:59PM. Your Direct Energy balance is \$106.37. This balance is estimated to last you 23 days. You used 31 kwh (est \$3.71) since your last read. Your current rates are \$0.100 per kWh plus \$0.500 per day. Payment #80000001029.

Direct Energy

Power-To-Go: Customer Feedback

What are customers saying about the “Power-To-Go” Program?

*“Being a single parent of four money is tight, but with daily email alerts **I have been able to teach the importance of conserving and being aware of budgets.**”*

*“I love the fact that **I can pay as much or little as I want to keep my electric on.** I know what amount of electric I’m using...which lets me know if I do a lot of baking or if I run the air conditioner a lot that it will spike...so **no surprises...I love that.**”*

*“It really does help with the cost to keep it to where you can manage how much you spend, and also there is options on how to make a payment. What I like is the fact that **I get text messages to keep me informed** on how much I have on my account.”*

Power-To-Go: Results

Direct Energy has approximately 55,000 customers who are supported by a network on more than 5,000 pay stations who use Power-To-Go.

- This product also helps those on tight budgets to manage their expenditure and gives customers the ability to take control of their energy use
- Customers on this product have decreased their consumption by over 10%

Opponents of competition often say that energy is not a top of mind issue for many households and customers don't want to have to make choices about their energy provider.

Our experience with dynamic pricing products shows that energy is an important issue for many people and customers are interested how much they are paying for energy and what they can do to control their usage.

Final Thoughts

Deployment of Smart Meters is key to allowing customers to control their energy usage.

In 2010, approximately 14% of US residential customers had smart meters.

Today, that has risen to approximately 25% but the pace of deployment has slowed.

Smart Meters are a key tool for making the grid more efficient, potentially easing capacity concerns, and giving consumers the ability to control the dollars they spend on energy.

Direct Energy customers in PA have shifted 16% of their consumption to off-peak periods and TX customers have decreased their consumption by 10%, both products enabled by Smart Meters.

Thank You