



Innovative Rates and Advanced Pricing Concepts, 2002

Contrary to what many expected, the early years of electricity restructuring did not give rise to much in the way of innovative pricing schemes. Competitive suppliers flooded the market with lowest-price flat rates, and few made any effort to compete outside of the price medium. But with the momentum of restructuring waning, many utilities have retrenched and are refocusing on the regulated side of their business. That's driving renewed interest in the ability of pricing to improve utility operations by changing load shapes, mitigating risk, and providing increased customer satisfaction.

This *E SOURCE Multi-Client Study* consists of two deliverables. One is a comprehensive dataset and executive summary report titled "E SOURCE Survey of Innovative Rates, 2002." To investigate the current status of innovative electric utility rates throughout the United States and Canada, the study team took a hard look at over 140 utilities, exploring their offerings that ranged from real-time pricing to residential time-of-use, interruptible rates, and 14 other options. Our goal was not only to document the incidence of these types of rates but also to record their base construction and characteristics. In addition to providing a spreadsheet of comprehensive data that were collected from tariff sheets for each rate, we have included summary tables and written analysis of that data.

The other deliverable is a report titled "Advanced Pricing Concepts," which presents 10 case studies showcasing the most innovative energy pricing schemes in North America, including a few international cases. In our reviews, we explore pricing schemes such as flat billing rates, dispatchable critical peak rates, end-use pricing, and prepay rates. We assess these pricing concepts from all angles, looking at what led to their development, how they're constructed, how they're marketed, how well they have been received, and what their future prospects are.

Objectives

- Catalogue the different types of innovative rates currently being used by the top 140 U.S. and Canadian utilities.
- Document the characteristics of the rates and their conceptual framework.
- Analyze survey data to produce a picture of the state of innovative rates.
- Thoroughly investigate all important aspects of the most innovative energy pricing concepts.

Scope of Study

The “Advanced Pricing Concepts” report explores 10 different pricing concepts. In addition to assessing the overall effectiveness of these innovative options, our in-depth analysis highlights implementation and marketing best practices. For each pricing concept, we explore the following elements:

- Pricing structure
- Genesis of the concept
- Marketing techniques and results
- Customer response
- Benefits and drawbacks
- Regulatory barriers

The “Innovative Rates Survey” targets the top 80 percent of U.S. utilities (both municipal and investor-owned entities) by total retail sales as well as selected Canadian utilities. We identified 17 innovative rate types across five pricing categories:

Demand-Side Management Rates

Conservation rates
Interruptible/curtailable rates
Load control
Real-time pricing
Residential time-of-use
Residential demand rates
Surplus rates
Distributed generation dispatch rates

Risk Management Rates

Guaranteed rates
Indexed rates
Flat bill rates

Special-Needs Rates

Conjunctive rates
Load retention incentive rates
Low-income residential rates
Prepaid electric service

Green/Renewable Rates

Green energy rates
Net metering rates

Miscellaneous Emerging Rates

Deliverables

Subscribers will receive:

- A written summary report analyzing the data collected and describing the methodology of the survey.
- A CD-ROM containing our proprietary innovative rates database in both Microsoft Access and Microsoft Excel format.
- A written report containing in-depth case studies of 10 advanced pricing concepts.

A sample entry in the Innovative Rates Database.

Microsoft Access - [Form1]

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ID: 506 State: VA Effective Date: 01-Jan-02

Utility: AEP - Appalachian Power Company Rate Designation: RS-TOD

Rate Name: Residential Service Time-of-Day Status: 0

Rate Category: DSM Rate Type: TOU

Pricing Information

On/Off Peak Price: \$0.07173/kWh On-Peak price, \$0.01226/kWh Off-Peak price
Customer Charge: \$7.75

Other Information

On-Peak hours: Mon-Fri 7 am to 8 pm. Off-Peak hours: all other hours and general holidays.

Min Customer Eligibility: [] kW Res-Customer Class

Max Customer Eligibility: [] kW Com-Customer Class

Technology Requirements: [] Ind-Customer Class

Date Downloaded: 6/3/2002 Ag-Customer Class

Other-Customer Class

Record: 2 of 742

For More Information

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