

Subscription Pricing Plus: Rate Design Innovation for Consumers, Providers, and the Environment

PRESENTED BY

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What is subscription pricing (SP)?

Subscription pricing is a fixed monthly electricity bill. It's a “subscription fee” for electricity.

Common SP design elements:

- The SP offer is based on a customer's expected bill under the standard rate, plus a risk premium
- Risk premium is typically less than 10% of bill
- Fixed contract period (typically one-year)
- No true-up for changes in usage

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Illustrative Standard Rate

- Customer charge: \$10/month
- Variable charge: \$11 cents/kWh
- Average customer usage: 1,000 kWh/month

That customer's average bill: \$120/month*

**varies with usage*

Illustrative Subscription Pricing Offer

\$130/month

**Regardless of usage
No hidden fees**

Utilities cite a variety of reasons for offering a SP product

Customer benefits

- ✓ Rate choice
- ✓ Simplicity
- ✓ Improved predictability for budgeting
- ✓ No surprises
- ✓ No weather risk
- ✓ No true-up

Utility benefits

- ✓ Reduced high bill complaints
- ✓ Increased customer satisfaction
- ✓ Revenue stability
- ✓ Weather hedge
- ✓ Opportunity for higher earnings
- ✓ Aligns with increasingly fixed nature of utility costs

But there are challenges with a standard subscription pricing offering

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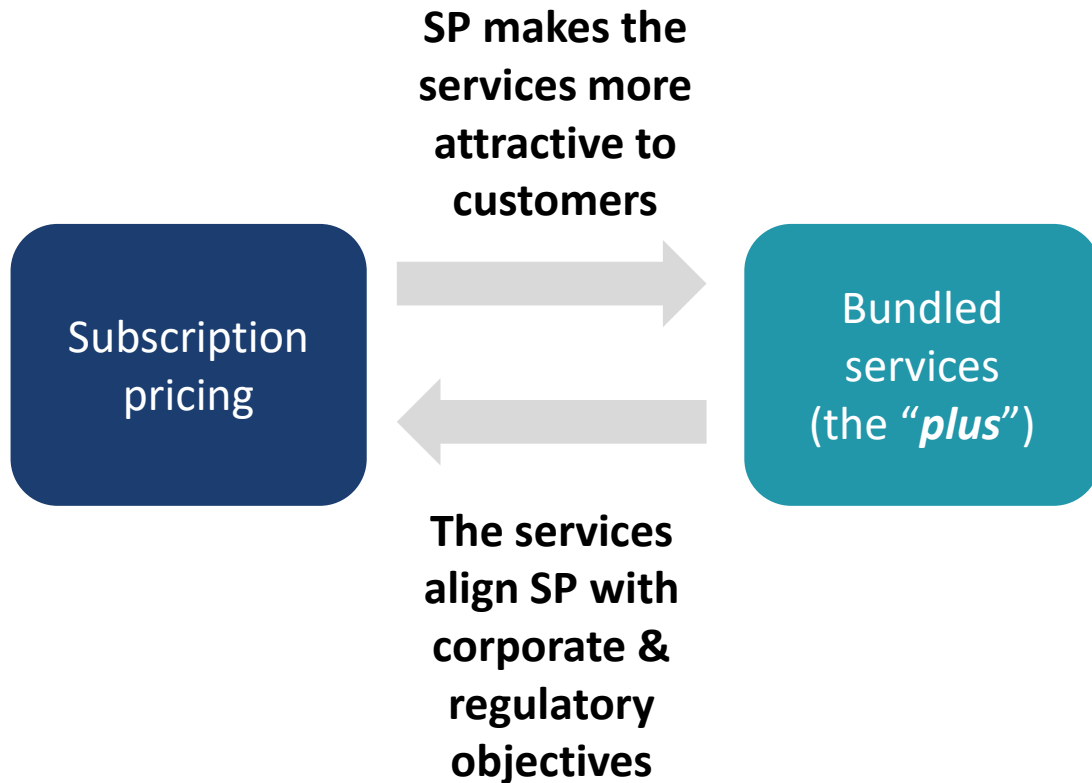
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Challenges

- Reduced incentive to consume energy efficiently
- Does not facilitate demand flexibility

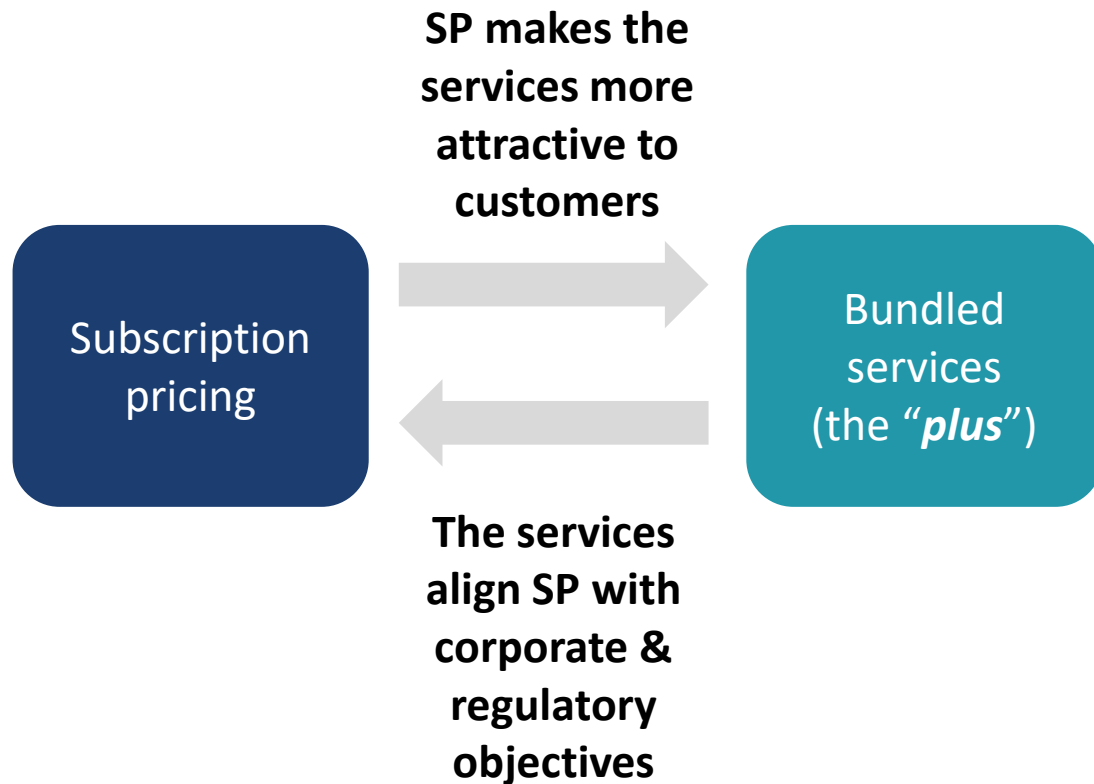
Subscription pricing *plus* addresses the challenges

SP+ requires that the customer participate in EE, DR, clean energy, or other programs. This mitigates the environmental impact of SP, and can provide cost savings to the customer and utility.



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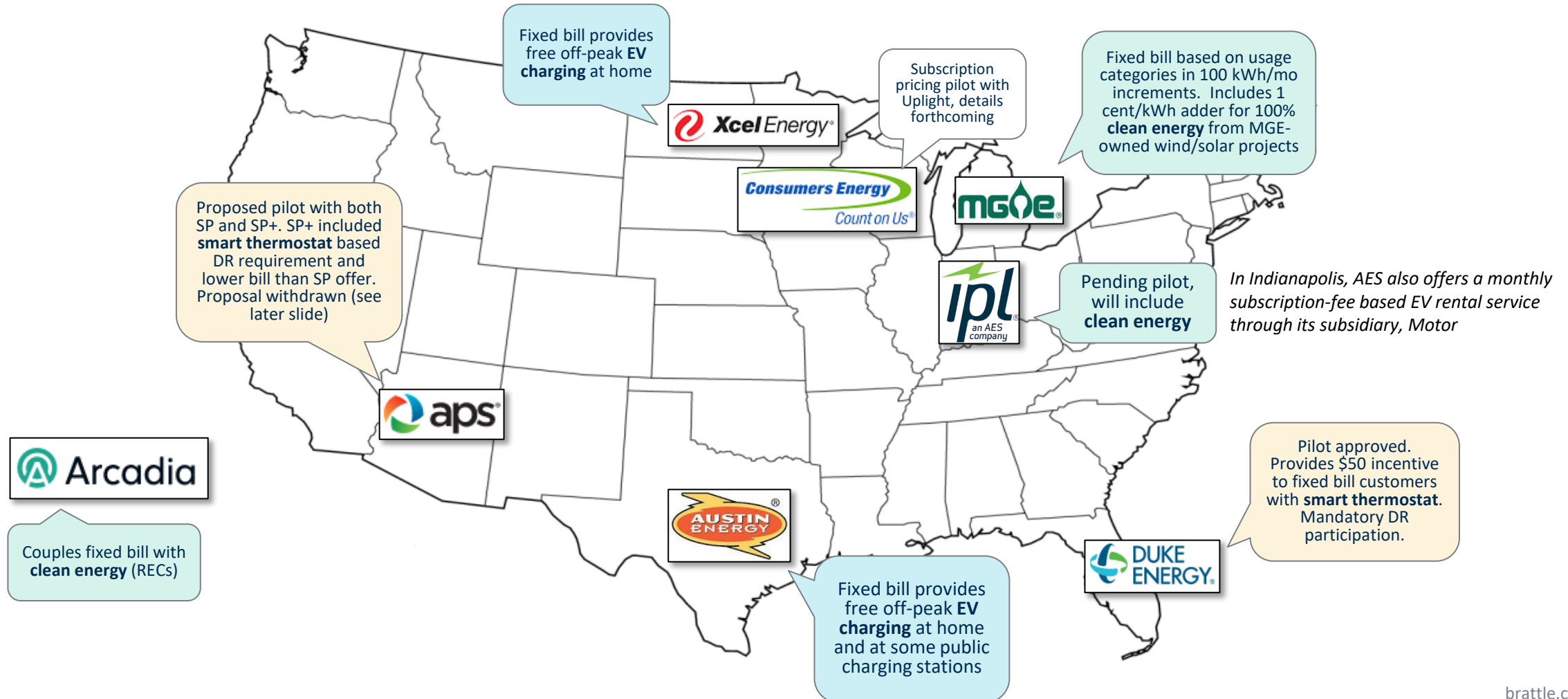


Example services to bundle in SP+

- EE measures (including efficiency incentive)
- DR measures (including peak time rebate)
- Clean/renewable energy
- EV charging
- Rooftop solar services
- Backup generation/storage
- Home security
- Home insurance

SP+ offers are beginning to emerge...

Current SP+ bundles include smart thermostat-based DR, EV charging, and clean energy



Key issues to consider when developing a SP+ offer

1. How to evaluate **performance**
2. How to determine the subscription **fee** (e.g., risk premium)
3. Which services to **bundle** with a SP+ offer
4. Determining EE and DR **measures** for a SP+ offer
5. Determining who takes the **risk**
6. **Guardrails** to mitigate extreme usage increases
7. The structure of the SP+ **pilot**