

# Time of Use Billing Study

Hydro Ottawa

Executive Summary 2011-031



## Background and Methodology

### Background

Hydro Ottawa began introducing time-of-use billing (TOU) to customers in Ottawa during the fall of 2010. Given the potential for consumer misunderstanding and concern about the introduction of the HST at the same time that TOU was being rolled out, the utility was interested in understanding the customer environment and how the activities of the utilities were being perceived during the transition.

The key objectives of the research were:

- to better understand issues related to TOU; and
- gauge Hydro Ottawa customers' perceptions of the transition.

To address these objectives, a three-wave research program was developed.

### Methodology

Each survey, of approximately 500 customers, was conducted by telephone from a random selection of customers provided by Hydro Ottawa. The margin of error for a sample of randomly selected respondents of this size is 4.4 percentage points, plus or minus, 19 times out of 20.

Details for the specific surveys are noted below:

- Wave I (June 2010): 505 interviews conducted before TOU was rolled out and just before the HST was added to hydro bills on July 1, 2010.
- Wave II (February 2011): 507 interviews conducted after a portion of Hydro Ottawa customers had been moved to TOU billing.
- Wave III (July 2011): 503 interviews conducted after the bulk of customers were moved to TOU billing.

## Key Insights

### Familiarity with and Interest in Time-of-Use (TOU) Billing Grew

- Between June of 2010 and July 2011, familiarity rose from 44% to 67%.
- Throughout the roll-out period, there was often customer uncertainty about the status of their household as being on TOU or not.

### By July 2011, Customers More Supportive than Opposed to TOU

- Although customers were divided about TOU before it was introduced, by July of 2011, almost half (49%) supported the introduction of TOU compared with only 26% who were opposed.

### People More Likely to Expect Negative Impact on Hydro Bill

- Expectations for how TOU would affect hydro bills tended to reflect scepticism that bills would go up rather than optimism that bills would go down. That said, the intensity of the negative expectations did decline over the year.

### Current Peak Power Use and Personal Efficacy are Critical

- Users who perceive that they use little power during peak times were more supportive, and expected bills to go down. High-volume users during this time held opposing views.
- A sense of personal efficacy was critical to supporting TOU. Those who thought they were able and willing to embrace change were more supportive.

## Other Findings

- Customers looked to Hydro Ottawa for information about TOU and the website will continue to be an important channel.
- The HST had a large impact on perceptions of the rising costs of hydro during the lead-up to its implementation on bills, but the impact gradually lessened with time.
- Governments and local utilities shared the blame for rising costs.
- Generally, people were more likely to think that the cost of hydro has risen faster than the cost of other services (e.g. cellular, television) and the price of gasoline.

### Takeaways

The overall introduction of TOU billing to customers in Ottawa should be viewed as largely successful. People learned, were largely engaged and, more importantly, became more supportive over time.

The challenge is that the local utility is likely to continue to take considerable responsibility for price increases and many customers view TOU as being responsible; thus harboring possible negative attitudes about the utility.

Since the utility is a key focal point for customers seeking out information, the website in particular will continue to represent an opportunity to educate and help customers develop a sense of personal efficacy and responsibility when it comes to peak hydro use.

## Familiarity with and Interest in Time-of-Use (TOU) Billing Grew

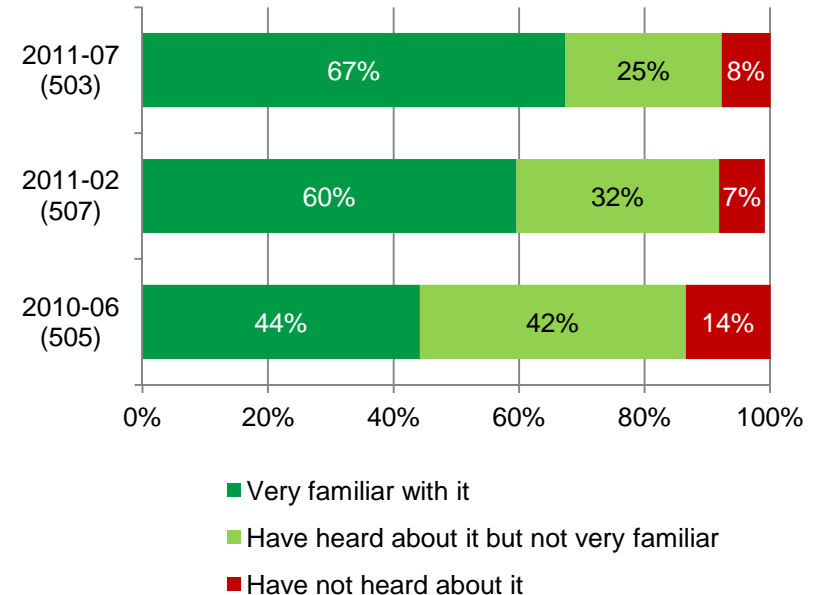
Familiarity with the TOU issue has grown as the roll-out has continued. Only 44% were very familiar in June of 2010 – before Hydro Ottawa started rolling it out – but 67% were so one year later.

- The roll-out and marketing around TOU moved many people from having heard about it to feeling very familiar with it.
- 8% of customers still had not heard about it in July 2011;

The rise in familiarity coincided with a rise in interest. The percentage that was very interested rose from 38% in June of 2010 to 49% in August of this year. This suggests that the learning that took place was not just passive information acquisition but active interest.

As the roll-out evolved, there was a considerable gap in understanding among Hydro Ottawa customers about whether their household was on TOU billing; some of those not on TOU thought they were and vice versa.

**Exhibit 1: Familiarity Rises with Roll-Out**



Q: The Government of Ontario has mandated the introduction of time-of-use billing for electricity in the province, which is being gradually rolled out to communities right now. Before today, how would you best describe your understanding of time-of-use billing for electricity? Would you say that you are...

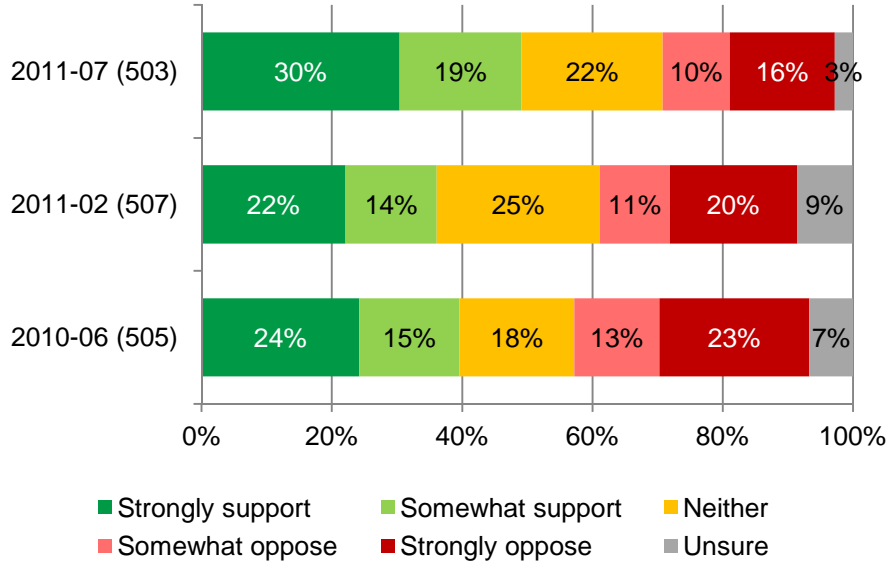
# By July 2011, Customers More Supportive than Opposed to TOU

Support for the introduction of TOU billing did not evolve in a straightforward manner.

- In the first wave of the survey, supporters (39%) just outnumbered opponents (36%).
- The initial roll-out (wave 2) did not fundamentally change the balance but more people moved to an uncertain position. In fact, one in four were neither supportive nor opposed and another 9% were unsure.
- By July of 2011, opinion had clearly coalesced in a positive direction. Almost half (49%) supported TOU compared with only 26% who were opposed.

Generally speaking, supporters believed that peak hours would be a more efficient use of electricity or that people should pay for what they use. In contrast, opponents of TOU believed that peak hours were unreasonable, unfair or inconvenient.

**Exhibit 2: The Evolution of Support**



Q: On a scale of 1 to 5 where 1 is strongly oppose and 5 is strongly support, how would you rate your support or opposition to the introduction of time-of-use billing for electricity?



## People More Likely to Expect Negative Impact on Hydro Bill

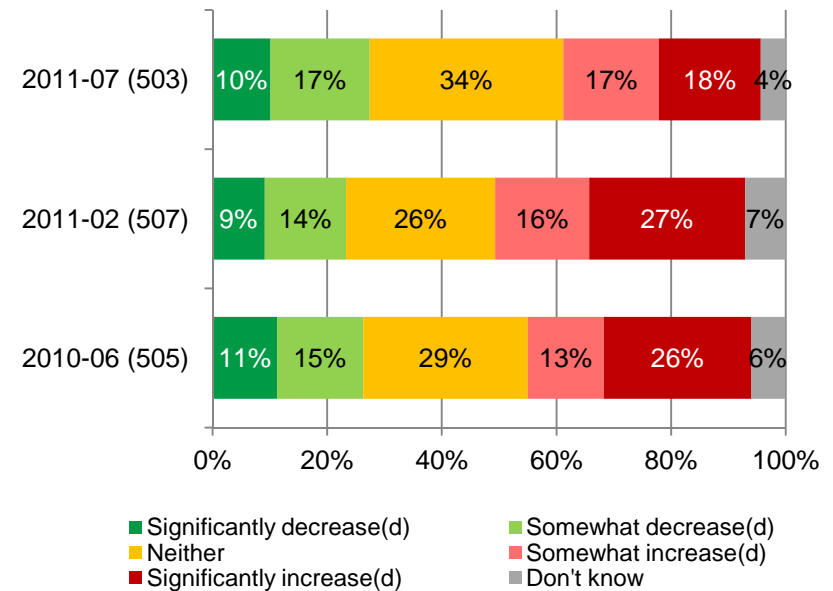
Expectations for the impact of TOU were more pessimistic (my bill will increase) than optimistic (my bill will decrease) in each wave of the survey.

The higher support for the introduction of TOU billing was consistent with how expectations changed across the study period. Between the second and last waves of the survey, the proportion who expected or observed a significant increase in their bill declined from 27% to 18%.

- Those who expected to pay more felt it would be too hard to change or said they were high users of peak power.
- Those who expected to pay less felt they could make changes or that they didn't use peak power at this time.

Telling people that the experience in other jurisdictions ( $\pm 3$  or 4 percentage points difference on electricity bills) did not significantly change the level of support.

**Exhibit 3: Impact on Hydro Bill**



Q: On a scale of 1 to 5, where 1 is significantly decrease and 5 is significantly increase, what do you expect to happen to your overall bill as a result of time-of-use billing for electricity?

## Other Views

### Attitudes about Hydro Use

A number of key attitude questions highlight the challenges for TOU billing. Although the strength of opinion changed across the surveys, the overall direction is reflected in these results from the last survey.

- 38% agreed that their household would have to fundamentally change their lifestyle to adjust to TOU billing.
- 33% agreed that there was not much they could do to shift hydro use from peak to non-peak times.
- 62% agreed that TOU was only good if it reduced their bill.

### Marketing and Communications

- The local utility was the most likely source of how people came to learn about TOU and the website was the most likely place for finding new information.
- 67% recalled the welcome pack in the last wave.
- The online access to information on hydro use was viewed largely positively throughout the study period.

### The Introduction of the HST

Almost coinciding with the start of TOU billing in Ottawa was the introduction of the HST to electrical bills.

- The baseline survey showed that the HST's impact was well understood by most (85%) Hydro Ottawa customers.
- The HST was perceived as having a larger impact on bills than the cost of environmentally friendly power and TOU billing but the focus moved to these other issues once the HST was in place.

### The Cost of Electricity

- Governments (at all levels) and local utilities share the main blame for the cost of hydro.
- Overall, customers were more likely than not to say that hydro rates have gone up more than the cost of gasoline (47%), the cost of television services (48%), and the cost of cellular services (41%).