



Bundling: The Future of Retail Energy Marketing

By Jack Doueck

Deregulation of energy markets in 20 states has created an influx of hundreds of Retail Energy Providers or Energy Services Companies (“REPs” or “ESCOs”) in the market. With increased competition coming from newer REPs, profit margins have gotten smaller. In this highly competitive market, REPs are being forced to innovate their service offerings to customers as cutting costs is no longer a viable option. Instead, many are seeking to add value to their products by bundling other products and services together for customers.

In 2012, Just Energy, an Ontario-based natural gas and electricity retailer, acquired a 15% interest in Ecobee Inc., a smart thermostat manufacturer. Smart thermostats are Wi-fi enabled, programmable thermostats that learn from consumer behavior and help customers control climate remotely and save money by reducing consumption during peak hours.

As expected, Just Energy used this acquisition to bundle and sell more services to their customers, reporting 19,000 customers in Texas and Ontario with a smart thermostat bundle last year.

In an interview with EnergyChoiceMatters.com, Just Energy CEO Ken Hartwick said, *“As we move forward, we are looking to increase the number of points of contact with the residential customer... through commodity sales, water heaters, furnaces, air conditioners, and smart thermostats.”*

Just Energy is not the only REP to offer smart thermostat bundling. Champion Energy, a REP based in Houston, offers new customers rebates for purchasing a smart thermostat. Direct Energy, also based in Texas, has bundled several electricity plans with smart thermostats: the Nest Learning Thermostat and the Honeywell Wifi Thermostat. Customers can receive the Nest Learning Thermostat with its 5-Year Comfort & Control Dual Fuel Price Plan. The Meridian Savings Plan, available to customers in Texas, bundles 24 month fixed rate plans with up to 3 Honeywell Wifi Thermostats.

TriEagle Energy, another Texas REP, is also offering smart thermostats bundled with their energy products. They launched the TriEagle WeatherBug Home plan, which includes WeatherBug’s energy efficiency ScoreCard product and a subsidized Smart Si

thermostat by Ecobee. The ScoreCard assists homeowners in determining how much heating or cooling their home needs in response to changes in weather.

Green Mountain Energy and EnTouch Controls offer small businesses in Texas a straightforward solution to energy management. For small businesses enrolling in the Smart for Small Businesses plan, they receive an EnTouch Elite thermostat, which allows remote access and control from desktop computer, smartphone or tablet. Reliant Energy followed in Green Mountain's footsteps by launching its Business Smart Controls plan, a similar small business solution for energy management that features an EnTouch smart thermostat.

While smart thermostats are a relatively new development in bundling products together, some other REPs have been bundling their services in other ways.

NRG Energy, one of the nation's largest energy companies serving residents and businesses across 46 states, has many of its businesses offering bundled services. Energy Plus, a NRG subsidiary, offers a rewards program for its customers where they can receive points towards airline miles, cash back, hotel points, and retail gifts.

IDT Energy, a New Jersey based REP with over 400,000 customers, has adopted a similar rewards program for their natural gas and electricity customers. IDT Energy Rewards allows customers to register their meters and earn points based on consumption of electricity and natural gas. The points can be used for merchandise, gift cards, movie tickets and more.

NRG has also used its presence in the NFL as a major sponsor of several NFL teams including the Houston Texans and the Washington Redskins, to reach out to customers. NRG started offering NFL-themed plans including the Patriots Fan plan and Redskins Fan plan, which gave customers a fixed rate for a year and an accompanying NFL helmet.

Gulf Electricity, a division of Gulf Oil, has offered a rewards program where customers enrolling in their electric supply service receive free Gulf gas cards tied to their electricity usage. For every 5,000 kilowatt-hours, customers receive a \$5 Gulf gas card.

Other REPs are appealing to environmentally-conscious customers by offering more green options in their product offerings.

Reliant Energy, another NRG company, launched its Reliant EcoShare product this past spring. The EcoShare product bundles carbon offsets with ongoing donations to EarthShare of Texas, an organization that provides funding for more than 30 different local and statewide environmental organizations. EcoShare allows customers to purchase either 500 or 1000 pounds of carbon offsets along with a donation to EarthShare of Texas all for a flat monthly rate of \$4-6.

Viridian Energy has also been bundling its natural gas products with carbon offsets since last year, with 25% and 100% offset product levels. More importantly, it no longer sells

any natural gas products without carbon offsets. Similarly Oasis Energy has also began offering 100% carbon offsets with their natural gas plans for both residential and business customers in New York, New Jersey, Pennsylvania and Maryland.

As a special Valentine's Day promotion, Just Energy pledged to match all sales of Valentine's Day e-cards with all proceeds going towards reducing carbon emissions from landfill gas sites.

In line with appealing to environmentally-conscious customers, New Leaf Energy, a Direct Energy company, allows customers to choose their own custom plan and the composition of their 100% renewable energy (100% wind, 100% hydro, or a combination). New Leaf will also provide customers s \$20 bill credit for signing up for paperless billing and auto pay.

Houston-based Amigo Energy offers its customers who are enrolled in Amigo's 100% renewable energy product a free annual membership to Houston's B-cycle bikeshare program. An annual membership, valued at \$65, allows riders to pick up bicycles at B-stations and return them when they are done.

REPs are also using renewable energy sources to diversify their holdings so as to further differentiate themselves from the rest of the market. As solar energy gains traction and becomes cheaper to implement, traditional ESCOs and REPs are scrambling to add solar power products to their services.

NRG acquired Roof Diagnostics Solar earlier this spring. Roof Diagnostics Solar is a residential solar company operating in the Northeast and making expansions into California. According to NRG, Roof Diagnostics Solar is expected to *"complement NRG's extensive network of independent solar installers and dealers and significantly increase the ability of NRG to meet the growing demand for high quality residential solar services delivered by a market leader in delivering retail electricity services in the home."*

Crius Energy Trust also announced the launch of a new solar brand in April, Citra Solar, in a follow-up to its introduction of solar services last fall.

In an interview with EnergyChoiceMatters.com, Crius CEO said, *"We are confident that this distinctive new addition to the Crius family of brands will allow us to accomplish three goals: leverage our existing distribution channels to reach more customers, increase our total volume of solar capacity sold and increase our margin per solar customer through a more integrated solar offering."*

Green Mountain Energy, a NRG company, has been offering a solar leasing program since 2011, allowing residential customers to avoid the high up-front costs of solar panel installations. This is bundled with its Renewable Rewards Buy-Back program, which pays back residential customers for excess energy generated.

REPs have also looked to bundle other home services and utilities with energy services to attract more customers. Security services are a popular option along with heating ventilation and air conditioning (HVAC) services, and premium television service.

Direct Energy entered into a partnership with Protect America this past spring, and has begun selling home security services. This is not entirely new for the company, as one of its companies, Bounce Energy, used to cross-sell these services before. However, it is a new step for the Direct Energy brand.

Stream Energy offers a suite of security products called HomeLife Service. These services include identity protection, technical support, credit monitoring, theft insurance, and internet security.

NRG also offers home security through its partnership with Comcast. Comcast's XFINITY Home is Comcast's home automation and security service. NRG's strategic partnership with Comcast also allows NRG to target Comcast subscribers specifically, and offer promotions including free months of HBO or Showtime to new customers.

Direct Energy also bundles in TV service with DirecTV to its customers, in a move lifted from its Bounce Energy brand. Direct Energy customers can receive 3 free months of HBO, Starz, Showtime, and Cinemax along with \$5 off their first bill.

IDT Energy also offers a Home Services program, which offers comprehensive paid coverage plans to cover all major household appliances as well as electrical wiring and water pipes. These appliance protection plans and home warranties are offered in New Jersey, Pennsylvania, Maryland, Illinois, and the District of Columbia.

HVAC services are an increasingly prominent example of bundling by REPs as they position themselves to be a one-stop shop for home services.

ONEnergy, Inc recently acquired The Home Comfort Group Inc., a provider of HVAC products and services based in Canada. The acquisition is set to create expansion opportunities for ONEnergy, the parent company of Sunwave Gas & Power. ONEnergy commented that the company *“will focus on continually improving and expanding the value proposition offered to customers by offering complementary services and products as a part of their relationship with ONEnergy. The retail energy markets are experiencing a paradigm shift where customers are demanding a more comprehensive relationship with their energy provider.”*

Direct Energy is offering new Pennsylvania residential customers who purchase an electricity supply plan a six-month trial of its Heating and Cooling Repair Essential Plan. The plan provides HVAC services to customers, and any repairs up to \$2000 a year are covered at no cost. Customers in New York receive a full year trial of the Heating and Cooling Repair Essential Plan.

Direct Energy is working with several partners to continue to innovate. One partnership with a predictive analysis company is seeking to predict day-ahead and locational marginal pricing so it can influence behavior with customers. Direct is also working creating inexpensive real-time monitoring solutions.

NRG is looking into using its Portable Power mobile device chargers as a potential marketing tool to reach customers in active retail energy markets. The portable device chargers made their debut at the Houston Livestock Show and Rodeo, and are likely to make appearances at future events. Considering its NFL partnerships, NRG can use the portable chargers to gain brand recognition and reach new customers.

The industry as a whole is being forced to innovate to compete with an ever-increasing pool of REPs and ESCOs. Regulators are encouraging REPs to seek new solutions aside from discounting electrical rates, as adding real value through bundling is more effective. Texas is a leader on this front, by forcing its REPs to compete on more than price competition.

The NYC Energy Marketing Conference will take place on September 8th 2014 in New York City at the Affinia Manhattan Hotel.

400 Energy professionals attended the last NYC Energy Marketing Conference in February. As expected, participants came from all over the Northeast. But they also came from over 20 other states, Canada and Europe. Half of the attendees came directly from Retail Energy Providers. To see the list of participants, click here:

<http://www.energymarketingconferences.com/participants-2/>

The conference theme is about how bundling and cross-selling all types of additional products and services can improve the business. Examples include: Solar, energy efficiency surveys, retrofits, smart meters, home warranties, solar, carbon monoxide detectors, demand response, fuel cells, roadside assistance programs, identity protection, alarm systems, online backups, tech support, loyalty points, rewards and others.

To see the list of panel discussions, click here:

<http://www.energymarketingconferences.com/events/energy-marketing-conference-renewable-energy-conference-for-retailers-september-8th-2014/>

The goal of the September conference is to provide specific examples of how bundling services can:

1. Make the acquisition of new customers easier
2. Increase the margin per customer and overall profitability
3. Expand the footprints of REPs
4. Reduce churn
5. Reduce customer complaints and enhance and extend the long-term relationship with customers
6. Change the focus of the marketing from “price” to “service”

7. Provide REPs of all sizes the tools to differentiate themselves from the utilities and other competition

This conference promises to change the face of the industry; this is the first energy event dedicated solely to helping the competitive energy provider diversify and grow their products and customer base. For more information go to:

<https://www.energymarketingconferences.com/>

Jack Doueck is a principal of Advanced Energy Capital, LLC (“AEC”) in New York. AEC is a specialty finance firm dedicated to providing affordable and innovative financing solutions to the Retail Energy Provider, Energy Efficiency, Energy Storage and Renewable Energy industries. AEC’s flexibility allows it to focus on small and medium size businesses and its capital pool permits it to fund significant projects and pipelines of opportunity. AEC’s clients have tapped into both senior as well as junior tranches of capital to jump-start their growth when needed. By virtue of AEC’s strategic alliances with several national power and gas wholesalers, AEC is able to provide capital in almost any scenario. On the Energy Efficiency and Energy Storage side, AEC’s innovative structures, featuring ‘zero-down’ customer structures, have helped its clients grow dramatically. Mr. Doueck may be reached at JD@AdvancedEnergyCap.com or (347) 799 1685 Ext. 207