



Best Practices for Demand Management Program Design

Implementing Design Strategies for Success

It's been said that experience is the best teacher. At Itron, we've been designing demand management programs for a long time. Based on our experience acquired through a systematic methodology that incorporates testing, we've developed a framework for program design that builds from what has worked and what hasn't.

And, while it's also been said there is no substitute for experience, we believe your knowledge of your market and its stakeholders will serve you well when implementing design strategies based on what we present here.

There are four key phases to successful demand management program design:

1. The Planning Phase: Start by answering the questions who, what and when.

» **Who** are your stakeholders? Your customers, yes, but also regulators, investors, employees, and business and civic groups. These are not just special interests that need to be appeased, but potential partners who can promote program success.

- » **What** are your enrollment, load, customer savings and customer participation goals? Quantify them. But also consider the secondary goals of building your brand, increasing customer goodwill and developing cross-marketing opportunities with your other programs.
- » **When** must these goals be met? Understand the external clock and calendar, but also establish your own based on timelines and targets.

Next there are technical aspects to consider:

- » **The playing field:** Is the market regulated or deregulated? A deregulated market has customers that are more discriminating, requiring a more refined approach.
- » **The footprint:** Has AMI been implemented and, if so, how extensively? An AMI market offers opportunities for a data-driven, customer-centric approach.
- » **The segments:** Residential, small commercial, large commercial and industrial (C&I), a combination?
- » **The management concept:** Demand response, energy efficiency or customer engagement? Each offers unique opportunities to enlist customers via smart program design.
- » **The equipment:** Load control switch or smart thermostat?
- » **The potential market penetration:** What is the pool of customers that actually qualify for the offer?
- » **The degree of customer familiarity:** How much communication has already taken place?
- » **The customer base:** Know your audience. What are the demographics, psychographics, home construction and usage data?
- » **The program lifecycle:** Are you initiating a design or is it a re-design?

2. The Program Development Phase: Keep the focus on the customer experience.

- » How will customers receive the program? What are the compelling reasons for participating? Are there any potential pain points? Can they be mitigated or eliminated?
- » How can something technical in its form, technological in design and complex, with rules requiring commitment, effort and possible inconvenience become something easy to understand, comfortable, desirable and enduringly compelling?
- » What's the *quid pro quo*? Think about incentives and retention. Sure, costs are part of the equation. But how can they be applied effectively to ensure the quid is at least as strong as the quo?
- » What about trust? It has to be there from Day 1. What can be done to ensure all parties sustain goodwill and all communication is transparent?

Design validation will also be an important step prior to full-scale launch. Getting the program design vetted by experts in the field at the outset can avert later potential impediments.

3. The Implementation Phase: Instituting an action plan requires integration of these strategic best practices:

- » **Analysis.** Know your targets and when to engage them.
- » **Choice.** Build it into the offer. Careful though: Too much choice can overwhelm customers with increased complexity. Two or three choices are ideal. Customers become more invested when they feel they've exercised control in their decision.
- » **Channels.** How will you communicate with your customers? Different demographic groups each have their own preferences. Also, certain channels are more appropriate for launch;

others more suitable for deeper market penetration.

- » **Education.** Patiently, honestly, comprehensively and simply introduce your program. You need to be a trusted advisor advocating for the common good.
- » **Partnerships.** Don't feel you need to go it alone. To repeat: Engage other stakeholders (e.g., regulators and consumer advocates) in working with you to achieve program success.

4. The Evaluation Phase: Build in the ability to adjust and then:

- » **Monitor, measure and verify.** New information means continuously new analysis.
- » **Be flexible.** New information and analysis may suggest changes in approach.
- » **Design alternatives.** The goal may be singular and fixed, but the routes to success are likely numerous and varied. Be prepared with Plans B and C, and be prepared to introduce program enhancements, if needed, based on target shortfalls.

The landscape for demand management is constantly changing with new technologies, new energy sources, new regulations, new players, and ever-shifting populations and energy demands. Every program has its own history and lifespan, following a sometimes predictable arc.

We at Itron have experienced programs from the beginnings of their design and infancy through to maturity. Based on the program design elements we've laid out here, we are confident the potential of any new or existing program can be maximized and achieve optimal outcomes, even exceeding original goals.

Experience for us has been a great teacher. But there's still a quiet thrill in bringing a well-designed program into the market and helping to realize its success. We encourage any utility that may be wavering about rolling out a demand management program to get started.



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