

## **Introduction**

In DPU 19-07, Department staff and various stakeholders are considering possible measures to improve the residential customer experience in the Massachusetts electricity market. One such measure is the use of a notice to customers with fixed contracts that will move, in the absence of some affirmative action by the customer, to monthly variable.<sup>1</sup> Such an advance notice of a contract moving from fixed to variable is not required currently in Massachusetts. A group of electric suppliers will be proposing a form of notice that would be used for this purpose. This proposal sets out a protocol that would be used to test variations on the transmittal and timing of the notice, with the goal of informing the Department's decision-making regarding the formal adoption of such a requirement by rule or practice.<sup>2</sup>

## **Assumptions**

To design a test that would allow the Department to choose an effective notice requirement, one must make certain assumptions that would underpin the test. This proposal makes three primary assumptions:

1. **Definition of effectiveness** – In our view, the main concern expressed by stakeholders with respect to the group of customers who move from a fixed price term to monthly variable is that they may be unaware either of the fact that their fixed term has ended and the variable term is about to begin or of the implications that that transition might have for the price they will pay for electricity. To address this concern, a notice would be considered effective to the extent that it makes the customer aware of the contract's transition from fixed to variable, the consequences of that transition, and the alternatives to that transition that are available to the customer. Consequently, one form of notice could be said to be more effective than another form of notice to the extent it makes the customer

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<sup>1</sup> The working group recognized that there are other forms of contracts that default to renewal at the end of an initial term. These might include fixed-to-fixed contracts and contracts that are variable from the start. Because of the scrutiny placed on contracts that move from a fixed price term to variable, this proposal focuses only on that group of contracts.

<sup>2</sup> This proposal anticipates using the form of notice drafted by the supplier group for all purposes described herein, with the understanding that, as discussed further below, the text of that notice might need to be altered somewhat for electronic communications.

more aware of the fact that the transition is happening, the consequences of the transition, and available alternatives to it.

2. **Measurement of effectiveness** – If one adopts the above definition of effectiveness, the difficulty of measuring the effectiveness of different notices will need to be addressed. It might be possible to measure effectiveness of different notices directly by, for example, using focus groups or polling. While it is possible that a stakeholder might use such a method to attempt to directly measure the effectiveness of different notices, such methods are not necessarily within the core competency of the electric supply community and may not yield a sufficiently rich data set to serve the intended purpose. It would be more reasonable, in our view, to use proxies for effectiveness that could be measured using tools that are available to most suppliers. Two such proxies are:
  - a. **Affirmative choice taken after receiving a notice.** While it is entirely possible that a customer might have made an identical affirmative choice even had she not received a different notice, it seems reasonable to assume that, other things being equal, a notice that results in a materially higher percentage of customers making an affirmative choice as compared to another type of notice could be said to be the more effective of the two.
  - b. **Affirmative acknowledgement of receipt of the notice.** One frequently expressed concern about written notices, especially those sent by US Mail, is that they may be discarded without the customer having read them. Actual acknowledgement of the receipt of a notice would allow the Department and other stakeholders to know that a customer has received the notice and has reviewed its contents to some extent. (As discussed further below, certain kinds of notices lend themselves to affirmative acknowledge more readily than others.)
3. **Test one variable at a time** – In general, testing one variable at a time is the best way to determine the impact of changes to different parameters. This proposal adheres to that principle as much as possible, with the understanding that in some cases it might be better to relax this principle somewhat for the sake of obtaining a richer set of data.

## **Notice Testing Proposal**

This proposal describes a test for two parameters related to a notice that would be sent to customers whose fixed price term is ending and who would, in the absence of some affirmative action on their part, move to monthly variable. The two parameters are the method by which the notice is delivered and the timing of the notice.

### **Method for notice delivery**

End-of-term notice requirements frequently use US Mail as the default. To the group's knowledge, there have been no publicly available studies done examining the effectiveness of mailed notices, either as an absolute matter or a relative one compared to other methods.<sup>3</sup> With the rise of electronic methods of communication, the group sees value in testing one or more of these methods against the US Mail as a means of delivering notices to customers.

The test would proceed as follows:

- One or more suppliers would volunteer to participate in the test. Participation would require agreeing to test at least two methods of notice delivery and to share the results of the test with DPU staff on a confidential basis.
- The methods of notice delivery for suppliers to choose among would be:
  1. US Mail
  2. Email
  3. Text
- Where a participating customer does not currently send an end-of-term notice, the supplier's customers who are not part of the test would act as the control group, with the percentage of customers in that group making an affirmative choice at the end of their term forming the baseline against which the performance of other methods is measured.
- The notices sent by the different methods would be the same, to the extent possible. The group understands that as one moves from US Mail to email to text, the length of the text a recipient will tolerate gets shorter. A subgroup of stakeholders in the working group process should be tasked

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<sup>3</sup> Individual companies may have data on this point that is not publicly available.

with drafting standardized versions of the US Mail notice that could be used for email and text.

- Participating suppliers would send the different notices to subgroups of their customers for a period of time that would allow a meaningfully large group of customers to receive each type of notice to be tested.<sup>4</sup>
- Participating suppliers would gather information on two aspects of their customers' response to the different notices:
  1. **Number of customers making an affirmative choice for some period of time following receipt of the notice.** (This information would likely be captured using the reporting template circulated by Department Staff before the last working group meeting.) The actions tracked would be affirmative renewal with current supplier, switch to a different supplier, return to basic service, and no action.
  2. **Number of customers affirmatively acknowledging receipt of the notice.** All of the form of notice under consideration here can be acknowledged in some manner. Acknowledgement is clearly easier with email and text and probably more closely tracks the number of customers who actually read a notice than would be the case with a written notice.<sup>5</sup> Where acknowledgement is relatively easy to send and receive, as is the case with email and text, the percentage of customers acknowledging receipt would be a helpful data point in trying to understand the full picture of customer behavior. For example, one open question in this area is how many customers who reach the end of their fixed term and take no action are, in fact, making an affirmative decision to take no action. Identifying how many customers acknowledge receipt of a notice and yet take no action would help illuminate the behavior of this group.

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<sup>4</sup> This proposal avoids terms like “statistically significant,” as there is no expectation that this work will be done to that standard. The goal here is to provide the Department a much higher level of information about one aspect of the customer experience than it currently has, even if that level of information might not meet the standard for peer-reviewed research.

<sup>5</sup> It is certainly possible to include a return postcard or a “bangtail” on the envelope, but these options would be considerably more expensive and operationally complex while perhaps only substituting one type of uncertainty – i.e., how many customers may have read the notice without sending an acknowledgement – for another – i.e., how many customers read the acknowledgement.

- Department Staff and the stakeholders participating in the working group would reach some agreement about the manner in which the data collected by Staff would be analyzed and made available to the group. Confidentiality of customer information would be paramount, as would be the protection of aspects of the data collected that the participating supplier would consider to be proprietary. Participating suppliers would be encouraged to design their tests in a way that would be least likely to require the results to be kept from the rest of the working group.
- Using the available data, the working group would attempt to reach a recommendation regarding a preference for the method of notice that would be either required or recommended for use by suppliers generally. This group's preliminary recommendation, however, is that suppliers not be required to use a method that they are currently unable to implement from a technical perspective.

### **Timing of Notice Delivery**

When the end-of-term notice should be sent has also been a topic of some discussion among the supplier group. Current notice requirements in other states vary. This would seem to be a straightforward parameter to test. In using any of the forms of notice delivery discussed above, one or more participating supplier would simply send half of the notices 60 days before the end of the fixed price term and the other half 30 days before the end of the fixed price term. The report from that supplier to the Department would note, for each customer, when the notice was sent. This would allow Department Staff and other stakeholders to observe whether the difference in timing made any material difference in the behavior of the customers involved in the test.

### **Conclusion**

The supplier group believes it would be valuable to the Department and other stakeholders to have more data available to inform any recommendations made in the area of end-of-term notices. This proposal would accomplish the goal of providing that data. Its success would depend, of course, on at least one supplier (and, hopefully, more) agreeing to participate in the test. Data from even one supplier, however, would provide more insight than is currently available about the behavior of customers at the end of a fixed price term, and having any such

data would be better than relying only on speculation about how customers behave.