

# Introduction

Almost every state in the United States is considering restructuring of the electricity industry. While there are many aspects to restructuring, one that is receiving a good deal of attention is the introduction of competition for retail customers. As retail competition (or retail access) is introduced to the electric utility industry, end-users of electricity for the first time will have, the opportunity to choose their supplier of electricity. They will still pay their local utility for transmitting and distributing electricity and for other fixed costs, which will continue to be regulated by state utility commissions, but they will be able to choose the companies that generate their electricity and arrange their retail service.

Several pilot programs have been undertaken to learn about restructuring and retail access. The New Hampshire Public Utilities Commission (NHPUC) began a two-year pilot program in May 1996 for 3 percent of the state's electric load, prorated across all customer classes. This meant that about 17,000 customers were eligible to participate. More than 30 competitive suppliers registered to sell electricity to these consumers. The advertising and promotion by the suppliers was intense. The NHPUC provided only minimal guidelines, preferring to see what lessons the market could teach. According to press reports, consumers were overwhelmed and confused by the myriad of advertising media and messages.

A second pilot program was initiated by Massachusetts Electric Company in September 1996. For one-year pilot program the suppliers were prequalified by a request for proposals. Fifteen companies made 42 different offers; six companies offering nine different products were selected. This pilot program was limited to the sale of 100,000 million kWh in four different communities; and about 4,500 residential customers and 269 small business customers signed up. Mass Electric and its program administrator prepared an informational booklet that was sent to all eligible participants. The booklet compiled the offers in a matrix, or menu, and it included a "ballot" by which each participant could select his or her preferred option. Participants also could check a box noting whether they wanted their names released to receive additional marketing materials from competitive suppliers.

When states allow this kind of competition, policy makers need to be concerned about consumer protection and should think about how to encourage efficient markets. It is well known that, for competition to be effective, consumers must have accurate information by which to differentiate competing offers. To learn what information would be useful to enable consumers to make electricity choices, it made sense to talk with consumers who have had some experience with retail access and making these choices. Residential consumers of the two pilot programs were invited to participate in a series of focus groups to discuss informational needs relative to the selection of a competitive electricity supplier.

**Purpose of this project**

The objectives of this project were to learn what information would have enabled residential consumers to better evaluate competitive offers and make a decision and how they would like that information presented.

# Methods

## **Number, location and segmentation of groups**

The study design for this project was to conduct a series of six focus groups, four at two sites in New Hampshire and two at one site in Massachusetts during February 1997. The New Hampshire participants were selected randomly from lists provided by the New Hampshire Public Utilities Commission of all eligible participants in the New Hampshire pilot program. The Massachusetts participants were selected randomly from a list of eligible participants provided by Mass Electric in the Massachusetts Electric Company's pilot program.

The New Hampshire participants were screened so that each focus group included customers of more than one regulated distribution utility, customers of several different competitive suppliers, customers who volunteered and customers who became eligible to participate because of their town had volunteered to be an aggregator.

Like the New Hampshire participants, those in Massachusetts were screened to obtain the greatest possible diversity and to eliminate consumers who are employed by a utility or electric power provider, a market research company or an advertising company. The participant screeners used for this study are included as appendix A.

All groups were audio taped and videotaped. Audiotapes were transcribed to provide written records of the focus groups, for the purpose of this summary.

## **Discussion topics and props used**

Although actual discussions varied from group to group, the general topics were the same. The first part of the focus group discussion centered upon participants' experiences with the electricity marketing pilot programs. This first part of the discussion stimulated participants to think about what they liked or disliked about the marketing experience, what factors were important in making their supplier decision, whether they had enough information about the suppliers to make their decision, what information they felt was missing and whether the competing offers could be easily compared.

After the introductory discussion, props using examples of different information displays were used to stimulate discussion (see appendix B). Props varied slightly over the six focus groups.

The first prop presented to participants was of a short information display about a fictitious firm called Electrotek. The information display consisted of an average monthly cost, basic contract terms, sign-up incentive information and an environmental certification from a hypothetical organization called Greenmark. Discussion centered around whether any of the information was confusing or difficult to understand, whether the information was important, whether the display contained enough information to make a supplier decision and whether any information was missing.

The second prop presented to participants was a long information display about Electrotek. The information display consisted of a detailed breakout of pricing information (monthly customer charge, energy production charges in price per kWh, and a monthly comparative cost), a more detailed presentation of contract terms, sign-up incentive information and environmental attribute information (fuel mix and emissions information). In addition to the questions used for the short display, discussion around the long display included whether any of the information was unimportant or irrelevant, whether the display was too detailed and whether the information provided was understandable.

The next part of the discussion, centered on the pricing information, and used three props: 1) the long display of Electrotek, 2) a display that included an average price per kWh along with the basic contract terms and sign-up incentives used in the short display and 3) a display similar to the long display with aggregate energy costs substituted for the price per kWh. The discussion of these props centered around which components of the displays were the most and least confusing and what information on the displays was most and least useful.

The next part of the discussion, centered on environmental information, and used three props that differed across focus groups. Half the focus groups observed versions A1, B1 and C1, and the other groups observed A2, B2, and C2. The fuel facts displays in A1, A2, B1 and B2 were the same. In C1, however, no fuel mix information is presented, whereas in C2, fuel facts' information is presented in a graphical display (pie chart). Discussion of these props centered around whether the information was understandable, whether the breakout of the renewables was important, whether the information about imported fuels was important and which display was the most and least confusing.

The emission facts displays varied in several ways. First, the emissions sometimes were stated in technical terms (e.g., carbon dioxide) and sometimes in common parlance (e.g., greenhouse gases). Second, the emission levels were stated as deviations above or below a reference level. These reference levels sometimes were stated as an existing state of affairs (e.g., a regional average) and sometimes as a goal to be met (e.g., a standard determined by an organization like the Environmental Protection Agency or the state's public utility commission). Another difference in the displays was that the deviation from the reference level sometimes was stated as a percentage and sometimes as an absolute value (g/kWh). Another difference was presentation of the reference levels as regional or national averages. The final difference in the emission information was presentation of the information in a table format or as a graphic (bar charts). The discussion of these props centered around which components of the displays were the most and least confusing, and what information on the displays was most and least useful.

For the last four focus groups, an additional set of props was used during aid the discussion of product versus supplier labeling. For the last two groups, an additional prop was added to prompt participant discussion of additional information that might be used in a standardized disclosure form.

### **Strengths and limitations of qualitative research**

The primary strengths of qualitative research are that it can identify issues of concern to specific populations and it can be used to frame questions that can be further developed to

derive quantitative data about a topic. As the results of this study will indicate, focus groups often identify issues that researchers may not have considered previously, or they may suggest alternate ways to frame questions.

It is important to note that results from focus groups and other qualitative research methods cannot be generalized. A focus group need not be a statistical representation of the population. It is important that the interpretation of qualitative data not be misrepresented in quantitative terms. For example, a statement that “nine of the 12 respondents” agreed on a particular point within a focus group should not be interpreted to mean that “75 percent of the population” agreed with that point.

For example, there is one common and distinctive feature of the focus group participants in this study. They have direct experience with the deregulated marketing of electricity. The research design purposely targeted these experienced consumers to gain an understanding of the problems they faced in selecting an electricity supplier. But both these pilot programs are in the Northeast, which has unique cultural characteristics. In addition the focus group participants are a self-selected sample that may represent only very motivated or sophisticated consumers (most focus group participants volunteered for the pilot programs). As a result, this research provides a valuable understanding of the information problems faced by these experienced consumers. The results presented here, however, may not be representative of inexperienced consumers or consumers in other regions of the country.

# Findings

## How participants viewed their experiences with electricity marketing

The New Hampshire pilot program was a marketing free-for-all with no unique restrictions. No standardized information was required by the New Hampshire Public Utility Commission or other governmental body and, for the most part, no comparative information was available. A group called the New Hampshire Taxpayers' Association apparently compared offers and made a recommendation that was mentioned by one participant, and a few participants remembered a comparative price table that was presented in advertising by a competitive supplier.

The Mass Electric program was designed as much more controlled experiment. First, the number of competitive suppliers was limited by a request for proposals. The information contained in the winning proposals was compiled into a standard format by the program administrators. Competitive suppliers were not allowed to change their prices or other terms of their offer in response to the competition. All potential pilot participants were sent a booklet that explained the structure of electricity costs and provided charts that included price and other standardized information about the suppliers (see appendix C).

One key finding is that the different marketing experiences of the New Hampshire and Mass Electric pilot programs led to a difference in the groups. The New Hampshire participants tended to be much more vocal and frustrated. They expressed almost universal frustration with their experience because they had to spend a significant amount of time and effort to compare the different products. Many stated that the marketing literature forced them to make comparisons between apples and oranges, although they wanted to compare apples with apples.

- *"I first read about our choice in the paper and I was very excited because I was very unhappy with the company that I was with,"* began one participant whose experience was similar to that of many others in the New Hampshire groups. *"And so I called in, because it was a toll-free number... and said, yes, I'd be very much interested in being part of this pilot program and it was maybe a month later that I was notified that I'd been selected. And then I received tons of information. And it was just like being back in college and doing a research paper, because my dining room table was covered with all these pamphlets, with all these rates, and I was trying to figure out who to go with.*
- *And it took me months—months—to go through the information, to put it down in some kind of organized form so that I could look at it and make some kind of sense out of it ... And it was a lot of work. A lot of work."*
- *"I guess I had about 16 different power companies court me,"* said another participant. *"I read through all the materials and the only thing I was looking for was the rock bottom price. I didn't care about the fir tree, I didn't care about the \$25 check, I didn't care about any of the other little incentives."*

- *“Well, I had the same experience I guess the rest of you did,” explained a participant in still another New Hampshire group. “I was looking for the lowest price per kilowatt-hour that they had and also get locked in for two years.”*

Ultimately, many New Hampshire participants stated that they could not make an informed decision and had to rely on someone else’s recommendation (e.g., a newspaper story, a friend who was an electrician, the town council).

- *“Well, the information that everybody sent me I thought was very confusing ... Somebody I work with did a lot of the calculations, you know, per kilowatt hours versus this one and that one, and the one I chose is guaranteed for two years,” said one.*
- *“But I found it confusing, so I eventually turned it over to my son because he’s a chemical engineer and that’s math,” said another woman. “Because I thought it was confusing; it wasn’t apples and apples, it was apples and oranges. And it was really hard to figure out what the bottom line would be.”*
- *“I was going to say I haven’t selected a company because I was so overwhelmed by all of the information I received and all of the telephone calls that I couldn’t make a decision about which was best for me” said another participant.*

Before they saw any discussion props, the New Hampshire participants stressed that standardized information would have made their decision making much easier, and most participants advocated some mandatory standardization.

- *“If it was uniform, it would make it more concise,” suggested one. “It’s like going to the supermarket where you look up for Cheerios, different size boxes, — \$1 per pound, \$1.50 per pound. Well, you buy the \$1 per pound box.”*
- Said a participant in another group, *“And they should establish the format as to the information that’s provided by the supplier so that everybody is looking at exactly the same thing.”*

However, one of the four New Hampshire groups expressed reservations about the government’s ability to regulate standardized information, even if this is a desirable goal.

- *“And the only way you’re going to standardize it is if you have some kind of legislation. And keep in mind, it’s government that gave us this public service monopoly.”*
- *“That’s a very good point. I’m no fan of government.”*
- *“I don’t want the government involved. They always foul everything up.”*

In contrast to the New Hampshire groups, the Massachusetts participants indicated that they had few, if any, problems in making their supplier choice. Some could not remember where they got their information, but those who did lauded the pilot program’s informational brochure.

- *“I think I read about it in the paper first about the pilot program, and I called Mass Electric and they sent me their booklet and ... a lot of information. And I decided it, I guess, by the cost and where it comes from—whether it’s going to be a power plant or generator or that kind of source.”*
- Said another participant, *“They must have been through Mass Electric when I called about the pilot program. I think that’s the only contact I had with them. And I don’t know where or who sent it to me, but it was on a flat sheet. We pulled it out ... But it listed all the companies, the rates, the source. To me that was easier. It was all on one sheet.”*

Some group members noted a lack of information about what they called “the hidden costs”—the regulated transmission, distribution and access charges that do not vary with choice of supplier—even though these were included in the program brochure.

- Said one man, *“The kicker here is that last paragraph, what will utility costs still buy. You look at the fact that since they split things up, sure, I’m getting electricity at something like 2.4 cents per hour or 2.2 cents ... but those other charges, when you take the bottom line, ... this thing’s only talking about one-third of my costs. Get serious.”*

A few Massachusetts participants noted that the presentation of the generation source and profile in the Mass Electric brochure was incomplete because it was presented only for the “green options;” some participants wanted to know the environmental attributes of the other supply options in comparison.

Except for the above differences, the focus group participants were relatively consistent in the rest of their comments. In the general discussion about their experience and how they chose a supplier, before handing out any of the props, participants consistently mentioned:

- Standard information displays so they can easily compare offers. *“If they’re all the same, you can compare them,”* said one. *“That would be the answer,”* chimed in another in that group. *“Very good idea,”* said still another.
- Price was a major factor in their choice. Said one, *“My feeling is whichever one saves me the most money and can give reliable service. Bonuses don’t count, this doesn’t count, that doesn’t count. The bottom line counts.”*
- The environment, specifically fuel mix, was volunteered, unprompted, as a second factor by some participants. After saying that price was the major deciding factor for him, one man went on to say, *“That (price) and how they provide the services, whether it’s coal or wood chips or however the electricity is produced was also a factor in the way I was concerned ... I mean, there are certain things in our environment that just can’t handle raw materials being burned because there are byproducts of these materials that are definitely causing harm, not only to the ozone, but to us as we breathe. I was brought up in New York City, so I’m sure without smoking I have at least five packs of cigarettes in my lungs each day just from living in New York.”*

- Another participant explained her decision process this way: *“Like the others, I got a bunch of mailings and some phone calls and I was mainly interested in the bottom line, but I wound up signing with Green Mountain. I felt that the hydroelectric power was ... more environmentally beneficial.”*
- All they want a declaration of all cost components, including regulated costs, and of electricity supply costs as a rough percent of the total cost of delivered electricity. One participant summarized this viewpoint quite succinctly. *“As far as my priorities go, I want to know what I’m paying per kilowatt hour. I don’t care what the average is or what anyone else pays. I don’t care. I want to know what it’s going to cost me. So I want to know what it’s going to cost me per kilowatt hour. I want to know if that’s a fixed rate, and if it is a fixed rate, for how long. Penalties, whatever, are included. And yeah, I’d like to know the source of the power. That’s important. But basically, as simple as you can make it is the best way to go.”*

### Reactions to the short and long displays

Focus group participants in general felt that short and simple declarations were preferable, as long as the important information is presented.

- *“What I like about this is that it is clear,”* said one participant. *What we got was way too much information ... this is very clear ... I like this, one page, clear kind of thing.”*

However, the short display was too short, according to most participants, because important information was either left out or aggregated in a way that was less useful or even confusing.

- One man said, *“I probably like the long one better. I don’t care about all the information in it, but some of it is interesting. And, again, if you receive the same profile format on each company, it would be easier to compare them ... I think we’re all tuned to looking for that information. So that it’s good, comparative information,”* he added.

As previously stated, price was the primary consideration for everyone in the focus groups. Everyone, even those with an appreciation for non-price attributes (e.g. environmental or social considerations), felt that the bottom line was the most important to them. Information about the contract terms perceived to be important.

Most focus group participants cared neither about the incentives information nor did about having incentives available. They felt that incentives were simply marketing gimmicks. Basically, the focus group participants stated that they would rather have lower prices than incentives.

- *“I have electric heat, so ... the money was the bottom line for me. ... But I didn’t go for any of the incentives of the \$25 here or there. What I went for was the year’s charge,”* stated one participant.

Focus group participants in general did not find the environmental certification useful (a fictitious Greenmark was used to indicate certification). Some even stated that they thought

the certification detracted from the display because it appeared to be a marketing ploy and did not convey factual information.

- *“To me, they’re trying to jump on a politically correct bandwagon,”* said one man. In contrast, when presented later with the fuel and emission facts information, most participants responded positively.

Although a majority of focus group participants did not feel that the environmental attributes were important in their energy decision, they did feel that the fuel and emissions information was important to some people and should be included as a part of the disclosure statement.

- *“We’ve got to think about children and grandchildren, what it’s going to be like for them,”* said one person. *“Well, I know it’s important to me,”* was a comment in another group. *“I don’t know if it’s my top priority, but it’s definitely a priority.”* A woman in one of the Massachusetts groups commented on the information provided in the product comparison chart, *“I’d really like to see the source, too. I think that would be helpful.”*

Many focus group participants liked the fuel mix disclosure, and others liked the emissions information. People did not like the technical terms used for the emissions facts panel (e.g., sulfur dioxides) because most did not know what the terms meant.

- *“It doesn’t mean a damn thing to me,”* said one man. *“I don’t understand.”* *“I really don’t know,”* said another in that same group. *“Sulphur dioxide ... I wouldn’t know a nitrous oxide. For all I know, that’s what they may use to carve ... I don’t know anything about this.”* Focus group participants did not like absolute values for the emissions in terms of g/kWh because most did not feel they knew how to interpret the information in terms of health, safety or environmental consequences.

## Reactions to the pricing displays

Because price is very important to their choice of electricity supplier, focus group participants insisted on sufficient detail to calculate their own cost. Participants stressed the desirability of a unit price per kilowatt hour, so that a simple multiplication, based on their own level of use, could determine their cost.

- *“Cost per unit. Cost per kilowatt hour. ... You need a base common denominator,”* said one participant.

Although one display presented a unit price based on an average customer use of 500 kWh, participants were concerned that this did not reflect their level of use. The fact that different levels of use could result in different unit prices led two groups to suggest a display of the price per kWh for several levels of use (e.g., 500, 750, 1,000 and 1,500 kWh per month) either in a table or as a graph.

In some cases participants indicated a preference for the detailed rate structure because it showed unit prices at different times of day or for different levels of use. But, as rate structures become more complex (for example including a fixed customer charge) and as they differ

from one supplier to another, making comparisons difficult, then it is likely that a simple common denominator will become even more important to consumers.

In general, consumers do not trust information based on an average customer unless it can be made meaningful to them. In particular, they expressed no interest in a display of average monthly cost.

- *“The average monthly cost is a loser because who knows what’s average,”* said one man.

Some focus group participants disliked the fact that the price information included only the electricity generation portion of the bill and not the distribution and other charges. These participants felt that all charges should be included, even though the distribution charges would be the same for all suppliers and would not really matter in the choice decision.

- *“They talked about the cost of electricity and that’s all,”* complained one participant. *“They never mentioned all the other stuff. Electricity is the cheapest part of it.”* Said another participant, *“And so what I finally found out from all the material I was getting was (they were) just talking about one-third of my costs.”*

One participant from a Massachusetts group said that he chose a specific supplier primarily because he would receive only one bill by selecting that supplier, and therefore would have an easier time determining total costs.

- *“I looked to see two things: cost of the electricity to me and also the fact that it’s just one bill from the company that’s producing and [the local supplier] combined. The number at the bottom is what you pay.”*

## Reactions to the environmental displays

Although not all participants mentioned environmental concerns as a major decision-making factor when selecting their own supplier, most of them liked the fuel mix disclosure and many liked the emissions information in the sample information sheets presented to them. With respect to the fuel mix, most participants preferred the detailed breakout of the renewable fuel sources because as some asked rhetorically, *“What is renewable, anyway?”*

Many focus group participants liked the idea of knowing the percentage of fuel being imported, although it was not of prime importance, but they questioned the definition of imports. *“I was going to ask what that meant. Does that mean that they’re importing from another company?”* asked one person. *“From another state or another country,”* responded another participant. *“Or is some other coal or oil imported? Is that what it means?”* the first person continued. After a little more discussion, one person said, *“Well now, I’m a strong person on defense, and I was in Army intelligence during the Korean War. And I don’t want to depend on some foreign country ... Canada’s okay, but certain foreign countries —”* Some thought of oil imports, from the Middle East; others were aware of electricity imports from Canada. A few questioned whether imports meant out-of-country or out-of-region. The general feeling was that they do not approve of imports from places like Iran but do not mind importing electricity from Canada.

Again, technical terms for the emissions were not preferred because most people did not know what these terms meant. *“I think most people wouldn’t know what’s good, what’s bad,”* said one person. Most participants seemed more comfortable with the nontechnical terms (e.g., greenhouse gases), although not everyone understood what those terms, either.

A reference level was seen as an important and helpful addition to the emission facts panel. Most focus group participants seemed comfortable with the idea of a group setting a recommended reference level (a standard to be met), as opposed to using a reference level based on the status quo reality (e.g., a regional average). Several focus group participants stated that they also wanted the reference level to be stated on the label. When asked who should set the reference level, most participants preferred an organization like the Environmental Protection Agency as opposed to an environmental organization or the state’s public utility commission.

- *“Roy said the EPA, they’re probably a lot stricter, too,”* said one participant. Responded another, *“Plus the EPA has taken into consideration these acid rain gases and toxics and particulates and greenhouse gases in setting their reference points as to what’s good and what’s bad.”*

When probed, many participants said they would like the reference level to be set regionally instead of nationally because different regions of the country can have different pollution problems.

- Said one man, *“I think the emissions facts on B are kind of interesting, at least to know regional averages. I wouldn’t say instead of C but in addition to. I don’t know that it would be too much information. That way you would have an idea of the region, what is the biggest thing, what is acid rain or greenhouse gas and relate that to this.”*

In terms of measuring emissions with respect to a reference level, focus group participants in general preferred a percent difference display (deviations from the reference level measured in percentages) over an actual difference display (deviations from the reference level measured in terms of g/kWh). A few would be satisfied to compare the numbers for each attribute across competing suppliers, even if they could not determine the significance of the data. A few participants suggested text displays instead of numbers or percentages (e.g., high, medium, low or safe, warning, dangerous). Others preferred the idea of using one number to summarize the emissions quality, somewhat analogous to the air quality index, pollen count or forest fire danger information provided by the news media.

When asked to choose between fuel facts and emission facts, most participants preferred the fuel facts, although they would prefer to have both sets of information. Finally, in terms of presentation, almost all focus group participants preferred the graphical presentation of the fuel and emission facts panels (fuel facts as a pie chart and emission facts as a bar chart).

## Reactions to supplier versus product displays

The product versus supplier labeling discussion was somewhat inconclusive. Two issues were explored. 1) Was it believable that one company might offer different products? 2) Which perspective did the participants prefer—information about the product or brand they were purchasing, or information about the entire company?

Some participants understood the ability of suppliers to differentiate products, and they understood that it was a bookkeeping matter. Others seemed to understand that the ability to choose products would somehow change the overall fuel mix in the pool. However, others did not understand these ideas and felt that it is technically impossible to differentiate products when all the electrons were pooled. *“The question in my mind,”* was a typical comment, *“is how are—you’re saying I can give electricity to Massachusetts from three different suppliers or generators, right? In Massachusetts, how is she going to get exactly what she wants and I get what I want?”* The ability for focus group participants to understand the differentiation of products of one company became easier when the products were sold in different areas of the country. Participants became more confused if the products were sold in the same area, but they did not question the ability of one company to distinguish its product from the product of another company selling in the same area.

Given the confusion over how a company could offer different products, focus group participants were divided on the issue of whether they would prefer supplier or product labeling. Some participants wanted product labeling, such as the woman who said, *“Well, I can’t control what other people are doing, but at least I can have an option.”* Others preferred supplier labeling so the firm could not misinform the consumer as to their ‘greenness.’ *“I want to know what the company does,”* said a proponent of this view. In general, the product versus supplier discussion either trailed off without resolving the issue or the group would default with the suggestion that both product and supplier information be presented.

## Other information desired

The last two focus groups were asked to suggest other desirable information for informed decision-making. Before a list of possible additional information was handed out, participants said they would like more information about who the suppliers are, such as where they are located and how long they have been in business. Again, information about the other (nongeneration) costs, even if fixed by regulators, was mentioned.

The additional list (given or read to them) invoked generally positive responses to some and mixed responses to others. In one group, participants were asked to list the top three items. Although the specific answers varied considerably, they can be grouped into several types of information (not in any order of importance):

- Price and price variability
- Customer satisfaction or complaints
- Environmental factors (e.g., hazardous waste sites, environmental violations, NRC ‘watch list’)

- Consumer rights of appeal in contract or billing disputes
- Company information, such as years in business

One person labeled these data items as *“‘nice to know,’ not ‘need to know.’”*

Finally, the groups were asked how much information they really wanted. Responses included:

- A booklet is fine
- A prospectus
- Two pages at most

## Conclusion

Without standardized information in the New Hampshire and Massachusetts pilot projects on retail competition in electricity service, consumers were unable to make meaningful comparisons among suppliers. New Hampshire participants who did not receive standardized information as part of the pilot program stated that they were frustrated and confused with the marketing exercise. When standardized information was included as part of the pilot program, the Massachusetts participants found the task much easier, feeling little confusion or frustration, although they noted that only the green options presented a generation mix/profile and they felt that all options should show this information.

In general, price was the most important to participants and sign-up incentives were the least important. Given the relative importance, it is not surprising that most participants wanted more detailed price information. Participants were particularly insistent that prices be presented in a way that allowed them to determine their unique cost.

Some participants were very interested in environmental attributes. Even those who stated that environmental attributes were not very important to them said that a presentation of these attributes would be useful. Most participants preferred the fuel and emission facts information over the environmental certification statement. Reference levels were seen as important to the emission facts displays; without some interpretation, participants felt the information was meaningless to them. Graphical displays of the environmental information were preferred over table formats.

Other information that participants felt would be nice to know included information about the supplier company, the supplier's customer satisfaction record, customer recourse in case of disputes, and additional price and environmental information.

## Appendix A

### Participant Screeners

#### Participant Screener for New Hampshire Utilities Focus Groups

##### Recruiting Goals

- The participants shall be the person in the household responsible for making choices about their use of a utility provider.
- The participants shall be familiar with the Retail Electricity Competition Pilot Program for NH
- The participants shall be adults in a range of ages (18-65+).
- The participants shall be a mix of men and women.
- The groups shall include people from several cultural or ethnic backgrounds (e.g. Caucasian, African American, Hispanic, Asian, etc.). (“Group” refers to the group of 12 respondents]
- All participants must be able to read and understand English.
- Persons who work in the following occupations shall be excluded: persons working for advertising companies, market research companies, or utilities companies.
- Mix of active (10 per group) and passive (2 per group) participants
- Participants should include a mix of customers from more than one utility company

##### Scheduling

The schedule for the groups follows:

##### ***February 11, 1997- 6PM & 8PM***

Concord, NH Holiday Inn  
172 North Main Street  
Concord, NH 03301

##### ***February 12 1997- 6PM & 8PM***

Londonderry, NH  
Granite State Marketing Research,  
78 Nashua Road  
Park II West, Suite 3  
Londonderry, NH 030534068

- 12 participants recruited per group, with 9 to participate
- Participants will be paid \$40 for their participation.
- Light refreshments will be offered to participants.
- The identity of the participants will remain confidential.

Hello Mr./Ms. \_\_\_\_\_ my name is \_\_\_\_\_ and I’m calling from \_\_\_\_\_. We are presently working with Macro International, a research and consulting firm, on a research project about consumer choice of utility companies among people in your area. We are not selling or promoting any product or

service, but are simply interested in your opinions. Could I ask you a few short questions for this survey?

### Screening Questions - New Hampshire

1. Are you the person in your household who is responsible for making decisions about your choice of an electric utility provider?
  - Yes
  - Not responsible — ***request to speak with the person who does (if not available, terminate)***
  
2. I'd like to ask you a few questions about the Retail Electricity Competition Pilot Program with which you were selected to participate in last year. Are you familiar with the pilot program?
  - Yes
  - No (***—terminate***)
  
3. Which of the following best describes how you became eligible to participate in the pilot program? (***Mix of both***)
  - You contacted your electric utility company and expressed an interest in participating in the pilot program.
  - You live in a community which was chosen to participate.
  
4. I'm going to read a list of age groups to you. Could you please tell me which group you are in?  
(Mix of ages)
  - 18-25—***continue***
  - 26-35—***continue***
  - 36-50—***continue***
  - 51-65—***continue***
  - over 65—***continue***
  
5. What is your ethnic background? **[Include a mix of ethnic groups representative of the local population.]**
  - African American
  - Asian
  - Caucasian
  - Hispanic
  - Native American
  - Other (please specify)
  
6. Are you currently employed?
  - ***Yes—continue***
  - ***No—proceed to question 9***
  
7. Could your employer be described as any of the following?
  - A utility company or electric power provider ***—terminate***
  - A market research company ***—terminate***

- An advertising company —*terminate*
8. What utility company did you receive power from before the start of the pilot program? [**Need participants from more than one of these utilities at each of the NH groups**]
- Concord Electric
  - Connecticut Valley Electric
  - Exeter and Hampton Electric
  - NH Electric Cooperative
  - Granite State Electric
  - Public Service of New Hampshire
9. Which statement best describes your situation or position in the utility pilot program?
- I have chosen a new power supplier (*active participant*)
  - I chose a new service plan offered by my original utility company (*active participant*)
  - I have made no changes in how I receive electricity (*passive participant - 1 or 2 per group*)
10. We would like to invite you to participate in a group discussion with a researcher from Macro about your involvement in the utility pilot program. The discussion will take place on [day], [date] at [facility name and location]. It will last about 2 hours, and during the discussion you will be asked to read and comment on some information. You will be paid \$40 in cash for your time. Would you like to participate?
- No —*terminate*
  - Yes

I would like to schedule your interview and send you a confirmation letter and directions to the facility. In order to do so, could you please tell me your mailing address and give me a phone number where you can be reached:

NAME: \_\_\_\_\_  
 ADDRESS: \_\_\_\_\_  
 CITY: \_\_\_\_\_ STATE: \_\_\_\_ ZIP: \_\_\_\_\_  
 PHONE (H) \_\_\_\_\_  
 (W) \_\_\_\_\_

Which time is convenient for you?

DATE OF INTERVIEW: \_\_\_\_\_ TIME: \_\_\_\_\_

We are inviting only a few people, so it is very important that you notify us as soon as possible if for some reason you are unable to attend. Please call \_\_\_\_\_ at [phone] if this should happen. We look forward to seeing you on [date] at [time]. If you use reading glasses, please bring them with you to the interview.

**Participant Screener for  
Massachusetts Utilities Focus Groups**

**Recruiting Goals**

- Participants should be the person in their household responsible for making decisions about choice of utility company
- Participants should be familiar with their utility pilot program
- The participants shall be adults in a range of ages (18-65+).
- Participants should be a mix of men and women
- The groups shall include people from several cultural or ethnic backgrounds (e.g. Caucasian, African American, Hispanic, Asian, etc.). ["Group" refers to the group of 12 respondents]
- All participants must be able to read and understand English.
- Persons who work in the following occupations shall be excluded: persons working for advertising companies, market research companies, or utilities companies.

**Scheduling**

The schedule for the 2 groups follows:

***February 13, 1997 - 6PM & 8PM***

Worcester, MA  
Ramada Inn Worcester (tentative)  
624 Southbridge Street  
Auburn, MA 0~501

- 12 participants recruited per group, with 9 to participate
- Participants will be paid \$40 for their participation.
- Light refreshments will be offered to participants.
- The identity of the participants will remain confidential.

Hello Mr./Ms. \_\_\_\_\_, my name is \_\_\_\_\_ and I'm calling from \_\_\_\_\_ . We are presently working with Macro International, a research and consulting firm, on a research project about consumer choice of utility companies among people in your area. We are not selling or promoting any product or service, but are simply interested in your opinions. Could I ask you a few short questions for this survey?

**Screening Questions - Massachusetts**

1. Are you the person in your household who is responsible for making decisions about your choice of an electric utility provider?
  - Yes
  - Not responsible —***request to speak with the person who is (if not available, terminate)***

2. I'd like to ask you a few questions about the "Mass Electric Choice: New England Pilot Program" with which you were selected to participate in last year. Are you familiar with the pilot program?
  - Yes
  - **No** (*—terminate*)
  
3. I'm going to read a list of age groups to you. Could you please tell me which group you are in?  
(mix of ages)
  - 18-25 *—continue*
  - 26-35 *—continue*
  - 36-50 *—continue*
  - 51-65 *—continue*
  - over 65 *—continue*
  
4. What is your ethnic background? **[Include a mix of ethnic groups representative of the local population.]**
  - African American
  - Asian
  - Caucasian
  - Hispanic
  - Native American
  - Other (Please specify)
  
5. Indicate gender of respondent **[Include a mix of men and women]**
  - Male
  - Female
  
6. Are you currently employed?
  - **Yes***—continue*
  - **No***—proceed to question 9*
  
7. Could your employer be described as any of the following?
  - A utility company or electric power provider *—terminate*
  - A market research company *—terminate*
  - An advertising company *—terminate*
  
8. We would like to invite you to participate in a group discussion with a researcher from Macro about your involvement in the utility pilot program. The discussion will take place on [day], [date] at [facility name and location]. It will last about 2 hours, and during the discussion you will be asked to read and comment on some information. You will be paid \$40 in cash for your time. Would you like to participate?
  - **No***—terminate*
  - Yes

I would like to schedule your interview and send you a confirmation letter and directions to the facility. In order to do so, could you please tell me your mailing address and give me a phone number where you can be reached:

NAME: \_\_\_\_\_

ADDRESS: \_\_\_\_\_

CITY: \_\_\_\_\_ STATE: \_\_\_\_ ZIP: \_\_\_\_\_

PHONE: (H) \_\_\_\_\_

(W) \_\_\_\_\_

Which time is convenient for you?

DATE OF INTERVIEW: \_\_\_\_\_ TIME: \_\_\_\_\_

We are inviting only a few people, so it is very important that you notify us as soon as possible if for some reason you are unable to attend. Please call \_\_\_\_\_ at [phone] if this should happen. We look forward to seeing you on [date] at [time]. If you use reading glasses, please bring them with you to the interview.

**Appendix B**  
**Focus Group Information Displays**

























































**Appendix C**  
**Mass Electric Brochure**











# **Information Disclosure for Electricity Sales**

## **Consumer Preferences from Focus Groups**

**The Consumer Information Disclosure Series**

By  
Alan S. Levy  
Mario Teisl  
U.S. Food and Drug Administration

Lynn Halverson  
Macro International

Edward A. Holt  
Ed Holt & Associates

**The National Council on Competition and the Electric Industry**

July 1997

## The Consumer Information Disclosure Series

### Papers in the Series

*Information Disclosure for Electricity Sales: Consumer Preferences from Focus Groups*

*Full Environmental Disclosure for Electricity: Tracking and Reporting Key Information*

*Disclosure of Fuel Mix and Emissions by Retail Electric Service Providers: Issues of Confidentiality vs. Public Right to Know*



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## About the Authors

### **Alan S. Levy**

Alan Levy is chief of the Consumer Studies Branch in the Division of Market Studies, Center for Food Safety and Applied Nutrition at the U.S. Food and Drug Administration. He received a B.S. in physics from Michigan State University and a Ph.D. in social psychology from Columbia University in 1973. Before coming to the FDA, he taught psychology at Duke University and was a project officer on government-sponsored survey projects at Market Facts. At FDA, Dr. Levy has worked on issues related to food labeling, food safety, weight loss practices, vitamin and mineral supplement use, infant feeding practices and nutrition education. Dr. Levy was elected to the board of directors of the Association for Consumer Research in 1996.

### **Mario Teisl**

Mario is a staff fellow in the Consumer Studies Branch, U.S. Food and Drug Administration (Washington, DC). Dr. Teisl obtained his Ph.D. in agricultural and resource economics from the University of Maryland. He has written several papers outlining the market effects of nutrition and environmental labeling. In addition, he has assisted the U.S. Environmental Protection Agency with its consumer research under the Consumer Labeling Initiative (to redesign pesticide labels).

### **Lynn Halverson**

Ms. Halverson is an experienced qualitative researcher. She received her qualitative research training from Riva Marketing in Bethesda, Maryland, in 1988 and has conducted both in-depth interviews and focus groups since that time, working for federal clients such as the Food and Drug Administration, and for for-profit companies and nonprofit organizations. She currently conducts approximately 100 focus groups and one-on-one interviews per year and is coordinator of Macro's focus group moderator training program, which provides courses in qualitative research methodology and focus group moderator training to internal and external clients.

### **Edward Holt**

Edward Holt is an energy consultant based in Harspswell, Maine. He specializes in strategic planning and marketing, policy research and customer choice issues in competitive electricity markets.

# Foreword

## The National Council and Its Research Agenda

The National Council on Competition and the Electric Industry initiated its Consumer Information Disclosure Project in November 1996 to assist state regulators and legislators address consumer information needs in a competitive electricity environment. This effort followed on The National Association of Regulatory Utility Commissioners' November 1996 resolution calling for enforceable, uniform standards that would allow retail consumers to easily compare price, price variability, resource mix, and the environmental characteristics of their electricity purchases.

To implement this resolution, the National Council has initiated a multi-part research agenda. The research agenda is designed to identify and provide state regulators and legislators with technical information, consumer research and policy options. The tasks currently being undertaken are described below. A report describing the result of the research will be prepared for each of the tasks. Copies will be made available on the National Council's website as they become available.

**Task 1. *Full Environmental Disclosure for Electricity: Tracking and Reporting Key Information.*** This report identifies mechanisms to trace transactions from generators through sellers, aggregators or marketers to retail buyers to provide consumers with full resource mix and environmental characteristics disclosure. (Available June 1, 1997)

**Task 2. *Disclosure of Fuel Mix and Emissions by Retail Electric Service Providers: Issues of Confidentiality versus the Public Right to Know.*** This report identifies the legal and policy considerations involving suppliers' requests to keep information confidential versus the public interest in having the information publicly available to consumers and others. (Available June 1, 1997)

**Task 3. *Price and Service Disclosure.*** This report presents standard options for comparing price information, risk, important contract terms and conditions, and consumer protection information.

**Task 4. *Consumer Preferences from Focus Groups.*** The report summarizes the results from consumer focus groups conducted with participants in New Hampshire and Massachusetts retail competition pilot programs. Separate focus group reports will summarize interviews with consumers in California, Washington and Colorado.(June 1, 1997)

**Task 5. *Baseline Tracking Survey.*** This report describes a survey instrument to gather consumer information, knowledge, attitudes and practices relevant to retail electricity purchasing practices. The report also summarizes the initial — or baseline— data on these issues.

**Task 6. *Disclosure Testing.*** This report summarizes the results of disclosure testing conducted to measure consumer acceptance, ease of use, comprehensibility and task performance.

**Task 7. *Research Synthesis.*** This final report summarizes all the disclosure related research and makes final recommendations, including model state statutes and regulations.

The National Council's home page address is: <http://www.erols.com/naruc> (National Council Information is located at the bottom of the page).

# Executive Summary

A series of six focus groups were held in two states—New Hampshire and Massachusetts—currently are undergoing pilot programs that have been established to learn about restructuring and consumer response to choice of electricity suppliers. Four groups were held in New Hampshire, where the New Hampshire Public Utilities Commission (NHPUC) is conducting a two-year pilot program for 3 percent of the state’s electricity customers. Two groups were held in Massachusetts, where the pilot program is being administered by Massachusetts Electric Company (Mass Electric). The pilot programs for each state are significantly different. Whereas New Hampshire set few restrictions for supplier participation and marketing to potential customers, resulting in more than 30 suppliers competing for customers in the New Hampshire program, Mass Electric selected six companies that were allowed to offer products in the Massachusetts pilot program and prepared an informational booklet comparing the products for consumers in that state.

The objectives of this focus group project were 1) to learn what information residential consumers would like to have available to evaluate competitive offers and make a decision and 2) to learn how they would like to have that information presented.

## **How participants viewed their experiences with electricity marketing**

The New Hampshire participants were frustrated with their experience because they had to spend a good deal of time and effort attempting to compare the different products. By contrast, Massachusetts participants indicated they had little difficulty in making their supplier choice.

Except for the above differences, focus group comments were relatively consistent. Participants almost uniformly mentioned price as the major factor in their choice, with the environment mentioned as a second (unprompted) factor by many. They also said that they wanted standard information to compare offers and disclosure of all costs—not just electricity generation costs—in order to make their decisions.

## **Reactions to the short and long displays**

Short and simple declarations were preferred, as long as the important information was presented. However, the short display was considered incomplete because important information was either left out or aggregated in a confusing manner.

## **Reactions to the pricing displays**

Participants preferred a simple price per kilowatt-hour (kWh) that allowed them to determine their own cost. They also wanted companies to list distribution and other charges, even though those charges were unrelated to the electricity generation charges.

## Reactions to the environmental displays

Most participants liked the fuel mix disclosure, and many liked the emissions information. Some liked the idea of knowing the percentage of imported electricity although it was not of prime importance. Most participants seemed more comfortable with the nontechnical terms (e.g., greenhouse gases) than with technical terms for emissions because the nontechnical terms were more understandable.

A reference level was perceived as an important and helpful addition to the emission facts panel, and most preferred that the Environmental Protection Agency establish such a level. If forced to choose between fuel facts and emission facts, most participants preferred the fuel facts, although they would prefer to have both sets of information. Finally, in terms of presentation, almost all focus group participants preferred the graphical presentation of the fuel and emission facts panels (fuel facts as a pie chart and emission facts as a bar chart).

## Reactions to supplier versus product displays

The product versus supplier labeling discussion was inconclusive. Many participants had difficulty understanding how a supplier could provide different products in the same area when all the electrons were pooled. Others understood this concept but did not indicate strong feelings about whether they would prefer to know the company's record or the company's 'greenness' with respect to the products they were offering locally. In general, the product versus supplier discussion either trailed off without resolving the issue or the group would default to the suggestion that both product and supplier information should be presented.

## Other information desired

The last two focus groups were asked to recommend other desirable information for informed decision making. When asked to list the most important items, one group emphasized information relating to price variability, customer satisfaction or complaints, environmental factors (e.g., waste disposal sites, environmental violations, National Regulatory Commission (NRC) 'watch list'), consumer rights of appeal in contract or billing disputes and years in business.

## Conclusions

Participants primarily wanted standardized information about prices so they could compare products directly, and they wanted the price to be stated as the cost per kWh. Although many participants stated that environmental attributes were not too important to them, they wanted some presentation of those attributes. Most preferred the fuel and emission facts information over the environmental certification statement. Reference levels were important to the emission facts displays; without some interpretation, participants felt the information was meaningless. Graphical displays of the environmental information were preferred over table formats.