

Residential Focus Groups – 2015 RDA Final Report

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Research Objectives

- To determine what residential customers value in rate design
- To gauge reaction to a three-step rate
- To test the attraction of credit card payment
- To obtain feedback on new account charges, reconnection/disconnection charges and late payment charges
- To ascertain opinions on security deposits

Methodology

- Six focus groups were held: two physical groups in Vancouver with residents of the Lower Mainland; two physical groups in Nanaimo; and two online groups with residents from the Interior, Northern BC and Vancouver Island/Gulf Islands (Other BC).
- Participants were BC Hydro residential customers, homeowners and renters, mixed ages and gender, mixed employment status and occupations including retirees, and mixed cultural backgrounds including First Nations.
- Groups were up to 2 hours in length.
- Total number of participants = 54.
- The views expressed by participants may not necessarily represent the views of all BC Hydro residential customers across British Columbia.

Key Findings

- Most participants believe their BC Hydro service gives them good value compared to other utilities they use.
- Participants value fairness above all other corporate values, and perceive it to mean that they—and all other residents—are paying equal rates that reflect the true cost of service.
- Customer understanding and acceptance is also valued highly by participants. They want to know the rates they are being charged and why, and want to track and predict their own energy consumption to conserve and keep their bills low.
- Participants had trouble with the concept that some customer classes might subsidize rates for other classes (some did not believe that this was the case).
- Some participants would rather no class subsidize another, in order to make rates even and “fair” for all classes, even if it meant their rates would increase.
- Most participants are aware of the current 2-step rates, although those in the Lower Mainland were the least aware of it.
- Most participants agree the 3-step rate design would help customers to conserve more energy.

Key Findings, cont'd

- There is some concern that the 3-steps (and the 2-steps) unfairly promote lower rates for smaller homes with fewer residents, and do not encourage conservation for detached homes with larger families.
- With both rate designs, participants said it would be difficult to know when their consumption reached the next rate step; emails or text alerts were suggested as a way to keep customers aware.
- Overall, when it comes to charges, participants believe the customer affected should pay and not the company (and therefore, all customers), but many are sympathetic to individual circumstances that might prevent a customer from being able to pay, and expect BC Hydro to be sympathetic as well.
- Most participants think new customers should pay a higher set-up charge than existing customers who move homes.
- Some say online set up should be free, while others say it should be a lesser charge than using the telephone. Not limiting or discouraging accessibility for all customers is important to a number of participants.
- Most participants agree that the customer affected should incur disconnection and/or reconnection charges.

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Key Findings, cont'd

- Some participants believe BC Hydro has a social obligation to arrange solutions for those who cannot afford to pay dis- and re-connection charges.
- Nearly all participants believe those with old meters should pay a higher charge for connection services than those with new meters, except in cases in which the customer did not choose to keep their old meter.
- Most participants are not interested in paying their BC Hydro bills with credit cards and would not pay a fee to do so.
- Participants say customers with late bills under \$30 should also pay late charges, unless the costs of recovering the charge is greater than the charge itself (no passing the costs on to all customers). Participants prefer the charge be a percentage of the bill and not a fixed fee.
- Most participants say only new customers with bad credit or no credit history should pay a security deposit, and not all new customers.
- One year is too long to hold a deposit, many participants say. Six months or less was suggested.
- Some participants think asking all new customers to pay a deposit creates a feeling of mistrust.

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Which utilities are used and valued most?

BC Hydro is the best. (Other BC)

Hydro is the best value. My Internet is overpriced. (Lower Mainland)

I hardly pay anything for hydro and get a lot back for it. (Nanaimo)

BC Hydro is the better value. I use very little (electricity). (Lower Mainland)

Fortis gas gives us best value. (Nanaimo)

BC Hydro is almost ridiculously low. (Nanaimo)

Shaw Internet is the best value for the money. (Lower Mainland)

I feel I get good value from BC Hydro. (Other BC)

Fortis prices are not going up like BC Hydro's. (Nanaimo)

I only pay \$125 a month for my maintenance fees which includes gas, sewer and water. (Nanaimo)

Telus is number one, then Fortis, then Hydro. (Lower Mainland)

Participants were asked which utility companies they used. They were subsequently asked which one gave them the most value.

- All participants cited BC Hydro as a utility company they used. The second most-named company by participants was Shaw, followed by Telus and then Fortis.
- In the Nanaimo groups, water and sewer provided by the city was listed by some participants.
- BC Hydro was also most named by participants as the utility company that provided the best value. Many participants said they found their bills to be reasonably or particularly low.
- Some participants said Shaw provided the best value (rates are negotiable; special deals offered) while a few said Fortis (low rates).

BC Hydro corporate values and principles

Fairness, because we should only pay what it costs. (Lower Mainland)

Practicality because it's the least subjective—it's at a much higher level. (Other BC)

Customer understanding and acceptance can lead to efficiency and conservation. (Lower Mainland)

Efficiency and conservation. It's important not only locally but globally. (Other BC)

Unless customers understand the rates, the other three are moot points. (Nanaimo)

Fairness has got to be the starting point. (Lower Mainland)

I want to understand how I can keep my rates down. (Nanaimo)

You can have fairness, but unless customers understand that it's fair, it's no good. (Lower Mainland)

Practicality comes first. (Lower Mainland)

Participants were shown a set of four corporate values and principles that BC Hydro might consider when designing rates. The four sets were:

1. Fairness
2. Efficiency & conservation
3. Customer understanding and acceptance
4. Practicality

After reviewing each set of values & principles, participants were asked to rank order them in terms of which values and principles should be emphasized most by BC Hydro and why.

Values and principles rated most highly

I put fairness as number one because I don't like to feel ripped off. (Lower Mainland)

Efficiency and conservation so we won't have to build expensive infrastructure. (Nanaimo)

I agree with the fairness, but I need to understand the rates. (Other BC)

I chose fairness and practicality because I want to know that what I'm buying is what I'm getting. (Nanaimo)

My first was efficiency and conservation. My second was fairness. (Lower Mainland)

For me it's very important to be fair to everyone, cost-wise. (Other BC)

I think the rates should promote efficiency and practicality. It's important to educate people. (Nanaimo)

I think innovation is one that's missing. Energy comes from a variety of sources. (Lower Mainland)

- Fairness was rated as having the highest value, with most participants ranking it first or second.
- Participants who ranked fairness as the top value said they did so because rates that are fair and equal to other customers is most important to them.
- Customer understanding and acceptance was the second-highest ranked value, with most participants ranking it first or second.
- Efficiency and conservation was the third most highly ranked value by participants, while practicality was ranked least highly of all four values.
- For most participants, low hydro bills are their main priority, and the corporate values they selected as most important are those that they perceive as supporting this priority.

BC Hydro customer classes

I find it hard to believe that we are subsidized. (Other BC)

I don't think residential are subsidized by the other classes. (Lower Mainland)

I don't think it's fair for one group to subsidize another. (Other BC)

I don't know if everybody knows, but these groups are already paying different amounts. (Lower Mainland)

I always assumed that each customer group paid their fair share. (Nanaimo)

I don't believe everyone here is paying the same for service as a mine; a mine would be buying in bulk. (Lower Mainland)

Businesses should pay more because they profit. (Lower Mainland)

Those Hydro employees making over \$100,000 should do the subsidizing. (Nanaimo)

Participants were shown the list of the seven different BC Hydro customer classes:

1. Residential (participants)
2. Small general service (small retail or corner store)
3. Medium general service (medium office buildings, retail space or hotels)
4. Large general service (Large office buildings, sawmills, manufacturing)
5. Transmission (mining or pulp and paper factories)
6. Irrigation & farming (dairies, ranches and other farming)
7. Street lighting

Participants were asked to consider whether: a) each customer group should pay its full cost of service which is different for each group, b) is it ever acceptable for one group to subsidize another group, or c) should one group subsidize the other group for any reason?

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Should one customer class subsidize another?

I guess I can accept (equal rates for all classes) for fairness, even if my rates go up. (Other BC)

I think it's fair that the higher tiers subsidize the lower— heavy industry uses more than their fair share and they are making a profit, unlike me. (Nanaimo)

The cost will come back to the consumer through the business (if business rates are higher). So what's the point? (Lower Mainland)

I think it should be the same whether you're business or residential. (Other BC)

It all comes back to me anyway—I pay more to buy their stuff. (Nanaimo)

Within residential, maybe some people can't afford to pay full price, but within the other groups, no one should subsidize the others. (Lower Mainland)

Split residential into two categories: condos and detached houses. (Lower Mainland)

- Participants in all groups had trouble understanding the concept that some customer classes may subsidize other classes, and some did not believe that any classes currently do subsidize others.
- Less than half of participants polled agreed that one group should subsidize another, while the rest said that each class should be charged an equal rate.
- Some agreed that rates should be equal for all classes in order to make rates fair, even if it meant that they as residential customers would pay higher rates.
- Some participants assumed that big business receives a “better” rate than residential customers.
- Some participants were sceptical of business classes subsidizing residential, and suggested that costs would be passed along to individual residents via increased prices of goods and services.

Awareness of current 2-step rate

I check my bill and see the graph, but in my day-to-day life, I have no idea what that means. (Lower Mainland)

That's their way of getting people to conserve, although most don't know about it. (Nanaimo)

I'm a member of Power Smart, but I can't control my kids. They'll leave lights on. (Lower Mainland)

Instead of checking online, you should get email notification when you're about to reach the threshold. (Lower Mainland)

For a larger family this has a greater impact than for a smaller one, but I think it's fair to a certain extent. (Other BC)

Is this in the guise of conservation, or are there cuts Hydro could make internally before passing the cost to the customer? (Nanaimo)

I wish I could be notified when approaching the second step. (Other BC)

Participants were shown the 2-step rate design and asked if they were already aware of it, and if the rate structure encourages them to conserve energy.

- About three quarters of all participants said they were aware of the current 2-step rate structure.
- Participants in Nanaimo and Other BC were more aware of the 2 steps than those in the Lower Mainland.
- Participants were mixed on whether or not the 2 steps encouraged them to conserve energy.
- A few said their larger homes and/or families (i.e., their children are careless) discouraged conservation under the 2-step rates.
- Some participants said they aren't currently aware when their usage passes into step 2 and that notification of it via email or text would help them to be aware of conserving energy.

First reaction to new 3-step rate design

This is a greater incentive for conservation. (Lower Mainland)

I'll always be in step 1, but a house of five people will always pay more. It's not fair. (Lower Mainland)

With a larger family this will be tough for us. (Nanaimo)

Would anyone even hit the low rate? They'll probably just make more money off everyone. (Lower Mainland)

The low rate shouldn't be lower; it's already fair. (Nanaimo)

Anyone who falls in the median range won't have incentive to conserve. (Nanaimo)

People in Vancouver will be less affected than those in Prince George who spend four months freezing. (Other BC)

The more steps and gimmicks you add, the harder you make it for customers. (Other BC)

I really like the idea of alerts. (Lower Mainland)

Participants were presented with details on a possible 3-step rate design and asked for their first impressions. In particular, participants were asked if a 3-step rate would continue to encourage conservation.

- Most participants said they would choose the 3-step rate design over the 2-step, and that the 3-steps encouraged greater conservation.
- A few participants in every group said the design unfairly promoted lower rates for smaller, single-occupant homes and discouraged conservation for families in detached homes.
- Some were suspicious that adding another step would make the rates more confusing to customers.
- Some in the Other BC groups felt that 3 steps would punish residents of colder climates with higher rates.
- Again, participants expressed a desire to be notified of their consumption via electronic alerts.

Paying new account fees online

A lesser fee to encourage online setup is fair. (Other BC)

I like the idea of free online. It leaves you with a good feeling. (Lower Mainland)

They should have the option of online but still be charged. (Lower Mainland)

Offer a non-monetary incentive for online, such as a draw for a prize. (Other BC)

Many older people are still not comfortable using a computer. (Nanaimo)

There should be no charge. It's better to average it out. (Lower Mainland)

It comes back to fairness for me: New customers should pay more than existing. (Other BC)

Someone who moves six times shouldn't benefit at my expense. (Lower Mainland)

New accounts shouldn't be charged. You'd think BC Hydro would want new customers. (Lower Mainland)

Participants were asked if new customers who opted to set up their account online should pay less than those who used the telephone, the same, or not at all (included in the cost of doing business). They were also asked if new and existing customers who move should pay the same setup fee.

- Opinion was split mainly between those who said customers setting up new accounts online should pay nothing, and those who said they should pay a lesser fee than those who use the telephone.
- Some participants said there should not be any fee for new accounts (i.e., included in the cost of doing business), regardless of the method of setup.
- Accessibility was key for a number of participants who expressed concern for customers who are uncomfortable or unable to use computers.
- Most agreed that new customers should pay a higher fee than existing customers who move.

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Disconnection and reconnection charges

The person who is disconnected should pay. (Other BC)

Give people an inch and they'll take a mile. (Lower Mainland)

You should be accountable for at least what you can afford. (Nanaimo)

Work the disconnect fee into the reconnect fee so you're not hit with three charges. (Nanaimo)

Why should there be an extra fee to disconnect or reconnect me? (Nanaimo)

I should not be subsidizing delinquent users. (Other BC)

BC Hydro is a monopoly so they have a moral obligation, too. (Nanaimo)

I don't think they should pay a fee to turn it back on, just pay the arrears. (Nanaimo)

A fair approach is to listen to the individual story. (Other BC)

In my experience, if you contact BC Hydro, they will make a payment arrangement. (Other BC)

Participants were asked what was most fair in terms of disconnection and reconnection charges.

- Nearly all participants agreed that the customer who is dis- and/or reconnected should pay all the associated charges. Participants did not want the costs to be absorbed by BC Hydro (i.e., passed along to all customers).
- A few participants said that BC Hydro, as a crown corporation, has a moral or social obligation to provide electricity to those who can't afford to pay the charges.
- A few believed that past due bills should be paid, but that customers shouldn't be charged at all for dis- and reconnection.
- A few participants said that BC Hydro approached dis- and reconnection on a case-by-case basis and could assist those unable to pay their bills and charges. Some cited personal anecdotes to support this belief.

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Connection charges & new versus old meters

It should be the same because you don't necessarily choose the old or new meter. (Lower Mainland)

(Old meters) should be more because it costs more to bring a truck in. (Lower Mainland)

If they refused the smart meter, they should pay a higher amount for reconnection. (Other BC)

I don't know if they should pay if they already paid a charge to keep the old meter. (Lower Mainland)

I shouldn't be penalized because BC Hydro has not installed my new meter yet. (Nanaimo)

No. People weren't charged for the installation of the new meters. (Lower Mainland)

If someone has opted to keep the old meter, they should pay the cost of the truck. (Lower Mainland)

There should be no charge for smart meters that don't work properly. (Other BC)

It's not their fault (if smart meters lose connectivity). (Lower Mainland)

Participants were asked what was most fair in terms of disconnection and reconnection charges in cases where customers did not have a new smart meter or had a non-communicating smart meter, and a manual dis/reconnect was required.

- Nearly all participants said that those who have an old meter should pay higher dis- and/or reconnection charges than those with new meters.
- Many participants said that customers who have old meters not by choice should not be charged more than those with new meters, while those who chose to keep the old meters should pay more.
- A few participants said the connection charges should be equal for all customers, regardless of the type of meter used.
- Most participants agreed that customers should not be responsible for connection charges that result from communication or technological problems to do with the new meters.

Interest in paying bills by credit card

I wouldn't use a credit card. I prefer online banking. (Other BC)

Online banking is more convenient and you don't get interest. (Nanaimo)

I already pay my bill on my credit card for the points. (Nanaimo)

I get points, so why not put something on there that I have to pay anyway? (Lower Mainland)

I like the option but I wouldn't use it on a regular basis. (Nanaimo)

If it were a one-time fee, no problem, but not if it's a monthly fee. (Lower Mainland)

I can't charge customers at my store; how can Hydro charge me for a credit card? (Other BC)

Can't we have the choice to use our cards without the fee? (Nanaimo)

I like knowing I'm not paying the back end for credit card users with their Air Miles. (Lower Mainland)

I don't think everybody should pay for my privilege of using a credit card. (Nanaimo)

Participants were asked how interested they would be in using a credit card to pay their hydro bills and whether they would pay a fee for using a credit card.

- Interest in paying by credit card was low. Less than half of those who use credit cards said they would use one to pay their BC Hydro bill. A few participants would do so primarily to collect points or gain rebates.
- Many participants currently pay their BC Hydro bill using online banking and find this convenient.
- All participants in the Lower Mainland and most in Nanaimo said they use a credit card regularly, while only a few participants in Other BC said they use a credit card regularly.
- All participants asked said they would not pay their hydro bill by credit card if there was a fee to do so. They also do not want the fee to be absorbed by BC Hydro (i.e., all customers).

Late payment charges

*I don't see why under \$30 is excluded.
(Other BC)*

*I think it's fair that everyone pays.
(Nanaimo)*

*Everyone should pay, unless the
administrative costs of sending it out
don't facilitate it. (Lower Mainland)*

I think it's fair now. (Nanaimo)

*It's not worth it up to \$30. If we insist
BC Hydro collects it, we pay for those
who are not able to. (Nanaimo)*

*If you've always been a good
customer and you're late once, you
should get one free pass. (Other BC)*

*Why are we even discussing this? It
seems so small. (Nanaimo)*

*Again, it's Hydro favouring the single
occupant in apartments because their
bills are small. (Nanaimo)*

*People with a bigger family (and
larger bills) won't ever have the option
(of not paying the charge). (Lower
Mainland)*

*Percentage, because someone not
paying their bill consecutively should
pay more each month. (Lower
Mainland)*

*When I had a late payment charge I
phoned BC Hydro and they reversed
it. (Other BC)*

*People know they can call in and BC
Hydro will make exceptions. (Other
BC)*

Participants were asked if all customers should pay a late payment charge (or only those with late bills of over \$30) and if so, if the charges should be a fixed fee or a percentage of the bill.

- Most participants agree that all customers who are late with a payment should pay a charge.
- Many agreed that if the cost of recovering the charge is greater than the charge itself, late charges for bills under \$30 should not be collected.
- Many participants said the customer is responsible for paying the charge and that the costs should not be passed on to all BC Hydro customers.
- Some said the current policy unfairly favoured smaller homes with fewer occupants because their bills would typically be under \$30.
- Nearly all participants said the charge should be a percentage of the bill rather than a fixed fee.
- A few mentioned success in having their late charges waived after contacting BC Hydro.

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Security deposit

It should be for all new customers. They look good on paper today, but who knows about the future? (Other BC)

There should definitely be a security deposit, maybe even larger, if there is no history of that person. (Nanaimo)

I'm strongly against (all having to make a security deposit). (Lower Mainland)

Sounds fair the way it is. (Other BC)

There should not be a security deposit for those who can't afford it. (Lower Mainland)

I like the idea, but the reality is if you have damage deposits and other moving costs it can add up. Maybe pay it over three months? (Other BC)

Are we going to get interest back? (Lower Mainland)

I don't think (all new customers should pay the deposit). That's what credit checks are for. (Other BC)

The expectation shouldn't be that we have to earn your trust. (Other BC)

BC Hydro is an essential service, so it should be able to run on trust. (Other BC)

Participants were asked if all new customers should pay a security deposit, what factors should be considered and what terms would be fair. They were then asked what would be a reasonable length of time before the deposit should be returned.

- Reaction was mixed. Many participants said only those with bad credit or no history should pay a deposit while some said all new customers should.
- A few disagreed with BC Hydro requiring a security deposit altogether, and cited examples of other companies that do not require one.
- The issue of trust was raised. Some participants said the onus should not be on the new customer to earn BC Hydro's trust (via a security deposit), but rather that BC Hydro should place trust in the customer.
- In both Nanaimo groups, there were concerns that security deposits were being required based on the past tenants of the house and not the personal credit of the customer.

Security deposit, cont'd

I think it's in the common interest (to absorb the cost) to raise the standard of living across BC. (Lower Mainland)

I don't see why BC Hydro should hold my money once I've developed an acceptable payment relationship. (Other BC)

I think one year is too long, but three months is too short. (Other BC)

I think a year's too long. Six months, maybe. You can't treat those people like kids. (Lower Mainland)

Maybe shorten the term to six months. (Other BC)

Maybe they should repay part of the deposit after each month's on-time payment. (Other BC)

I think it's fair if it's based on an average 2-3 month billing cycle for that person. (Other BC)

If you make it in line with the disconnection policy, that mitigates the risk of defaulting to everyone. (Lower Mainland)

- Some participants from Other BC were concerned that a deposit might prohibit some customers from accessing electricity (seen as an essential service), and that BC Hydro, as a public service, should be more sympathetic to customer needs.
- Many participants said one year was too long for BC Hydro to hold the deposit; four to six months was suggested by a few as an ideal length of time.
- Others suggested that deposits be returned after bills had been paid on-time and in full for two or three payment cycles.
- Some suggested that the deposit could be used to pay late charges or dis- or reconnection charges.

The Bottom Line: Revisiting the Objectives

1. Which corporate values and principles are rated most highly and why?

Fairness tops the list of corporate values. Customers want to believe they are being charged fair and equal residential rates compared to other customers. Nearly as important is customer understanding and acceptance—customers want to know what they are being charged and why.

2. Is a 3-step rate design acceptable?

Participants agree that the 3-step rate design would promote more conservation than the existing 2-step design. However, some don't see it as a fair rate design for all residential customers. They are concerned that lowering the first tier would give single occupants of apartments and condominiums the unfair advantage of lower rates, while those with larger families in detached homes would never have the opportunity to be charged at rate step 1 or 2. Some are also concerned about regional rate disadvantages (e.g., during winter those in the northern communities would pay at a higher step than those in the Lower Mainland).

The Bottom Line: Revisiting the Objectives

3. Would customers pay their bills with a credit card?

There is low demand to pay BC Hydro bills with credit cards, and no interest in paying a fee for the option. Many participants already pay their bills via online banking and find that convenient. Those who make purchases on their credit cards in order to collect points or gain rebates are most interested in paying by credit card, although they also would not pay a fee to do so.

4. What is a fair way to charge for new accounts?

New BC Hydro customers should be charged, while existing customers who move should not be charged (or should pay a lesser charge), according to participants. Setting up a new account online should be free or cost less than set up by telephone. Ensuring accessibility and multiple modes of communication for all customers is important.

The Bottom Line: Revisiting the Objectives

5. What is a fair way to charge for disconnection and reconnection of service?

Participants agree it is fair that the customer who is disconnected and/or reconnected should incur the associated costs. At the same time, participants are concerned about the well-being of those living without electricity and believe BC Hydro, as a public utility, has some social obligation to assist those customers—perhaps by waiving the charges or consolidating them, or granting a solution on a case-by-case basis.

6. Should customers with bills less than \$30 pay a late charge?

Customers who pay their bills late should be charged, unless the cost of recovering the charge is greater than the charge itself (no passing the cost on to all customers). A percentage of the bill is preferred to a fixed fee. Again, participants believe that BC Hydro might provide a fair solution to each unique case.

7. Should all new customers be charged a security deposit?

Only those participants who have bad credit or no credit history should be charged a security deposit. The idea of charging all new customers made some participants feel new customers might be distrusted or unwelcome. One year is too long to hold the deposit. Customers want to feel trusted and know that their business is appreciated by BC Hydro.