Demand Response Communications Toolkit

Prepared for IEA DSM Task XIII

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I. Introduction

Years ago, a new product came to market. Called “Death Insurance”, the product was designed to protect a family upon the premature death of the breadwinner. The product failed miserably because it forced prospects to confront the concept of their own mortality. Faced with unpleasant tasks, people procrastinate by nature. The ultimate example is to refuse to plan for an event that is 100% likely to happen. Knowing they had a good product, but concerned that the market wouldn’t accept it, the Insurance industry changed the name to “life insurance” and it rapidly became a badge of honor for breadwinners to own a policy. How many people do you know today that do not value and choose to invest in life insurance?

Words matter. Descriptions and images influence value and promote desire. This simple concept is true in life, and it is true for Demand Response. “*Is Demand Response a valuable insurance policy for my grid and my market, or a low value drain on resources with no apparent reward?”* This question is important at the country, state, operating area, and most importantly at the end users’ levels. The value of the hard work of the Task XIII taskforce relies on how that question is answered.

The work of Task XIII culminates in developing a strong business case for DR. Our efforts ensure that the final product will contain the philosophies, technologies, systems, processes, procedures and know-how necessary to make DR work in any market place or operating area. Collectively, we have designed and built a very good DR engine. The task ahead is to promote its wide spread installation so Demand Response can help power the energy industry and its customers into the future.

Av very critical part of the Task XIII journey is the necessary focus on the “softer side” of Demand Response — the people side. This requirement is to convince “someone” to do “something.” History offers generous examples of good ideas rendered useless because their sponsors never found a message that resonated with the market. The next challenge we face is to shine a brilliant light on the results of Task XIII, have it take root and become part of our energy landscape.

Three Sales

There are three primary “sales” required for DR to be accepted as a valued and desirable resource worthy of use as part of a country’s energy fabric. Plans must be developed to “make” the sale at each level.

- Sale #1: DR must be sold at the **COUNTRY** level. The value of utilizing demand response resources must be recognized on a public level. Governments must encourage and adopt Demand Response as a matter of policy. They must establish the appropriate regulatory, public policy, economic and operating foundations to encourage Demand Response deployment and make specific decisions on the use of public funding to encourage or promote DR deployment. This will only occur if an effective communications campaign is mounted to engage the set of actors that shape and guide public policy.

- Sale #2; The next challenge is to sell DR at the **OPERATING AREA** level; the people responsible for implementation. The definition of "operating area" may vary by nation. It might include central grid operator, a generation and transmission agency, a traditional utility, an ISO, or a Load Serving Entity. The goal of this sale is to get DR adopted, accepted and encouraged as a generally accepted energy practice. We must influence our audiences to design, develop and implement DR programs beneficial to the operating entity and as well as to the end user (customer) through programs that are **easy** and **worthwhile** for customers. The operating area must set the DR stage so that customers will regard and value DR as naturally as they do the raw materials and other resources necessary for their businesses.
- Sale #3 - The last and most important sale is to the **END USER**. The goal of this sale is to get end users to accept, adopt, and use DR as part of their everyday energy practice. The communications plan for this step may also be referred to as a marketing plan. Marketing plans generally involve a target audience, an offer and a call to action. This is where we see how attractive the DR program developed and offered by the operating entity (#2) based on the country's DR policy (#1), really is. If Task XIII has accomplished its goals, then the end user will invest in Demand Response Life Insurance.

Communications Plan

A communications plan is a tool to help you accomplish these sales. It is a written document that carefully and thoughtfully describes how you plan to "tell your DR story" to the various DR audiences needed to either make or influence decisions to get DR accepted as a "valued, desirable and used" part of a country's energy fabric. It includes all forms of communications, written, spoken, and electronic interaction with audiences..

A communications plan:

- Defines your goals
- Identifies important decision makers and key decision influencers
- Customizes your message based on the priorities/needs/concerns of each audience
- Identifies the most effective communications channels to each audience
- Describes the tools available within each communications channel
- Lays out a timetable for action
- Shows how to measure the results of the plan

Plan Overview

As mentioned earlier, getting DR accepted and used within a country requires three distinct sales. Each sale will have different goals, objectives, audiences, messages and tactics. Therefore, three separate communications plans are needed, one for each sale. The communication plans may have common attributes and elements, but different execution. The following table provides a high level generic view of the communication plans, their goals, objectives, audiences and messages.

Sale	Goal	Objective	Target Audiences	Messages
#1. Selling DR into a **COUNTRY** or **STATE**	DR becomes a recognized, established and accepted part of energy planning and operations	• Establish and define the regulatory, public policy, economic & operating framework for DR within the country • Set up a level playing field for DR	**Legislators** **Regulators** Environmental System Operators Utilities ISOs G&T Technology Suppliers Colleges and Universities End Users	Makes good **operating** sense (reduces T&D congestion) Makes good **economic** sense (Save/delay T&D expenditures, Optimize use of ALL energy options – central station, remote on-site and curtailment) Makes good **environmental** sense (G&T facility siting, air quality)
#2. Selling DR into an **OPERATING AREA**	DR becomes a recognized, established, accepted and integral part of utility, ISO, G&T or system operator planning and operations	• Establish and define the economic & operating value of DR • Establish the rates, rules, processes & procedures for implementing and participation in DR • Design and implement DR programs that are both easy and worthwhile for end users to participate	**System Operators** **Utilities** **ISOs** **G&Ts** Legislators Regulators Environmental Technology Suppliers End Users	Makes good **operating** sense (reduces T&D congestion) Makes good **economic** sense (Save/delay T&D expenditures, Optimize use of ALL energy options – central station, remote, on-site, curtailment) Makes good **environmental** sense
#3. Selling DR to an **END USER**	DR becomes a desirable, accepted and used energy option.	• Becomes part of the standard day-to-day energy operations	**End Users** Technology Suppliers	Makes good **economic** sense (take advantage of DR and RTP rates and opport) Makes good **environmental** sense Helps keep the lights on in critical energy situations Provides back-up /

The following sections provide users with the guidance and tools needed to develop their own communications plans for their particular sales and audiences.

II - Communicating at the Country or Region Level

A. Communication Goals

Understanding who benefits from DR in a given marketplace will have an impact on things such as market design, industry acceptance, and political/regulatory support. It will also help guide the creation of the country stakeholder group. The value of utilizing demand response resources must be recognized on a public level. Governments must encourage and adopt Demand Response as a matter of policy. They must establish the appropriate regulatory, public policy, economic and operating foundations to encourage Demand Response deployment and make specific decisions on the use of public funding to encourage or promote DR deployment. This will only occur if an effective communications campaign is mounted to engage the set of actors that shape and guide public policy.

The goal for this communication campaign is to establish the following:

- DR becomes a recognized, established and accepted part of energy planning and operations

This level of communication should address two objectives:

- Establish and define the regulatory, public policy, economic & operating framework for DR within the country
- Set up a level playing field for DR

***Build Your Plan**: Utilize Step 1 in the Demand Response Communications 101 questionnaire to define and refine your specific goal and objectives for this communication campaign.*

B. The Players and Benefits

The following list is certainly not exhaustive, but it does provide an overview of benefits for various categories of market actors operating at the country or region level.

Legislators: Legislators tend to seek solutions that benefit society, lower energy costs for their constituents, spur economic growth, help preserve the environment, and demonstrate leadership in their area of responsibility. DR has demonstrated the ability to keep energy prices more stable by mitigating market peaks, improve reliability for businesses considering locating in the legislated territory, and positively impact the environment through reduced emissions. Therefore, legislators tend to improve their own political support by promoting DR.

Regulators: Regulators tend to seek solutions that benefit society and reduce market power. DR has been shown to provide lower energy cost when properly utilized by impacting demand elasticity. This same trait helps to mitigate market power that supply side bidders may have during peak pricing events. Therefore, regulators generally receive positive marks from consumers for promoting DR.

Environmentalists: Actors that are focused on environmental impact of various energy related choices, either because of their job responsibilities or their personal beliefs, tend to seek solutions that significantly reduce damage to the environment even if they cost more or are less convenient. DR is an exceptional choice for the protector of the environment because "nothing is cleaner than nothing." Every time construction of a new power plant can be delay or avoided, the pollutants that would be produced by that plant are eliminated. Every time construction of new transmission lines can be delayed or avoided, physical construction that can damage the environment is eliminated. Therefore, environmentalists get a big boost in achieving their goals when DR is used instead of new supply.

System Operators: System Operators are generally charged with ensuring grid reliability and fair markets. Demand response, by its very nature, can directly assist with both of these issues. First, DR is a distributed resource. With proper market rules, incentives, and infrastructure, system operators can use demand response to strategically improve system reliability issues such as congestion. In addition, as noted previously, DR can impact demand elasticity thereby causing more efficient market pricing.

Local Distribution Companies (LDC): LDCs have benefited from DR by including it as a resource in their supply portfolio and/or utilizing its distributed nature to surgically target specific distribution challenges (e.g. deferral of substation development, distribution system congestion). DR can be one of, if not, the most inexpensive resources, so it provides an excellent hedge to "high cost, but low frequency" events (e.g. top 100 hourly prices). If properly implemented, this strategy can shave years off of costly upgrades thereby improving the overall financial performance of the firm.

Influencers: At the country or regional level, there may be a variety of influencers of policy that should be considered as targets for communicating the value of DR. Many policy makers have a number of advisors from universities, technology suppliers, influential business leaders, and consultants that have a significant impact on their thinking. Identifying those influencers and including them in the communications campaign can significantly strengthen the message and support for DR within the country or region. Their direct benefits from DR may include consulting engagements or grants to study and implement effective DR solutions, less expensive or more predictable energy costs, increased sales of DR related hardware and software, or greater influence by supporting a "winning strategy":

> ***Build Your Plan****: Utilize Step 2 in the Demand Response Communications 101 questionnaire to identify and characterize your primary and secondary audiences for this communication campaign.*

C. Value Propositions and Key Messages

There are several key messages to get across to the targeted audience when operating at the country or region level.

- Makes good **operating** sense (reduces T&D congestion)
- Makes good **economic** sense (Save/delay T&D expenditures, Optimize use of ALL energy options –central station, remote on-site and curtailment)
- Makes good **environmental** sense (G&T facility siting, air quality)

***Build Your Plan**: Utilize Step 3 in the Demand Response Communications 101 questionnaire to define and refine your key messages for this communication campaign. Attachment A also contains many helpful guides for message development.*

D. Communication Channels

There are a number of communication channels that have proven effective at the country and regional level, but your stakeholder group is probably in the best position to judge how to most effectively reach the key players. Communication channels at this level are most similar to running a political campaign with select players and actors. Establishing the credibility of DR as a valuable resource at the national level and convincing the actors that they stand to gain by its implementation are the most critical factors in selecting the communications channels. High level briefings, endorsements by influential supporters, personal networking, demonstrations, white papers and reports, and repeated personal contact from stakeholders have shown to be the most effective channels used at this level.

***Build Your Plan**: Utilize Step 4 in the Demand Response Communications 101 questionnaire to define and refine your best channels for this communication campaign.*

E. Effective Calls to Action

Getting the targeted audience to accept and embrace the key messages is important, but successful implementation of demand response will require specific action, and an effective call to action is necessary to get your audience to move. At this level, people are motivated to move by the “burning platform” identified at the national or regional level: an impending supply shortfall, unpredictable energy price peaks, conflict over construction of new supply, or a variety of other problems that can serve as the rallying call for implementation of demand response solutions. The call to action should be focused on achieving the two objectives defined below:

- Establish and define the regulatory, public policy, economic & operating framework for DR within the country
- Set up a level playing field for DR

***Build Your Plan**: Utilize Step 5 in the Demand Response Communications 101 questionnaire to define and refine the best activities and materials to motivate your audience to take action.*

III Communicating at the Operating Area or Service Territory Level

A. Communication Goals

The next challenge is to sell DR at the **OPERATING AREA** level; the people responsible for implementation. The definition of "operating area" may vary by nation. It might include central grid operator, a generation and transmission agency, a traditional utility, an ISO, or a Load Serving Entity. The goal of this sale is to get DR adopted, accepted and encouraged as a generally accepted energy practice. We must influence our audiences to design, develop and implement DR programs beneficial to the operating entity and as well as to the end user (customer) through programs that are **easy** and **worthwhile** for customers. The operating area must set the DR stage so that customers will regard and value DR as naturally as they do the raw materials and other resources necessary for their businesses.

The goal for this communication campaign is to establish the following:

- DR becomes a recognized, established, accepted and integral part of utility, ISO, G&T or system operator planning and operations

This level of communication should address three objectives:

- Establish and define the economic & operating value of DR
- Establish the rates, rules, processes & procedures for implementing and participation in DR
- Design and implement DR programs that are both easy and worthwhile for end users to participate

> ***Build Your Plan****: Utilize Step 1 in the Demand Response Communications 101 questionnaire to define and refine your specific goal and objectives for this communication campaign.*

B. The Players and Benefits

The following list is certainly not exhaustive, but it does provide an overview of benefits for various categories of market actors operating at the operating area level.

System Operators: System Operators are generally charged with ensuring grid reliability and fair markets. Demand response, by its very nature, can directly assist with both of these issues. First, DR is a distributed resource. With proper market rules, incentives, and infrastructure, system operators can use demand response to strategically improve system reliability issues such as congestion. In addition, as noted previously, DR can impact demand elasticity thereby causing more efficient market pricing.

Local Distribution Companies (LDC): LDCs have benefited from DR by including it as a resource in their supply portfolio and/or utilizing its distributed nature to surgically target specific distribution challenges (e.g. deferral of substation development, distribution system congestion). DR can be one of, if not, the most inexpensive resources, so it provides an excellent hedge to "high cost, but low frequency" events (e.g. top 100 hourly prices). If properly implemented, this strategy can shave years off of costly upgrades thereby improving the overall financial performance of the firm.

Energy Retailer: The energy retailer can benefit from DR by including it as a resource in their supply portfolio, just as an LDC may. This could help them have an overall lower operating cost, which allows them to be more competitive and ultimately more profitable in the market. Many retailers also use DR as a customer acquisition/retention tool. By offering the service to their customers and prospects, they are enhancing their product portfolio and increasing their attractiveness to consumers that wish to provide the service.

Demand Response Service Provider (aka Curtailment Service Provider): In some markets, there are firms that have entire businesses built around aggregating consumer demand response capability and offering it into the energy market along side supply side options. Since DR has a relatively low operating cost when compared to other peaking sources (e.g. combustion turbine), these firms are able to operate "virtual power plants" with lower operating expenses. They also tend to provide other services to their customers in conjunction with or as Energy Service Company.

Energy Service Company: This market actor provides energy related products and services to consumers (via the LDC/Retailer or directly). Many of these products and services can be used to provide DR capacity/performance. This could include things such as control systems to manage equipment and/or lighting, energy audits to assess facility level DR implementation strategy, and on-site generation installations and maintenance, just to name a few. These firms benefit from DR markets from increased utility for their services and improved project ROI.

Influencers: At the operating area or service territory level, there may be a variety of influencers of operating rules, market rules, products, or practices that should be considered as targets for communicating the value of DR. Local legislators and regulators may have direct influence over the practical operations of a service territory and have the same motivations as those defined above, but on a smaller scale. Technology suppliers may need to be convinced that the potential business from DR solutions can be practical and profitable. End users should also be targeted to build a base of support for change in operating and market rules and to create a general demand for the types of DR related services they could buy from the actors listed above. And not to be overlooked, many people are driven at a local area to protect the local environment and could become real allies to the deployment of DR solutions.

> ***Build Your Plan****: Utilize Step 2 in the Demand Response Communications 101 questionnaire to identify and characterize your primary and secondary audiences for this communication campaign.*

C. Value Propositions and Key Messages

There are several key messages to get across to the targeted audience when operating at the operating area or service territory level.

- Makes good **operating** sense (reduces T&D congestion)
- Makes good **economic** sense (Save/delay T&D expenditures, Optimize use of ALL energy options –central station, remote, on-site, curtailment)
- Makes good **environmental** sense

> ***Build Your Plan****: Utilize Step 3 in the Demand Response Communications 101 questionnaire to define and refine your key messages for this communication campaign. Attachment A also contains many helpful guides for message development.*

D. Communication Channels

There are a number of communication channels that have proven effective at the operating area or service territory level, but your stakeholder group is probably in the best position to judge how to most effectively reach the key players. Communication channels at this level are most similar to lobbying for local legislation or building the business case for a new product line. Establishing the credibility of DR as a valuable resource at the operations level and convincing the actors that they stand to gain by its implementation are the most critical factors in selecting the communications channels. Briefings to select executives and managers within the primary actors' organizations, trade show and users groups presentations, new product and service proposals to LDCs and retailers, and significant personal networking have shown to be the most effective channels used at this level.

> ***Build Your Plan**: Utilize Step 4 in the Demand Response Communications 101 questionnaire to define and refine your best channels for this communication campaign.*

E. Effective Calls to Action

Getting the targeted audience to accept and embrace the key messages is important, but successful implementation of demand response will require specific action, and an effective call to action is necessary to get your audience to move. At this level, people are motivated to move by the "burning platform" identified at the operating area or service territory level: customer acquisition and retention issues, an impending supply shortfall, profit challenges, unpredictable energy price peaks, conflict over construction of new supply, or a variety of other problems that can serve as the rallying call for implementation of demand response solutions.

The call to action should be focused on achieving the two objectives defined below:

- Establish and define the economic & operating value of DR
- Establish the rates, rules, processes & procedures for implementing and participation in DR
- Design and implement DR programs that are both easy and worthwhile for end users to participate

> ***Build Your Plan**: Utilize Step 5 in the Demand Response Communications 101 questionnaire to define and refine the best activities and materials to motivate your audience to take action.*

IV. - Communicating at the End User or Customer Level

A. Communication Goals

The last and most important sale is to the **END USER**. The goal of this sale is to get end users to accept, adopt, and use DR as part of their everyday energy practice. The communications plan for this step may also be referred to as a marketing plan. Marketing plans generally involve a target audience, an offer and a call to action. This is where we see how attractive the DR program developed and offered by the operating entity (#2) based on the country's DR policy (#1), really is. If Task XIII has accomplished its goals, then the end user will invest in Demand Response.

The goal for this communication campaign is to establish the following:

- DR becomes a desirable, accepted and used energy option.

This level of communication should address one objective:

- DR becomes a part of the standard day-to-day energy operations

> ***Build Your Plan**: Utilize Step 1 in the Demand Response Communications 101 questionnaire to define and refine your specific goal and objectives for this communication campaign.*

B. The Players and Benefits

The following list is certainly not exhaustive, but it does provide an overview of benefits for various categories of market actors operating at the country or region level.

Participating Consumer: The participating consumer is the entity that actually provides the demand response. This entity generally benefits from direct financial reward for participating during a given event and the reduction of energy that would have normally been consumed during the event. This reduction in energy usage could be driven by curtailment of consumption or bringing local distributed generation online during the event. The financial reward could be some percentage of the energy market price, a regular capacity reservation payment/call option, a reduction in energy rates, a combination of the above, and/or some other structure. The point is that they are generally provided with some incentive to earn their participation.

Influencers: At the end user level, there may be a variety of influencers of the customers' purchasing decision that should be considered as targets for communicating the value of DR. The predominate technology suppliers and consultants used by multiple end users may need to be convinced of the value proposition for them to participate and enable the consumer to engage in demand response programs. Various trade organizations or users groups should be targeted for generalized marketing as well to help establish the viability and normalcy of demand response programs. Even within the participating consumers' organization, there are a number of constituents including the environmental, community relations, and other departments that can help support the case for participating in a DR program.

> ***Build Your Plan**: Utilize Step 2 in the Demand Response Communications 101 questionnaire to identify and characterize your primary and secondary audiences for this communication campaign.*

C. Value Propositions and Key Messages

There are several key messages to get across to the targeted audience when operating at the country or region level.

- Makes good **economic** sense (take advantage of DR and RTP rates and opport)
- Makes good **environmental** sense
- Helps keep the lights on in critical energy situations
- Provides back-up / stand-by generation option

***Build Your Plan**: Utilize Step 3 in the Demand Response Communications 101 questionnaire to define and refine your key messages for this communication campaign. Attachment A also contains many helpful guides for message development.*

D. Communication Channels

There are a number of communication channels that have proven effective at the participating consumer level, but your stakeholder group is probably in the best position to judge how to most effectively reach the key players. Communication channels at this level are most similar to introducing a new product or service to the market. While the previous communication plans required a broad inclusive approach to the value and benefits of DR, this level of the plan requires narrow focus. What is in it for the consumer? There needs to be a direct, tangible benefit to participating in DR programs before a consumer will pay enough attention to actually enroll in a program. Very focused, targeted marketing campaigns for particular classes of customers with common needs and values have shown to be the most effective channels used at this level.

***Build Your Plan**: Utilize Step 4 in the Demand Response Communications 101 questionnaire to define and refine your best channels for this communication campaign.*

E. Effective Calls to Action

Getting the targeted audience to accept and embrace the key messages is important, but successful implementation of demand response will require specific action, and an effective call to action is necessary to get your audience to move. At this level, people are motivated to move by the “burning platform” identified at the end consumer level: unpredictable energy price peaks, unpredictable reliability, significant economic incentives, or a variety of other problems that can serve as the rallying call for implementation of demand response solutions. The call to action should be focused on achieving the one objective defined below:

- DR becomes a part of the standard day-to-day energy operations

***Build Your Plan**: Utilize Step 5 in the Demand Response Communications 101 questionnaire to define and refine the best activities and materials to motivate your audience to take action.*

V - Summary

Demand Response seems like such a simple concept – somebody gets paid for not using energy when things go wrong (instability in the grid or the market). And yet, it can be incredibly complex when you factor in the desires and agendas of a wide variety of actors within a market. Hence the need for carefully analyzed, planned, and executed communications plans to get all critical decision makers and influencers on board and supporting the implementation of demand response programs within a market. One can rarely justify the changes in rules, investment in infrastructure, and recruitment of customers based on just one set of benefits. Demand response should be viewed and evaluated on a broad scale and the benefits summarized across a range of factors. The impact on market and grid stability, business development, environmental, and customer satisfaction must all be considered in the demand response value proposition.

In the end, someone has to pay real money to participants to get them to act in a time of need. If the “sell” is successful, a range of stakeholders will recognize the value to their own goals and agendas and be willing to pay. Experience shows that most successful programs will be funded at multiple levels with both public and private funds. The key for funding to flow is the deep seated belief that the payer will see tangible benefit, and that it is worthwhile for the participating consumer to show up. Your effective communication plan, when properly executed, will create and encourage that belief in your market’s actors.

VI - Case Studies – lessons learned and taking credit

A. **NYSERDA**

B. **Gulf Power**

C. **Australia**

D. **Norway**