

Toronto Hydro uses multi-faceted promotion for *peaksaver*TM ac Program
Marketing and Communications

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ABSTRACT

This paper describes the learning and adaptation needed to successfully introduce and generate interest in a new AC cycling load control program.

“Ontario faces a looming electricity supply shortfall as coal-fired generation is taken out of service and existing nuclear plants approach the end of their planned operating lives. Early action is needed to ensure that Ontarians continue to enjoy an affordable and reliable supply of power and that electricity prices in the province remain competitive with prices in jurisdictions with which Ontario competes for investment and jobs.”¹ – *Ontario Ministry of Energy*

Although public awareness of the issue is slowly increasing, it had not yet translated into behavioral change. Beginning in 2005, Toronto Hydro launched a number of programs and partnerships including *peaksaver*TM -- a mass market air conditioner cycling program, the first such AC load control program to be implemented in Canada.

As conservation and demand management play a supporting role adjacent to new electricity generation, Toronto Hydro undertook the provincial challenge and applied it at a municipal level. Toronto Hydro developed, introduced, and continues to manage *peaksaver ac*.

The *peaksaver* program is targeted to its residential and small business customers with central air conditioners. Beginning the promotion in the autumn months of 2005 – generally a time when customers are not thinking about cooling – Toronto Hydro initiated a number of different marketing and communications tactics to increase awareness of *peaksaver* and encourage participation. Moving forward Toronto Hydro changed the tactics where needed. The results speak for themselves. To date, the team (*Toronto Hydro, GoodCents and Cannon Technologies*) has surpassed its original target by more than 20,000 customers. Toronto Hydro continues to use creative public relations and marketing tactics to meet their pressing need for summer peak reductions: 40 MW of demand reductions by the end of 2006, with an ultimate goal of 130 MW of dispatchable load by 2008 (A combination of *peaksaver ac* and *peaksaver de*)

¹ Electricity Conservation Task Force, “Tough Choices: Addressing the Ontario’s Power Needs”, Final Report to the Minister

INTRODUCTION

The electricity system in Ontario is different than that of other provinces in Canada and in the United States. Under the Energy Competition Act, 'Ontario Hydro' was reorganized into several organizations by the provincial government, to ensure quality and accountability. Generation is the responsibility of Ontario Power Generation, Hydro One is responsible for transmission, and the local distribution companies (LDCs), are responsible for the distribution of power to customers. The Independent Electricity Systems Operator is responsible for short term supply planning and managing Ontario's power system and operating the wholesale market.

Toronto Hydro, an LDC, with all the other mentioned key stakeholders, was tasked with the objective to help the province reduce peak electricity demand, particularly during the summer months.

Ontario's power supply market recently got tighter when the provincial government made an environmental commitment to shut down all coal generation by 2007, (19% of total capacity). Forecasts predict the possibility of rolling blackouts by 2008. The provincial government set the target to reduce peak demand by 5% by 2007, and Toronto Hydro was the only LDC to set its own target of 5% (250MW). Following the approval of Toronto Hydro's budget of \$39.5 million for conservation and demand management initiatives in 2005, Toronto Hydro began planning and implementing a number of programs to educate its customers and begin the process of moving the culture towards one of conservation.

The conservation and demand management (CDM) initiatives began in April 2005 with the announcement of a \$5 million, 40MW partnership with the Home Depot. This mass-market program allowed Toronto Hydro to begin engaging the customer at the retailer level and provided additional opportunities to promote the conservation message. The partnership with The Home Depot included a number of promotions and programs, such as: the room air conditioner retirement program whereby customers could bring their old room AC in for a \$25 gift card from the Home Depot; free compact fluorescent light bulbs to all Toronto residents (almost 1,000,000 light bulbs were given away) and holiday LED light exchange programs.

In addition to the programs aimed at conservation and with one of the hottest summers on record, Toronto Hydro began a very aggressive media relations campaign to begin educating customers on summer peak demand, the impact of air conditioners on the electricity system, and how and why to conserve electricity. Towards the end of the summer, Toronto Hydro also conducted an omnibus poll to probe unique and humorous activity around electricity use, particularly in relation to air conditioning to maintain the awareness. News headlines like "Meat Locker Syndrome" exposing the fact that AC temperatures are set too low and people had to dress warmer during heat waves,



sparked conversation and generated significant media attention.

Overall, the campaign achieved extensive coverage on TV, radio and print media, generating more than 26 million impressions through more than 150 stories. Much of the coverage highlighted Toronto Hydro as a leader in efforts to convey the message of conservation and helped increase awareness of the importance of conserving electricity. Building on this momentum, Toronto Hydro launched *peaksaver*, Canada's first AC load control program.

Toronto Hydro used cross-selling opportunities, existing partnerships and an ongoing contest for all program participants to generate excitement and interest in the program.

MARKETING AND COMMUNICATIONS OBJECTIVE(S):

1. Launch program in the Fall of 2005 and enroll enough customers to be able to shed 7MWs by June 2006
2. Generate awareness and interest in peaksaver with customers
3. Educate customers on peak demand, in particular summer peak due to air conditioning
4. Generate media coverage to profile the program and demonstrate effectiveness to stakeholders
5. Stimulate customer participation and enrollment without large or ongoing incentives

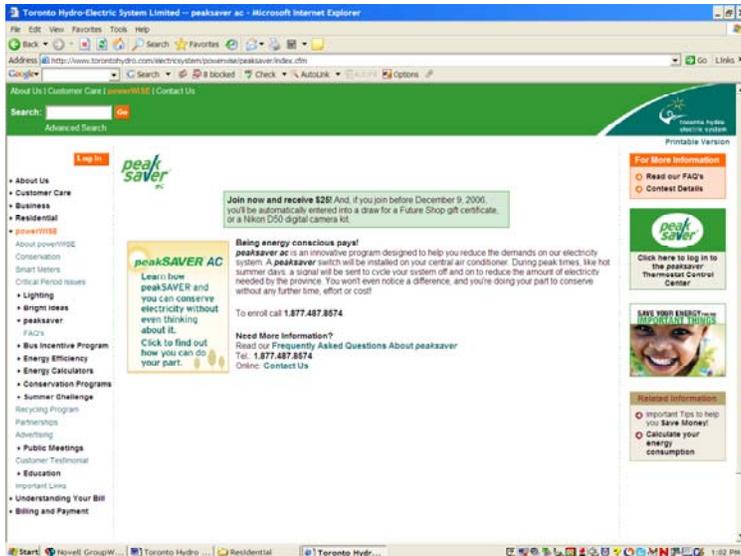
STRATEGY

1. Target small business and residential customers that are likely to have central air conditioning before going to mass market tactics
2. Provide both financial and social incentives to participate
3. Utilize customers and stakeholders to tell the *peaksaver* story through testimonials
4. Provide media with different story angles to generate media coverage; monitor topic and tone of coverage to address in future media relations
5. Take advantage of partnerships to promote *peaksaver*

CHALLENGES

- Customers do not like giving up control - "Big Brother Syndrome".
- Financial incentives appeal to only a portion of the Toronto population. The remaining customers may not respond to financial incentives at all or may require higher incentives - either monetary or combined value.
- Environmental incentives appeal to another portion of the population, money is not a driver for behaviour change.
- Many customers will take action only if others do so first. "Why should I do anything to help, when no one else is?"

TACTICAL PLANNING AND IMPLEMENTATION



Website development

Prior to the initial launch, the website was developed to be able to provide:

- Information on *peaksaver* and how to sign up for the program
- Frequently Asked Questions
- Animation on how *peaksaver* works

Launch News Release

In Sept/Oct of 2005, prior to any promotion, a news release was distributed to media and stakeholders to announce the launch of the program. The news release garnered interest across the province and stimulated the initial wave of enrollments.

Direct Mail Campaign and Contest

Brochures were developed and distributed to residential customers and small businesses. Toronto Hydro undertook a screening project to identify candidates that likely had central or rooftop central air conditioning units. The brochures provided an overview of the program, reasons why customers should enroll, and outlined the incentives for participating. In addition to the social and



environmental incentives for signing up, customers would receive a cheque for \$25 and be automatically entered into the peaksaver contest, held every quarter. The draws for all program participants are for prizes such as home electronics, computer systems and other merchandise/gift vouchers. To date, most of the targeted customers have received the brochures by direct mail and Toronto Hydro continues to send brochures out monthly.



Customer Communications

With approximately 670,000 customers, Toronto Hydro is one of the largest municipal utilities in North America. Sending program information with electricity bills is a cost-effective and successful way to communicate with customers. An on-bill message promoting peaksaver appeared on December/January electricity bills. And in powerWISE, the Toronto Hydro customer newsletter, articles on *peaksaver* have appeared in the summer and fall editions.

Partner and Stakeholder Opportunities

Toronto Hydro had several existing efficiency programs in place prior to the launch of *peaksaver*. One of their partners is Clean Air Foundation, a non-profit group that promotes public engagement programs to reduce pollution and climate impact. They conduct one-on-one meetings with small businesses to identify opportunities for efficiency and now include *peaksaver* as part of its program offering. Entitled Cool Shops, the program runs throughout the summer and targets small businesses like corner stores and Laundromats.

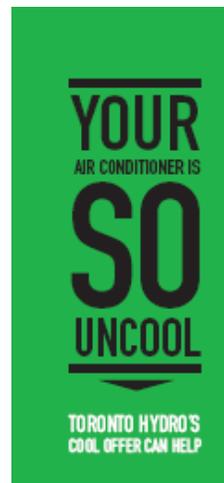
The partnership with The Home Depot has also proven to be a valuable alliance. As a partner on several other conservation programs, Toronto Hydro added *peaksaver* to the Keep Cool Campaign. Keep Cool is a room air conditioner recycling program. Customers can bring their old room AC units for a \$25 gift card from The Home Depot. Toronto Hydro set up another information booth with animation to demonstrate *peaksaver* and explain the program to customers. In just the four weekends that Keep Cool ran, more than 2,000 customers enrolled in *peaksaver*.

On an ongoing basis, Toronto Hydro provides updates to other organizations. These stakeholders have quickly advocates. In particular, the provincial government – constantly under pressure to deliver under on its promise to reduce peak demand – cites *peaksaver* as an example of a successful conservation and demand management initiative. In meetings, presentations and in media interviews, they have been praising Toronto Hydro and its *peaksaver* program:

“Another innovative conservation program...”²

“If every residential central air conditioner in Ontario were signed up for a peak saver program like Toronto Hydro’s, our peak-day demand for electricity could be reduced by up to 2,000 MW...”³

“They’ve come up with some great ideas like peakSAVER Distributed Energy and peakSAVER Air Conditioning...”²



If you bring us your old room air conditioner or sign up for the peakSAVER™ central air program, Toronto Hydro will give you a cool \$25 gift card.*

Keep Cool!

Inefficient room air conditioners are uncool. Give us yours, and Toronto Hydro will give you a \$25 Home Depot gift card to use on anything in the store.

peakSAVER A/C

Earn another \$25 Home Depot gift card when you sign up and install peakSAVER A/Cs. Toronto Hydro sends a signal to your central air conditioning unit to reduce the amount of electricity used during peak hours.

WHEN From 10am - 5pm, the weekends of June 10-11, 17-18, and 24-25, 2006

WHERE All Toronto Home Depot stores

Visit keepcool.ca for participating locations.

*The Home Depot gift card is valid only for purchases at participating Home Depot stores. Excludes cash, gift certificates, and other restricted-use cards.

government and become *peaksaver*

² Minister of Energy
³ Clean Air Alliance

Advertising and Sponsorships

Toronto Hydro advertises *peaksaver* through a number of its current ad buys, as well as in trade publications where appropriate. Much of the conservation advertising was dedicated to promoting peaksaver and educating customers on how it works, as well as why they should enroll. Advertising for summer 2005 included radio, public transit bus-sides and trains, and public transit TV.

For community events, *peaksaver* booths and/or information on the program are made available. This has proven to be an effective method to profile the program in a non-aggressive format. The animation is available, as well as Toronto Hydro employees who can explain the program in more detail.

SAVE YOUR ENERGY FOR THE IMPORTANT THINGS

Lead summer air conditioning costs for the province of Ontario and peak demand for the grid. This means higher energy bills for you. You'll help take a load off the grid, and you'll save money on your electricity bills.

This summer take a load off the grid by enrolling in our new peak power program. You'll help take a load off the grid, and you'll save money on your electricity bills.

Call 1-877-944-4377 or visit www.ontariohydro.com to learn more about our new peak power program. You'll help take a load off the grid, and you'll save money on your electricity bills.

Who thinks about air conditioning when it's 12 below outside? We do.

Don't let winter weather get you ready for what's coming. Lead summer air conditioning costs for the province of Ontario and peak demand for the grid. This means higher energy bills for you. You'll help take a load off the grid, and you'll save money on your electricity bills.

Call 1-877-944-4377 or visit www.ontariohydro.com to learn more about our new peak power program. You'll help take a load off the grid, and you'll save money on your electricity bills.

Save on the Peaksaver! Call 1-877-944-4377 or visit www.ontariohydro.com

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TORONTO UNPLUGGED Media Conference

As the summer approached and the weather began to warm up, Toronto Hydro planned another media event to profile *peaksaver* AC and DE (distributed energy). In May 2006, Toronto Hydro held a press conference to officially 'flip the switch' for the summer. Toronto Hydro's president David O'Brien and Donna Cansfield, Minister of Energy showcased *peaksaver*, and demonstrated how

peaksaver AC and *peaksaver* DE would be able to drop MW from the grid instantaneously. In addition, the *peaksaver* Control Centre was unveiled audience members to see the programs 'live'. The media event was attended by over 150 stakeholders and media contacts, including large customers, government officials, and partners. Further, over 50 media stories were generated representing almost 18 million audience impressions.



Ongoing Media Relations

The summer of 2006 had two occasions where the extreme weather dictated the need to conserve electricity. On July 17, Toronto Hydro initiated the first-ever *peaksaver* event and was able to reduce electricity demand by almost 20MW. Toronto Hydro began telling media about the results and was able to secure additional media coverage. Two weeks later, record breaking temperatures dictated another *peaksaver* event whereby another 16MW was taken off the grid. Ongoing media relations, including an open letter from David O'Brien congratulating Toronto residents, generated more media coverage. The letter focused on the fact that despite many factors, such as a growing population, Toronto did not break peak demand records compared to the rest of the province. The letter attributed this success to conservation and *peaksaver*.



A MESSAGE TO ALL TORONTO HYDRO CUSTOMERS AND RESIDENTS OF TORONTO

On August 1st a number of heat wave and electricity consumption records were broken in Ontario. Here in Toronto, we were able to actually reduce our electricity peak demand below the record level of 5005 megawatts set a year ago. We have more summer days ahead of us and more records may fall, but so far Torontonians are proving that conservation and demand management does work and is an important part of Ontario's electricity supply strategy.

What is remarkable about this is that Toronto accounts for approximately 20% of the electricity used in Ontario. While the rest of the province increased their use by approximately 4% or 845 megawatts last Tuesday, we managed to reduce our peak by 5 megawatts. And this is a very conservative estimate! Considering normal load growth, and "heat island" effects in the city during heat waves, we could reasonably expect an increase in inner-city temperatures that would drive electricity consumption higher in Toronto than in surrounding regions. The fact that we reduced our peak compared to last year's record is a sign that conservation and demand management are working in Toronto.

'Thank you' to everyone in Toronto who turned off lights, increased the temperature on air conditioners, and waited to use appliances until 8pm. A 'thank you' as well to all our residential and commercial customers who signed up for *peakSAVER* – we were able to reduce peak demand by almost 16 megawatts, equivalent to taking the city of Kenora off the grid. And a 'thank you' to our business customers who dimmed lights, shut down elevators and conserved in any way they could.

Keep building the "conservation culture" and continue the conservation drive by cutting your electricity use at home in our Summer Challenge. If you are able to reduce your consumption by 10% this summer over last summer, we'll credit you an additional 10% on your bill.

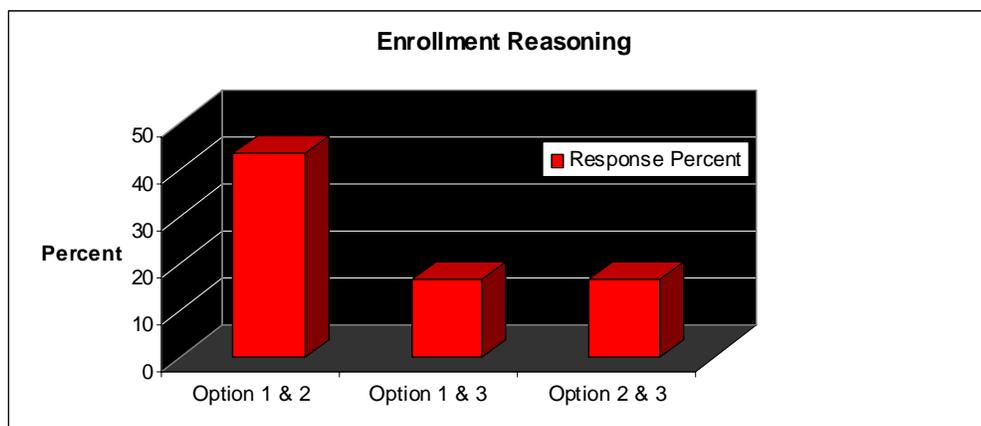
Best regards,

David O'Brien, President and CEO, Toronto Hydro Corporation

Results/Achievements and Evaluation

Learnings:

- As the weather gets cooler, people tend to forget about air conditioning. To compensate, the team planned a unique media event in the early summer to re-launch the program and continued with media relations throughout.
- Media and customers were confused about how the program worked. Many customers felt that Toronto Hydro would be controlling their temperatures without consent and frequently, and others thought that the smart meter initiative was the same program. Call centres were well briefed and equipped to answer questions and refer customers to the animation on the website. In addition, simplified language helped customers understand better.
- Toronto Hydro also spread the messaging across three different tracks, to ensure that the program remains appealing to new customers. (see chart below)



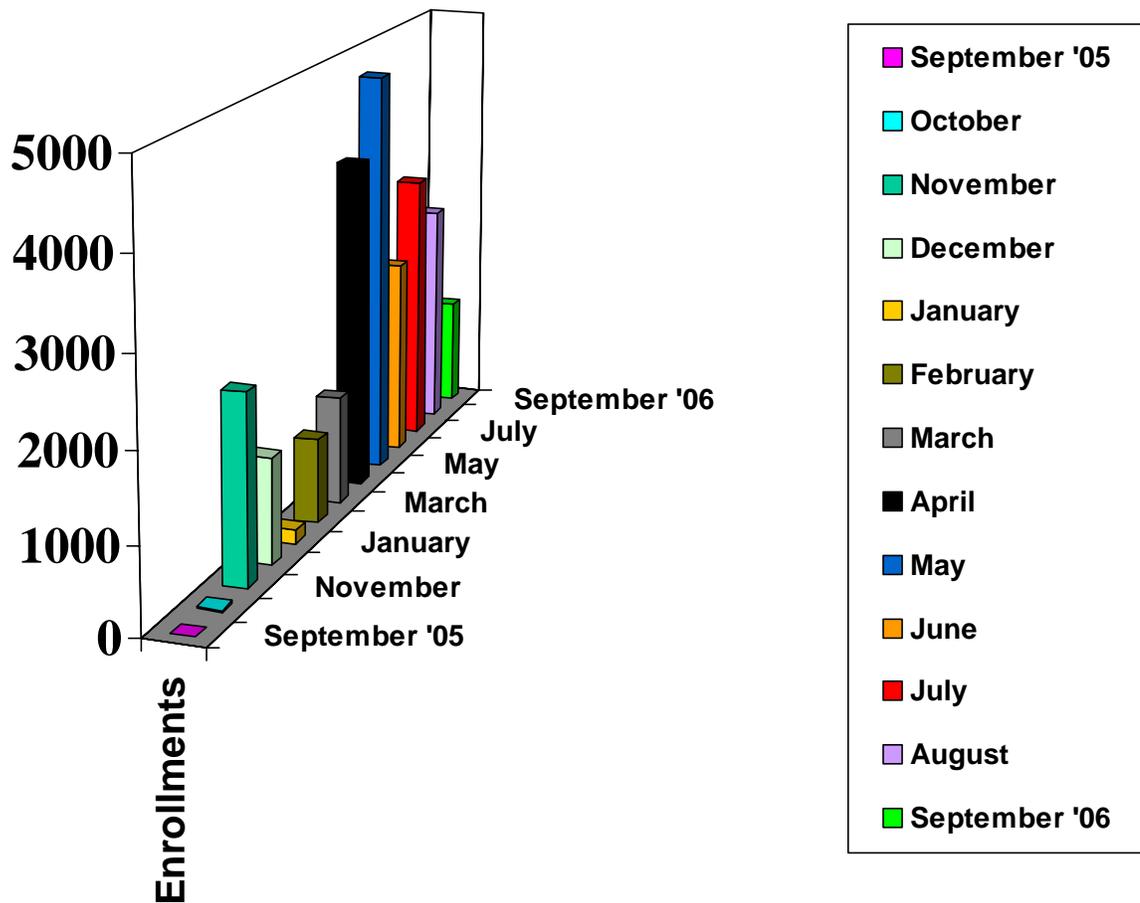
- Reason 1: Help the environment by reducing peak demand.
- Reason 2: Help reduce critical peak demand – fewer rolling blackouts.
- Reason 3: Help reduce reliance on expensive peak power.⁴

Results:

As of September 2006, the signups have quickly surpassed all customer participation goals. The original goal when peaksaver was launched was approximately 2,600 customers, or about 7MW. Today, less than a year later, more than 23,000 customers (24MW) have enrolled in the *peaksaver* program.

The initial customer satisfaction results have been overwhelming and suggest that Torontonians are willing to participate because they are increasingly concerned about new generation, rising process and the impact/effect on the environment. By the end of 2006, Toronto Hydro will have even more enrolments and acceptance of the program. With ongoing public relations and marketing efforts the company hopes to have about 30,000 customers signed up on the program by the end of 2007.

⁴ Toronto Hydro peaksaver Enrollment Survey - A Report from GoodCents



Toronto Hydro’s experience demonstrates that ongoing monetary incentives are not the only means to drive these programs, and that creative public relations and marketing can produce much more cost effective, and likely more sustainable participation. This can be seen by the number of customer calls/signup coinciding with promotion initiatives, proving that the enrolments are directly related to marketing and PR efforts.