Maryland Public Service Commission:

Survey of Residential and Commercial Electric Customers

Submitted to:

High Point - Franklin / Noble Steed

on behalf of:

State of Maryland
Public Service Commission

Submitted by:

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Methodology

Conduct of the Survey

The results of this report are based on a telephone survey commissioned by High Point - Franklin / Noble Steed on behalf of the Maryland Public Service Commission. The survey was administered September 3-20, 2002. Random probabilistic techniques were used to select residential and commercial electric consumers to ensure that the results of the research are fully representative of both populations.

Residential Consumers

Screening questions at the beginning of the interview were used to ensure that the survey only includes household decision makers who are at least 18 years of age. Residential consumers who work for a natural gas, propane, oil, gas or electric company were excluded from the study.

The survey is based on complete and useable interviews with 508 residential consumers. The maximum margin of error for a survey of 508 residential consumers is +/- 4.4 percent at the 95 percent confidence level. That means, in theory, in 19 times out of 20, the results found in the sample will differ by no more than plus or minus 4.4 percentage points in either direction from what would be obtained by interviewing all residential consumers in Maryland.

Commercial Consumers

Screening questions at the beginning of the interview were used to ensure that the survey only includes business decision makers from companies that have at least 10 employees.

The survey is based on complete and useable interviews with 200 commercial consumers randomly selected from the entire state of Maryland. The maximum margin of error for the survey of 200 commercial consumers is +/- 6.9 percent. That means, in theory, in 19 times out of 20, the results found in the sample will differ by no more than plus or minus 6.9 percentage points in either direction from what would be obtained by interviewing all commercial electric consumers in Maryland with at least 10 employees.

Survey Administration

The survey was administered using a computer-assisted telephone interviewing (CATI) system. The CATI system allows data to be entered directly into a computerized database as interviews are conducted, providing a highly reliable system of data collection. All interviews were conducted by paid, trained and professionally supervised interviewers.

Data Analysis

The results presented in this report include univariate and bivariate analyses of the data. Frequency distributions for each item included on the questionnaire are shown in the detailed tables. In all cases, cross-tabulation results are also shown. This type of bivariate analysis examines differences between subgroups of the overall population.

In cases where crosstabulation results are presented, a *chi-square* test, an *independent t-test for means,* or a *Z-test for independent percentages* is shown. A *chi-square* test is used in cases where comparisons are made for categorical variables. A *t-test* is used in cases where comparisons are made for measurement variables. A *Z-test* is used in cases where comparisons are made between independent population percentages.

The purpose of these statistical tests is to determine whether or not the observed difference between subgroups in the sample is due to sampling error or whether it is due to a real difference in the population. When the results are statistically significant, it strongly suggests that the observed difference between subgroups found in the sample is due to a real difference in the population, and not due to sampling error.

A *chi-square* significance level of .05 indicates significance at the 95 percent level. In other words, it is 95 percent likely that the results are due to a real difference between comparison subgroups. A *chi-square* significance level of .01 indicates significance at the 99 percent level. When a *t-test* or a *Z-test* is shown, lower- and upper-case letters indicate significance at the 90 and 95 percent levels respectively.

Executive Summary

- As expected, exposure to paid (i.e., advertising) and earned (i.e., public relations) media addressing the topic of electric competition in Maryland has decreased over time.

- The decline in exposure to information about electric competition in Maryland has resulted in the following:

  - *Awareness* of electric competition in Maryland has dropped among residential and commercial customers.

  - *Knowledge* about electric competition in Maryland (both real and self-reported) has dropped among residential and commercial customers.

- The California situation has faded considerably and resulted in the following:

  - *Interest* in the idea of electric competition in Maryland has rebounded strongly.

  - *Perceptions* about electric competition in Maryland have improved significantly, indicating that most customers once again think that electric competition is generally a good idea.

- Few customers understand the current status of electric competition, whether the electric industry is fully-regulated, fully-competitive or in transition or when standard service will end.

- Most customers believe that it is important for the State of Maryland to keep them informed about the status of electric competition.

- The combined effect of lower knowledge about electric competition, and a lack of understanding regarding the current status of electric competition, have resulted in growing uncertainty and a sharp increase in consumer fears about the impact of electric competition.

Awareness and Interest

Exposure to information about electricity has dropped sharply

Using an open-ended format, respondents were asked whether they recall reading, hearing or seeing anything in the news about the supply of electricity during the past 6 months. The results indicate that potentially negative (or *disruptive*) information about the California situation has dropped. However, there has also been a drop in potentially positive (or *clarifying*) information about the electric competition in Maryland.

Residential Customers

Last year, about one-third of residential customers (37%) reported that they *had not heard anything* about the supply of electricity. This figure approximately doubled in 2002 to 73 percent.

Exposure to information about the *California situation* dropped from 38 percent in 2001 to just 7 percent in 2002.

Exposure to information about the introduction of *electric competition in Maryland*, or *electric deregulation*, dropped from 28 percent in 2001 to 11 percent in 2002.

Commercial Customers

Exposure to information about the supply of electricity is also down among commercial customers. This year, 58 percent of commercial customers reported that they *have not heard anything* about the supply of electricity in the past 6 months, compared to just 23 percent last year.

Exposure to information about the *California situation* dropped from 43 percent in 2001 to just 19 percent in 2002.

Exposure to information about the introduction of *electric competition in Maryland*, or *electric deregulation*, dropped from 48 percent in 2001 to 21 percent in 2002.

Awareness of electric competition in Maryland continues to drop

Customers were also specifically asked to describe how much they have heard about electric competition in Maryland. After rising sharply in 2000, awareness of the introduction of electric competition in the State has dropped significantly in the past 2 years.

Residential Customers

In the 1999 benchmark survey, 17 percent of residential customers reported that they had heard a *great deal* about the introduction of electric competition. That figure increased to 32 percent in 2000, but has dropped over the last 2 years to 9 percent today. This year, most customers (57%) reported that they have heard *only a little* about the introduction of electric competition in the State. The percentage of residential customers who said that they have heard *nothing* about the introduction of electric competition has increased from 9 percent in 2000 to 34 percent today.

Among residential customers who reported reading or hearing something about the introduction of electric competition, the primary sources of information are *newspaper advertisements* (43%). Fewer customers mentioned that they heard about electric competition from a *television news story* (16%), their *current local utility* (15%), a *television commercial* (14%), or a *radio advertisement* (11%). Notably, the percentage of residential customers who recalled a *television commercial* about the introduction of electric competition dropped from 39 percent in 2000 to 14 percent in 2002.

Commercial Customers

In the 1999 benchmark survey, 32 percent of commercial customers stated that they had heard a *great deal* about the introduction of electric competition. That figure increased by 3 points in the 2000 survey, but has dropped to 14 percent today.

Among commercial customers who have read or seen information about the introduction of electric competition in the State, the primary source of information is *newspaper advertising* (44%). Significantly fewer customers encountered information about electric competition in *television commercials* (17%), *radio advertising* (17%) or *television news stories* (16%). Nine percent of customers mentioned that they received information from their *local utility*, compared to 15 percent last year. Notably, the proportion of commercial customers who recalled a *television commercial* on the topic of electric competition dropped from 63 percent in 2000 to just 17 percent in 2002.

Interest in electric competition has rebounded since last year

Despite a diminished awareness of information or news about electric competition in Maryland, interest in electric competition has rebounded this year after decreasing steadily from 1999 to 2001. This may be explained, in part, by a decreased level of national attention directed toward California's electricity situation over the past year.

It is also important to emphasize that *dis*interest in electric competition remains relatively low and less volatile (especially among residential customers), suggesting that many customers may be more positively disposed to messages regarding electric competition.

Residential Customers

In the 1999 benchmark survey, 46 percent of residential customers reported that they are *very interested* in the idea of being able to choose an electric supplier. That figure dropped to 20 percent in 2001 before jumping back up to 38 percent in 2002.

Commercial Customers

Similar to residential customers, about one-half of commercial customers (49%) reported that they are *very interested* in the idea of being able to choose an electric supplier in the 1999 benchmark survey. In 2001, that figure slipped to 28 percent. This year, however, over one-third of commercial customers (36%) reported that they are *very interested* in the idea of being able to choose an electric supplier.

Support for electric competition appears to be growing

Customers were asked to describe their view toward electric competition in Maryland. After decreasing from 1999 to 2001 in the wake of the California situation, the percentage of customers who consider competition to be a good idea appears to be increasing.

Residential Customers

The 1999 benchmark survey showed that two-thirds of residential customers (66%) thought that the introduction of electric competition in Maryland was a *good idea*. That figure slipped to 47 percent in 2001 following the California situation. This year, nearly two-thirds of residential customers (61%) once again feel that electric competition is a *good idea*. The percentage of customers who think it is a *bad idea* grew from 13 to 22 percent between 1999 and 2001, but dropped slightly to 20 percent this year.

Commercial Customers

In 1999, 71 percent of commercial customers thought that electric competition was a *good idea*. That figure dropped 13-points in the 2000 survey, but has since held steady at around 50 percent in 2001 (54%) and 2002 (55%). Similarly, the percentage of customers who think that competition is a *bad idea* also appears to have leveled off over the last 2 years at 22 percent in 2001 and 21 percent in 2002.

Information about Electric Competition

Exposure to paid and earned media regarding electric competition has dropped

Respondents were specifically asked whether they have seen, read or heard any type of *advertising* about the introduction of electric competition in Maryland in the past 6 months. For the purpose of analysis, this is considered exposure to *paid media*.

Apart from any commercials or paid advertising, respondents were also specifically asked whether they have read or heard any *news stories* about electric competition in a newspaper, radio or on television. For the purpose of analysis, this is considered exposure to *earned media*.

Residential Customers

Exposure to paid media has dropped steadily over the past 3 years. In 2000, about two-thirds of residential customers (67%) said that they *had seen or heard* some type of advertising regarding electric competition. That figure dropped to 47 percent in 2001 and to 32 percent in 2002, for an overall drop of 35-points.

Exposure to earned media (e.g., news stories about electric competition) has also decreased, albeit less severely. In 2000, 40 percent of residential customers said that they *had seen or heard* a news story or article on electric competition. That figure dropped to 39 percent in 2001 and to 24 percent in 2002, for an overall drop of 16-points.

Only 7 percent of residential customers indicated that they *have received* a copy of the consumer guide from the Maryland Public Service Commission. This figure is down 3-points from 2001.

Commercial Customers

Exposure to paid media has also dropped significantly among commercial consumers. In 2000, 81 percent of commercial customers said that they *had seen or heard* some type of advertising regarding electric competition. That figure slipped to 53 percent in 2001 and to less than one-half of customers (47%) in 2002.

Exposure to earned media (e.g., news stories about electric competition) has also diminished over time. In 2000, 53 percent of commercial customers said that they *had seen or heard* a news story or article on electric competition. That figure fell to 42 percent in 2001, but increased slightly in the most recent poll to 45 percent.

Only 12 percent of commercial customers stated that they *have received* a copy of the consumer guide from the Maryland Public Service Commission, compared to 20 percent in 2000.

Awareness of the Maryland Public Service Commission's website is waning

Customers were asked if they are aware that there is a website that consumers in Maryland can use to access information about electric competition. The results suggest that while awareness of the website has dropped among both residential and commercial residents, interest in using the website to find information about electric competition has increased slightly.

Residential Customers

Twenty percent of residential customers are *aware* that there is a website that they can use to get information about electric competition, and 76 percent are *unaware*. Last year, 27 percent of residential customers reported an *awareness* of the Maryland Public Service Commission's website. Among residents who are aware of the website, 16 percent reported that they *visited* the site. Among those who visited the site, none *recalled* the website address.

When asked how likely it is that they would use the website in the future if they were interested in getting more information about electric competition, 62 percent of all residential customers said that they *probably* (30%) or *definitely would* use the website (32%). Last year, 58 percent of residential customers indicated that they *would* use the website in the future.

Commercial Customers

Eighteen percent of commercial customers are *aware* that there is a website that they can use to get information about electric competition, and 79 percent are *unaware*. Last year, approximately one-fourth of commercial customers (26%) indicated an *awareness* of the Public Service Commission's website. Among customers who are aware of the website, 20 percent reported that they *visited* the site. Among customers who visited the site, only 3 individuals - or less than 2 percent of all commercial customers - *recalled* the website address.

When asked how likely it is that they would use the website in the future, 66 percent of all commercial customers said that they *probably* (41%) or *definitely would* use the website (26%). Last year, 78 percent of commercial customers stated that they *would* use the website in the future.

Few customers are aware of the Answer Center

Customers were also asked if they are aware of an answer center with a toll-free number that consumers in Maryland can use to get information about electric competition. As in the case of the Public Service Commission's website, the results suggest that awareness of the answer center has decreased among both residential and commercial residents, while interest in using the answer center remains relatively robust.

Residential Customers

Last year, 19 percent of residential customers reported an *awareness* of the Maryland Public Service Commission's answer center. This year, 13 percent of customers indicated that they are *aware* of the answer center, while 85 percent reported that they are *unaware*. Among residents who are aware of the answer center, 8 percent have *called* the center. Among those who called the center, only 2 customers - or less than 1 percent of all residential customers - *remembered* the toll-free telephone number.

When asked how likely it is that they would contact the answer center in the future if they were interested in getting more information about electric competition, 63 percent of all residential customers said that they *probably* (42%) or *definitely would* (21%) call the center. Last year, 60 percent of residential customers indicated that they *would* use the answer center in the future.

Commercial Customers

Last year, 17 percent of commercial customers reported an *awareness* of the Public Service Commission's answer center. This year, only 6 percent of customers indicated that they are *aware* of the answer center, while 9 out of 10 customers (90%) reported that they are *unaware*. Among customers who are aware of the answer center, none have *called* the center.

When asked how likely it is that they would contact the answer center in the future if they were interested in getting more information about electric competition, 62 percent of all commercial customers said that they *probably* (43%) or *definitely would* call the center (19%). Last year, 66 percent of customers reported that they *would* use the answer center in the future.

Most customers would turn to the Internet for information about electric competition

In addition to asking customers if they have used specific services set up by the Public Service Commission to provide information about electric competition, customers were also asked where they would look for information in the future if they wanted to learn more about electric competition.

Residential Customers

The largest bloc of residential customers (52%) said that they would either *search the Internet* (22%) or *visit the PSC website* (30%) if they wanted to learn more about the introduction of electric competition. Twenty-four percent of residential customers reported that they would look to *newspaper advertising*, and 13 percent would turn to their *current local utility*. Fewer than 10 percent of residential customers would turn to any other source if they wanted information about electric competition.

Commercial Customers

Similar to residential customers, most commercial customers (62%) reported that they would either *search the Internet* (22%) or *visit the PSC website* (40%) if they wanted to learn more about the introduction of electric competition. Sixteen percent of commercial customers reported that they would look to *newspaper advertising*, and 14 percent would turn to their *current local utility*. Thirteen percent would look for *advertising* in general, and 11 percent would contact the *answer center*. Fewer than 10 percent of customers would turn to any other source if they wanted more information about electric competition.

Transition Period

Few customers express a clear understanding of electric competition

Respondents were asked to describe their level of understanding of the current status of electric competition in Maryland. The results indicate that most customers continue not to have a clear understanding of the status of electric competition.

Residential Customers

Last year, 49 percent of residential customers reported that the current status of electric competition is *not at all clear*. This year, 48 percent of customers stated that their understanding of electric competition is *not at all clear*. An additional 27 percent of residential customers said that their understanding is *somewhat clear*, and 15 percent said that it is *very clear*.

Commercial Customers

In 2001, about one-third of commercial customers (35%) reported that the current status of electric competition is *not at all clear*. This year, 39 percent of customers stated that their understanding of electric competition is *not at all clear*. An additional 32 percent of commercial customers reported that their understanding is *somewhat clear*, and 21 percent said that it is *very clear*.

Only about one-fourth of customers know that Maryland is in a transition period

Respondents were also asked to describe the current status of electric competition in Maryland. Commercial customers are slightly more likely than residential customers to correctly report that Maryland is in a transition period. Over one-half of customers reported that they are not very knowledgeable about the end of standard service.

Residential Customers

Only 1 out of 4 residential customers (25%) are aware that Maryland is in a *transition period*. Most customers (52%) are unsure of the status of electric competition, 16 percent believe that is continues to be a *fully regulated* industry and 8 percent believe is it *fully competitive*.

Sixty-five percent of residential customers reported that they are *not very knowledgeable* about the end of the standard service offer.

Commercial Customers

Twenty-nine percent of commercial customers stated that Maryland is in a *transition period*. Many customers (41%) are *unsure* of the status of electric competition, 12 percent believe that it continues to be a *fully regulated* industry and 19 percent believe that it is *fully competitive.*

Fifty-nine percent of commercial customers reported that they are *not very knowledgeable* about the end of the standard service offer.

Customers do not clearly indicate a preferred term to describe *default service*

Consumers were read a list of terms to describe default electric service, and asked to identify the term that would be the most appropriate. The results indicate that there is no single term which a majority of customers believe best describes default service.

Residential Customers

Twenty-two percent of residential customers reported that the most appropriate term to describe default service is *backup service*. Fewer customers cited *automatic service* (19%), *default service* (15%), *basic service* (11%), *standard service* (10%), *generic service* (6%) or *non-competitive service* (4%) as the most appropriate term to describe default service. Fourteen percent of residential customers reported that they have *no preference*.

Commercial Customers

Fifteen percent of commercial customers reported that the most appropriate term to describe default service is *default service*, 15 percent identified *standard service* and 15 percent mentioned *automatic service*. Fewer customers cited *backup service* (12%), *generic service* (8%), *basic service* (6%) or *non-competitive service* (4%) as the most appropriate term to describe default service. About one-fourth of commercial customers (26%) reported that they have *no preference*.

A majority of customers believe it is important to be informed about competition

Despite relatively low, and generally decreasing, levels of customer understanding and awareness, a majority of customers believe it is important to be informed about the changes occurring in the electric industry. Ninety-two percent of residential customers reported that it is *somewhat* (14%) or *very important* (78%) to be informed about the status of electric competition until standard service ends. Eighty-one percent of commercial customers stated that it is *somewhat* (33%) or *very important* (48%) to be informed about the status of electric competition.

Knowledge of Electric Competition

Self-reported knowledge about the electric industry continues to show erosion

Residential Customers

Only 1 in 10 residential customers (10%) said that they are *very knowledgeable* about the electric industry, down 6 points since 1999. An additional 41 percent described themselves as *somewhat knowledgeable*, and 43 percent mentioned that they are *not very knowledgeable*.

Commercial Customers

Only 6 percent of commercial customers remarked that they are *very knowledgeable* about the electric industry, compared to 26 percent in 2000. An additional 49 percent of commercial customers said that they were *somewhat knowledgeable*, and 41 percent stated that they are *not very knowledgeable*.

Real knowledge about electric competition continues to wane

In addition to a self-reported measure of knowledge, customers were also asked a series of 10 yes or no questions, 8 of which have been asked every year since 1999. Together, all 10 questions are used to construct a Total Knowledge Index (TKI) that can be used to identify variations in customers' knowledge of electric competition based on demographic and other differences. The 8 questions that have been asked annually for the past 4 years were used to construct a Revised Total Knowledge Index (RTKI) that is comparable over time.

It should be noted that the data were gathered in a way that can be used to gauge the level of *active misinformation* about the introduction of competition, as well as the extent of a *lack of information* about competition. That is to say, for each item, respondents could give the correct answer, the incorrect answer (i.e., a response which suggests the presence of active misinformation) or say that they are *unsure* about the correct answer (i.e., a response which suggests that there is a lack of information available to customers). When the survey was administered, respondents were encouraged to say that they are unsure if they were uncertain about a correct answer.

In cases where there is a lack of information about a certain aspect of electric competition, an opportunity exists to provide customers with correct information. In cases where there is active misinformation about a certain aspect of electric competition, a more targeted effort is needed to change assumptions or misinformation about the way electric competition will work.

A summary of results for residential (Table 1) and commercial (Table 2) customers is shown on the next 2 pages.

Table 1
Knowledge of Electric Competition
Among Residential Customers

	Correct (%)				Incorrect (%)				Unsure (%)			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
Q10: With the introduction of competition, the cost to transmit and distribute electricity to your home will continue to be regulated by Public Service Commission? (Yes)	61.3	61.0	40.4	37.0	9.9	8.9	14.8	10.6	28.8	30.1	44.8	52.4
Q11: With the introduction of competition, customers will receive more than one electric bill each month? (No)	36.0	77.6	57.5	48.8	29.1	10.1	16.6	15.7	34.9	12.3	25.9	35.4
Q12: With the introduction of competition, the new electric power suppliers will be responsible for repairs of poles and power lines following an outage? (No)	26.1	49.7	28.3	21.1	48.6	36.6	34.4	44.9	25.2	13.7	37.2	34.1
Q13: In order to switch to one of the new electric power suppliers, customers will be required to first notify their current local utility company? (No)	20.9	16.5	20.4	18.3	60.0	52.6	49.6	55.7	19.1	31.0	30.0	26.0
Q14: If a customer does not switch to one of the new electric power suppliers, that customer will eventually be placed in default power service? (Yes)	21.0	15.5	19.4	24.8	46.7	53.5	37.7	31.7	32.3	31.0	42.8	43.5
Q15: Once a customer is placed in default power service, that customer will be able to switch to one of the new electric power suppliers? (Yes)	54.0	44.4	40.5	52.0	13.7	14.4	14.2	8.3	32.3	41.3	45.3	39.8
Q16: Under the new plan, it will be easier for the electric power suppliers to shut off electric service to residential and business customers? (No)	39.1	58.4	52.6	22.6	29.7	17.3	22.9	26.6	31.2	24.2	24.5	50.8
Q17: The change from standard service to a fully competitive marketplace will happen at different times for residential and commercial customers in each utility's service area over the next 6 years? (Yes)	-	-	-	41.5	-	-	-	10.2	-	-	-	48.2
Q18: If your competitive electricity supplier goes out of business, or decides to no longer sell electricity in Maryland, you will be automatically placed in default service with no interruption of service? (Yes)	-	-	-	47.0	-	-	-	9.6	-	-	-	43.3
Q19: After the standard service offer ends, you should call your current electric utility provider if your electricity goes out? (Yes)	-	71.7	64.6	54.5	-	15.5	15.8	13.4	-	12.9	19.6	32.1
Average Correct				3.68								

Table 2
Knowledge of Electric Competition
Among Commercial Customers

	Correct (%)				Incorrect (%)				Unsure (%)			
	1999	2000	2001	2002	1999	2000	2001	2002	1999	2000	2001	2002
Q10: With the introduction of competition, the cost to transmit and distribute electricity to your home will continue to be regulated by Public Service Commission? (Yes)	59.5	76.6	50.2	40.0	17.0	6.3	12.9	9.5	23.5	17.1	36.8	50.5
Q11: With the introduction of competition, customers will receive more than one electric bill each month? (Yes)	35.5	30.2	21.4	15.5	28.5	47.8	49.3	45.0	36.0	22.0	29.4	39.5
Q12: With the introduction of competition, the new electric power suppliers will be responsible for repairs of poles and power lines following an outage? (No)	43.0	62.4	39.8	29.0	37.0	23.9	19.9	34.5	20.0	13.7	40.3	36.5
Q13: In order to switch to one of the new electric power suppliers, customers will be required to first notify their current local utility company? (No)	20.5	23.9	22.4	22.5	62.0	48.3	44.3	47.0	17.5	27.8	33.3	30.5
Q14: If a customer does not switch to one of the new electric power suppliers, that customer will eventually be placed in default power service? (Yes)	19.5	35.6	18.4	32.0	61.5	42.9	40.3	37.0	19.0	21.5	41.3	31.0
Q15: Once a customer is placed in default power service, that customer will be able to switch to one of the new electric power suppliers? (Yes)	65.5	57.1	37.8	53.5	10.0	15.1	11.4	9.0	24.5	27.8	50.7	37.5
Q16: Under the new plan, it will be easier for the electric power suppliers to shut off electric service to residential and business customers? (No)	56.0	56.6	49.8	44.0	29.0	13.7	15.9	13.0	15.0	29.8	34.3	43.0
Q17*: The change from standard service to a fully competitive marketplace will happen at different times for residential and commercial customers in each utility's service area over the next 6 years? (Yes)	-	-	-	47.5	-	-	-	4.0	-	-	-	48.5
Q18*: If your competitive electricity supplier goes out of business, or decides to no longer sell electricity in Maryland, you will be automatically placed in default service with no interruption of service? (Yes)	-	-	-	56.0	-	-	-	8.5	-	-	-	35.5
Q19: After the standard service offer ends, you should call your current electric utility provider if your electricity goes out? (Yes)	-	60.0	63.7	57.5	-	20.0	13.0	8.5	-	20.0	23.4	34.0
Average Correct				3.98								

Residential Customers

Total Knowledge Index - The average residential customer answered 3.68 out of 10 questions correctly. This relatively poor performance (< 40% correct) suggests that there is widespread confusion about electric competition among residential customers. However, certain types of residential customers appear to be more knowledgeable than others. In particular, customers whose current electric utility company is Delmarva Power and Light / Conectiv answered an average of 4.4 questions correctly. Other customers also performed relatively well, including customers of the Southern Maryland Electric Cooperative (4.3) and customers who live in Western Maryland (4.1). Customers who live on the East Shore (3.5), and customers of the Choptank Electric Cooperative (3.4), registered slightly lower on the index.

Revised Total Knowledge Index - Perhaps more importantly, the research indicates that residential customers' knowledge of electric competition has steadily decreased over the last few years. After increasing sharply between 1999 (3.3) and 2000 (4.0), the index slipped in 2001 (3.2), and again in 2002 (2.8). Notably, this decrease in the percentage of correct answers has in large part been accompanied by a rise in the number of "unsure" - rather than incorrect - responses. This suggests that it is primarily, though not exclusively, a lack of information about electric competition in Maryland, rather than a spread of misinformation, that is driving customer confusion.

Commercial Customers

Total Knowledge Index - The average commercial customer answered 3.98 out of 10 questions correctly, once again suggesting that commercial customers are slightly more informed about electric competition than residential customers. Delmarva Power and Light / Conectiv customers answered over one-half (5.1) of the questions correctly, on average. Other customers also performed relatively well, including customers who live in Metro Baltimore (4.5), customers who live on the Upper East Shore (4.5) and customers who spend over $2000 per month on electricity (4.7). Commercial customers who live in Western Maryland (3.4), and customers of the Southern Maryland Electric Cooperative (3.2), scored slightly lower than average.

Revised Total Knowledge Index - Similar to residential customers, commercial customers' knowledge of electric competition has also decreased over the last few years. After increasing between 1999 (3.6) and 2000 (4.0), the index slipped in 2001 (3.0) and again in 2002 (2.9). Similar to the findings for residential customers, the results suggest that it is primarily a lack of information about electric competition in Maryland that is behind this drop in commercial customers' level of knowledge. Still, there is some evidence of misinformation in the marketplace, as noted below.

Commonly misunderstood issues are varied

The following is a description of the most commonly misunderstood issues related to electric competition.

Residential Customers

1 Many residential customers are *unsure* (52%) if the cost to transmit and distribute electricity will continue to be regulated by the Public Service Commission.

2 Many residential customers are *unsure* (51%) if, with the introduction of competition, it will be easier for electric power suppliers to shut off electric service to residential and business customers.

3 Many residential customers are *unsure* (48%) if the change from standard service to a fully competitive marketplace will happen at different times for residential and commercial customers in each utility's service area over the next 6 years.

4 Many residential customers *incorrectly* (56%) think that they must first notify their current local electric utility before switching to one of the new electric suppliers. This figure increased from 50 percent in 2001, suggesting that there may be some active misinformation in the marketplace that is clouding customers' understanding.

5 Many residential customers *incorrectly* (45%) believe that the new electric suppliers will be responsible for the repair of poles and lines. This figure increased from 34 percent in 2001, again suggesting the presence of misinformation.

Commercial Customers

1 Many commercial customers are *unsure* (51%) if the cost to transmit and distribute electricity will continue to be regulated by the Public Service Commission.

2 Many commercial customers are *unsure* (49%) if the change from standard service to a fully competitive marketplace will happen at different times for residential and commercial customers in each utility's service area over the next few years.

3 Many commercial customers are *unsure* (43%) if, with the introduction of competition, it will be easier for electric power suppliers to shut off electric service to residential and commercial customers.

4 Many commercial customers *incorrectly* (47%) think that they must first notify their current local electric utility before switching to one of the new electric suppliers.

Impact of Electric Competition

This year, fewer customers report that competition will not impact service delivery

Customers were asked to report how they think the introduction of electric competition will affect various aspects of the electric service delivery system. For each area of service delivery under investigation, respondents were able to indicate if they think competition will result in better service, worse service, or whether it will have no impact on service. Over time, the results indicate that a combination of less information and more uncertainty are contributing to rising concerns regarding the impact of electric competition.

In general, consumers are most concerned about: 1) possible future price increases; 2) decreased responsiveness to service requests; and 3) fewer consumer protections.

Reliability

Nearly one-half of residential customers (48%) reported that service reliability will be the *same* after standard service ends, down from 59 percent in 2000. Twenty-five percent believe it will be *less reliable*, and 13 percent think service will be *more reliable*.

The percentage of residential customers who believe that electric service will be *less reliable* has slowly increased from 12 percent in 2000 to 25 percent today.

Forty-seven percent of commercial customers indicated that service reliability will be the *same* after standard service ends, down from 62 percent in 2000. Twenty-five percent think it will be *less reliable*, and 12 percent think it will be *more reliable*.

The percentage of commercial customers who believe that electric service will be *less reliable* has slowly increased from 20 percent in 2000 to 25 percent today.

Emergency Responsiveness

Forty-four percent of residential customers stated that responsiveness to emergencies will be the *same* after standard service ends, compared to 58 percent in 2000. Twenty-eight percent believe responsiveness will be *slower*, and 12 percent think it will be *faster*.

The percentage of residential customers who believe that emergency responsiveness will be *slower* with the introduction of competition has gradually increased from 13 percent in 2000 to 28 percent today.

Forty-five percent of commercial customers reported that responsiveness to emergencies will be the *same* after standard service ends, compared to 57 percent in 2000. One-fourth (25%) predicted that responsiveness will be *slower*, and 13 percent think responsiveness will be *faster*.

The percentage of commercial customers who believe that emergency responsiveness will be *slower* with the introduction of competition has gradually increased from 17 percent in 2000 to 25 percent today.

Consumer Protections

Forty-two percent of residential customers stated that consumer protections will be the *same* after standard service ends, compared to 51 percent in 2000. About one-third of customers (31%) believe there will be *fewer* protections, and 7 percent think there will be *more* protections.

The percentage of residential customers who believe that there will be *fewer* consumer protections with the introduction of competition has slowly increased from 15 percent in 2000 to 31 percent today.

Slightly more than one-third of commercial customers (36%) mentioned that consumer protections will be the *same* after standard service ends, compared to 55 percent in 2000. Twenty-eight percent of customers reported there will be *fewer* protections, and 16 percent predict that there will be *more* consumer protections.

The percentage of commercial customers who believe that there will be *fewer* consumer protections with the introduction of competition has slowly increased from 16 percent in 2000 to 28 percent today.

Service Requests

Over one-third of residential customers (37%) reported that their utility will be *just as likely* to respond to service requests after standard service ends, down from 48 percent in 2000. Thirty-seven percent of customers believe that their utility will be *less likely* to respond to requests, and 13 percent believe that their utility will be *more likely* to respond to service requests.

The percentage of residential customers who believe that their current local utility will be *less likely* to respond to requests for service if they switch to a new power supplier has gradually increased from 22 percent in 2000 to 37 percent today.

Forty-two percent of commercial customers reported that their utility will be *just as likely* to respond to service requests after standard service ends, compared to 56 percent in 2000. Twenty-nine percent of customers believe that their utility will be *less likely* to respond to requests, and 16 percent believe that their utility will be *more likely* to respond to service requests.

The percentage of commercial customers who believe that their current local utility will be *less likely* to respond to requests for service if they switch to a new power supplier has gradually increased from 21 percent in 2000 to 29 percent today.

Electricity Generation

Thirty-nine percent of residential customers expect that there will be *the same number* of problems generating enough electricity for consumers after standard service ends, compared to 50 percent in 2001. Twenty percent of customers believe that there will be *more* problems, and 30 percent believe there will be *fewer* problems generating enough electricity.

Forty-one percent of commercial customers reported that there will be *the same number* of problems generating enough electricity for consumers after standard service ends, down from 51 percent in 2001. Nineteen percent of customers believe that there will be *more* problems, and 26 percent believe there will be *fewer* problems generating enough electricity.

Electricity Transmission

Nearly one-half of residential customers (46%) reported that there will be *the same number* of problems transmitting electricity after standard service ends, down from 55 percent in 2001. Twenty percent of customers believe that there will be *more* problems, and an additional 20 percent believe there will be *fewer* problems transmitting electricity.

Thirty-nine percent of commercial customers indicated that there will be *the same number* of problems transmitting electricity after standard service ends, down from 57 percent in 2001. Twenty-six percent of customers think that there will be *more* problems, and 18 percent predicted that there will be *fewer* problems.

Market Forces

Only about 1 out of 5 residential customers (21%) reported that market forces will have the *same* effect on the price of electricity after standard service ends, down from 25 percent in 2001. Forty-five percent of customers think that prices will be *higher*, and 23 percent think prices will be *lower*.

Concerns among residential customers about possible future rate increases jumped from 37 percent in 2001 to 45 percent today.

Only 16 percent of commercial customers reported that market forces will have the *same* effect on the price of electricity after standard service ends, down from 24 percent in 2001. Thirty-one percent of customers believe that prices will be *higher*, and 39 percent believe prices will be *lower*.

Concerns among commercial customers about possible future rate increases jumped from 26 percent in 2001 to 31 percent today.

Decision Making Readiness

Most customers are not concerned about the number of new electric power suppliers

Customers were asked to describe their view toward the number of new electric providers in Maryland. The results suggest that most customers are not concerned about the number of providers in the State.

Residential Customers

Fifty-two percent of residential customers reported that they are *not concerned* about the number of new electric providers. Seventeen percent are concerned that there *will not be enough providers in the future*, and 13 percent are concerned that there are *not enough providers today*.

Commercial Customers

Even fewer commercial customers are concerned about the number of electric power suppliers in Maryland. Sixty-five percent of customers reported that they are *not concerned* about the number of new electric providers. Fifteen percent are concerned that there *will not be enough providers in the future*, and only 4 percent are concerned that there are *not enough providers today*.

Few customers are prepared to make an informed choice of a provider

Customers were asked to report how prepared they are to make an informed decision on the choice of an electric power supplier. The research indicates that few customers are ready to make an informed decision.

Residential Customers

Fifty-seven percent of residential customers reported that they need *a lot more information* before they will be prepared to choose an electric power supplier. Fewer customers reported that they need *more information* (10%) or that they could *make an informed decision today* (4%). Twenty-eight percent of customers reported that they *have not thought about it at all*.

Commercial Customers

Forty-seven percent of commercial customers reported that they need *a lot more information* before they will be prepared to choose an electric power supplier. Fewer customers reported that they need *more information* (16%) or that they could *make an informed decision today* (7%). Twenty-seven percent of customers reported that they *have not thought about it at all*.

Campaign Performance

Strategies, tactics and assumptions

The purpose of this section of the report is to review the strategies, tactics and assumptions of the original consumer education plan, and to assess the effectiveness of selected campaign tactics and tools.

Strategy

The original strategy of the consumer education plan was to implement a social marketing campaign designed to move (i.e., "push") consumers toward engagement (see Chart 48). The first step is to make consumers aware that the electric market is changing. The second step is to make consumers understand how they will be affected by electric deregulation. The third step is to provide answers and assurance to questions that consumers will have once they find out that the electric market is changing. The fourth step is engagement, where fully-informed consumers are reviewing offers from competitive suppliers and making informed choices.

Tactics

The tactics selected for the consumer education plan mirrored the overall strategy. The goals of the campaign were to: 1) use paid (advertising) and earned (public relations) media to increase awareness; 2) increase awareness of specific campaign tools where consumers can learn about electric competition; 3) increase use of specific campaign tools, where consumers can become educated about, and be reassured about, the changing electric market; and 4) produce knowledgeable, engaged consumers who are ready to make an informed decision.[1]

Assumptions

Implicit in the original consumer education plan strategy was the assumption that consumers will have a meaningful choice to make about their electric service at a known point in time (i.e., the date when electric competition was originally set to begin). The social marketing campaign is designed to "push" consumers to the point of making a decision. But engagement and decision making are ultimately based on the follow-through "pull" effect of a fully competitive electric market where consumers have meaningful choices.

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[1] This is, of course, a simplified overview of the strategy and tactics underlying the consumer education plan. The scope of this report is limited to the principal campaign tools that were assessed in the research.

The tactics and campaign tools continue to be effective, but on a more limited basis

Despite the drop in awareness, understanding and knowledge regarding electric competition over time - *which can be explained by the overall reduction in resources devoted to paid and earned media* - the campaign tactics continue to be effective.

Exposure to campaign tools increases awareness of electric competition

The results of the 2002 study are similar to the results of the 2000 survey. In both cases, residential and commercial customers who have seen an advertisement about electric competition, or who saw, read or heard a story in the news about electric competition, reported higher levels of overall awareness about electric competition. Although overall recall of paid and earned media have declined over time, exposure to both continues to be linked to higher overall awareness.

Exposure to campaign tools increases awareness of specific campaign tools

The results of the 2002 study are similar to the results of the 2000 survey. In both cases, residential and commercial customers who have seen an advertisement about electric competition, or who saw, read or heard a story in the news about electric competition, reported higher levels of overall awareness of the website and answer center.

Exposure to campaign tools increases the likelihood that consumers get a guide

The results of the 2002 study are similar to the results of the 2000 survey. In both cases, residential and commercial customers who have seen an advertisement about electric competition, or who saw, read or heard a story in the news about electric competition, were nearly twice as likely to obtain a copy of the consumer guide.

Consumers who use the guide are much more knowledgeable about electric competition

The results of the 2002 study are similar to the results of the 2000 survey. In both cases, residential and commercial customers who have obtained a copy of the consumer guide scored much higher on the knowledge index.

These results generally suggest that the tactics being used to increase awareness of electric competition, increase awareness of key campaign tools and increase use of those tools are working effectively. However, the overall success of the campaign is more muted because a fully competitive electric market where consumers have real choices has been slow to develop, and fewer resources are being used to promote the campaign.

Graphic Illustrations of Key Findings

Appendix A: Questionnaire Used in This Study