

Utility Prepay Programs: Overcoming Obstacles, Finding Value



How Can You Prepare for Prepay Success?

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Why Prepay is Emerging



Today's consumers expect more flexibility, especially younger consumers and millennials. They switch residences more frequently and conduct more of their daily business online through smartphone and internet portals.

Consumers demand more flexibility from their service providers, including simpler payment terms. In a data-driven world where they can track every text message sent or penny spent, consumers want to better understand their actual usage and charges.

As a result, prepaid services are gaining traction in many sectors. Nearly 30 percent of U.S. consumers now use prepay plans for cell phone service,¹ and use of prepaid cards is growing.

More utilities now offer or are piloting prepaid electrical services, particularly municipals and cooperatives. In the U.S., active prepay programs exist at 170 cooperatives in 34 states.² These programs give consumers greater control over their energy usage and insight into the impact of their energy-efficiency efforts. Prepay programs also give consumers a lower-cost alternative for establishing service without a substantial deposit.

What is Prepay?

Prepay solutions vary, but most programs share common features.

CONSUMERS WILL:

- Purchase electricity as needed and when it's convenient
- Become more aware of their energy usage through increased monitoring and potentially save money
- Gain greater budget control by making payments on their schedule
- Forgo a large deposit to establish service

UTILITIES CAN:

- Leverage their existing AMI network and payment processor
- Deliver accurate billing information
- Bill for fixed charges that can be pro-rated over time
- Enable remote disconnects and reconnects
- Become more efficient
- Reduce bad debt

¹ "Europe Experiments with Transparent Pricing – Is it a Viable Option in the U.S.?" (<http://www.befutureready.com/ezone-article/europe-experiments-transparent-pricing-viable-option-u-s/>)

² Prepaid Energy Hub (<http://www.befutureready.com/webfoo/wp-content/uploads/2015/10/PayingItForward.pdf>)

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The Benefits of Prepay

FOR UTILITIES

Most utilities leverage their advanced metering infrastructure (AMI) investment to enable their prepay program. These utilities already use AMI to gather and analyze real-time usage information that helps better manage loads, correct outages and understand usage trends.

Prepay programs backed by AMI can enable remote disconnects and reconnects, which saves labor costs and streamlines operational tasks. With AMI as the foundation of a prepay program, utilities can gain many benefits.



Prepay consumers generate virtually no bad debt — reducing the need for collections and write-offs. Since prepay consumers pay up front, utilities experience better cash flow, which can protect revenue and support better financial modeling.



Most prepay consumers perform the majority of their transactions via self-service portals, leading to lower call center volume with reduced customer service costs.

Text alerts and electronic communications reduce billing costs, compared to mailing paper bills.



Prepay gives consumers more control over their finances and their energy usage. With consumption data available through an app or an in-home device, consumers begin to better understand how their energy use affects their budgets. Meanwhile, giving consumers more control over their utility relationship can make them more satisfied, as they frequently take more responsibility for their energy usage and payments. Additionally, the use of a mobile application and/or web portal can enable consumers to trouble-shoot via an app rather than through a call center — leaving them feeling more empowered and positive about their utility.

FOR CONSUMERS

Prepay programs give consumers increased budget flexibility and better awareness of their energy usage.



Prepay gives consumers greater budget control, enabling them to choose to pay in increments that best suit their cash flow. Low balance alerts ensure they're notified with plenty of time to make a payment before being disconnected. Consumers in arrears can also use prepay programs to reduce their debt over time while maintaining service. Typical prepay programs also require a much lower deposit than traditional services, helping consumers access utility service more easily.



When consumers are aware and in control of their usage, they tend to use energy more efficiently, with an average reduction of 12 percent.³ Advanced meters and sensors accurately track usage in real time, which consumers can often access via smartphone or in-home devices.

³ <http://www.befutureready.com/ezine-article/customer-focus-drives-high-satisfaction-srp/.pdf>

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Overcoming Objections

Prepay programs have attracted attention from consumer advocacy groups and regulators. However, those concerns can be called into question, as prepay programs can be a better fit for some consumers while helping utilities advance regulatory goals.

Some consumer advocacy groups have raised concerns about prepay programs' impact on lower-income consumers. But on average, prepay consumers can save money, paying fewer fees by avoiding penalties for late payments and disconnect/reconnect fees. Some lower income consumers split their traditional bill into several small weekly payments and may pay a processing fee with each payment. Prepay programs, on the other hand, waive such "per payment" fees and offer flexible payment options, enabling consumers to purchase energy in amounts that fits their budget, paying as they go.

Prepay also gives consumers better access to the information they need to avoid disconnects. Even when consumers lack a mobile device or internet, in-home display units can offer the same details in a user-friendly interface.

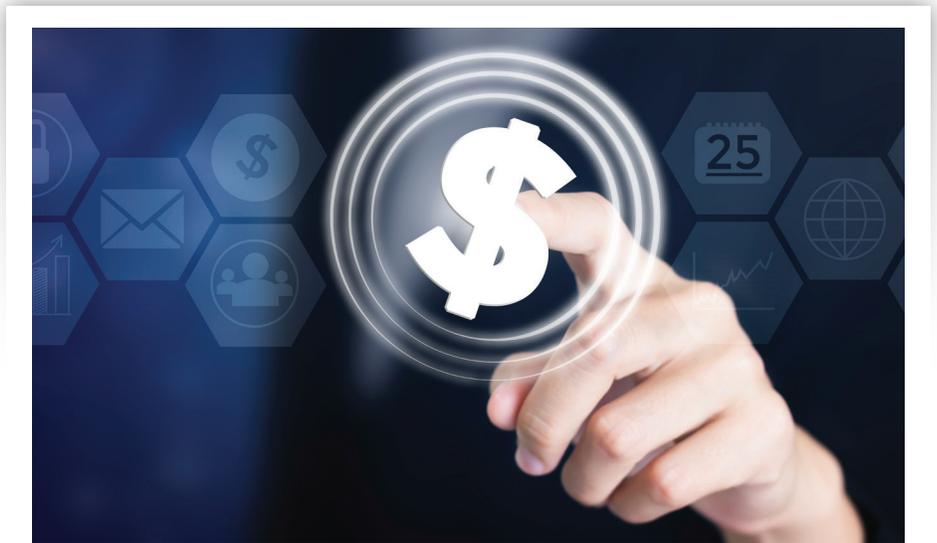
Many utilities do not conduct disconnects during holidays, weekends or evenings. When disconnects do occur, reconnection can happen instantly and remotely, without a service call. Overall, prepay programs give consumers more problem-solving capabilities beyond dialing a call center, with a variety of self-service tools.

Regulators share some concerns with consumer advocacy groups, but outdated regulations can contradict the mechanics of many prepay programs. For example, some states or municipalities have notification requirements (such as

seven-day or in-person) that do not align with the prepay model. Rather, most prepay programs alert customers to potential disconnects via the consumers' preferred contact method — text message, email, app notification or in-home device. And since consumers can purchase smaller amounts of energy, a seven-day notice may cover a longer time period than the initial amount of energy purchased. Many prepay programs already avoid disconnects during holidays, winter or evenings.

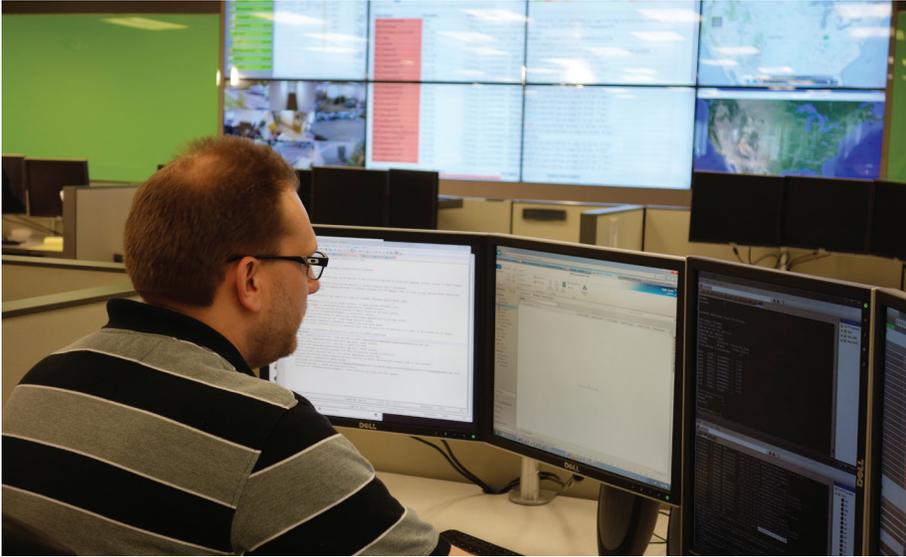
Regulators also have a vested interest in encouraging and mandating efficiency and clean energy, which aligns with the increased efficiency resulting from prepay programs.

Prepay gives consumers better access to the information they need to avoid disconnects.



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A Prepay Solution



Keeping a close eye on customer satisfaction and leveraging your existing AMI can set you up for prepay success.

Careful planning can help boost prepay success. During the planning process, two important goals can help you go beyond the basics.

1 IMPROVE CUSTOMER SATISFACTION

Ideally, a prepay solution will give consumers the tools and information they crave, with real-time balance information available through multiple channels. A good prepay solution should provide options for access to account data, including the use of in-home display devices, if internet/smartphone access is not possible.

When choosing and configuring your solution, ensure that consumers can access all their data — balances, usage and trends — even if they lack a smartphone or web access. Consider a robust in-home device with an intuitive interface that can alert customers before trouble arises — helping boost satisfaction.

2 LEVERAGE ADVANCED METERING INFRASTRUCTURE (AMI)

If you've already invested in an AMI network, extend that investment by integrating it with your prepay solution. Doing so will help ensure disconnects and reconnects are seamless, fast and remote. Your AMI infrastructure can also enable you to set non-disconnect periods that can aid compliance with local regulations.

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The Landis+Gyr Prepay Solution

The Landis+Gyr Prepay solution goes above and beyond a standard program, helping you maximize the benefits while seamlessly integrating other utility operations.

For example, the Landis+Gyr solution leverages your AMI investments to enable two-way data flow, giving consumers access to their real-time account data. Plus, you can switch credit mode meters to prepay meters (and vice versa) through an over-the-air firmware update, with no need to physically change out the meter itself.

Through the in-home device, consumers can see their real-time data, including usage and balance, as it is being read by

the meter versus a non-real-time system that might report the previous day's balance. This gives consumers insight into their actual activity, status and billing.

The Landis+Gyr Prepay solution integrates with other aspects of the Landis+Gyr portfolio, enabling you to build on your existing platform. With the seamless integration of metering and Command Center Head End System, you can leverage your investment in your existing Focus AX-SD integrated meters.

Additionally, the P450 in-home display device delivers a user-friendly interface for consumers, and you can leverage your existing payment processor.

Enabled for the future

As the grid becomes smarter at the edge, the Landis+Gyr Prepay solution can enable the meter to make decisions for each customer, based on consumption rate, demand response events and the remaining prepay balance. This can help consumers save energy and avoid disconnect by, for example, turning off a pool pump on a load control switch or adjusting a thermostat.

Going forward, prepay consumers will become even more empowered to understand, adjust and budget for their energy usage.



A smarter grid creates infinite possibilities — and Landis+Gyr is ready to help you maximize your potential.