Alberta Market Surveillance Administrator
Co-Branding Impact Research
Report
February 2014

Canada

Toronto
Edmonton
Calgary
Ottawa
Montreal
Quebec City

USA

Philadelphia, PA
Tampa, FL
Denver, CO

The largest Canadian-owned marketing research and polling firm

Alberta Market Surveillance Administrator
Co-Branding Impact Research
Final Report
February 2014

We are proud to present you with this research report, which was produced under the stringent quality standards of our company and those of the Marketing Research and Intelligence Association (MRIA). We are confident that this report will address your concerns and we hope to have the privilege of serving you again in the near future.

Jean-Marc Léger

Jean-Marc Léger
President

CONTEXT AND OBJECTIVES

CONTEXT
AND OBJECTIVES

"Alberta's Market Surveillance Administrator (MSA) is in place to monitor Alberta's electricity and natural gas markets for fairness and balance in the public interest. Market Surveillance keeps a close watch on the overall performance of Alberta's electricity and natural gas markets - checking that they operate in a fair, efficient, and openly competitive manner."

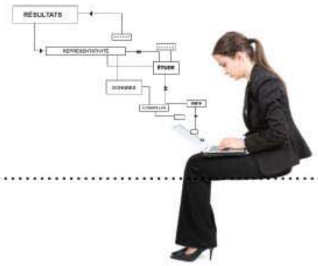
In early 2012, in response to high and volatile retail electricity prices to consumers on the Regulated Rate Option, the Alberta Premier announced that a committee of retail experts would be struck to review the Regulated Rate Option. The Retail Market Review Committee (RMRC) submitted their report to the Government in September 2012. The RMRC report included a total of 41 recommendations, some with several parts. The Government rejected 6 of the recommendations, accepted and implemented 2 recommendations and accepted the remaining 33 recommendations in principle.

Subsequently, an MLA RMRC Implementation Team consisting of 5 MLAs has been struck and charged with developing a plan for the implementation of the 33 recommendations that were accepted in principle. This Team in turn has formed several working groups to assist with this task. One such working group is called the Regulatory Working Group (RWG) and it is chaired by the Alberta Department of Energy.

The chair of the RWG has asked the MSA to provide an assessment of the possible effects of co-branding on the retail electricity and natural gas markets.

Source: http://albertamsa.ca/index.php?page=who-we-are

RESEARCH METHODS



RESEARCH METHODS

Contract
MSA contracts Leger in December 2013

Research Objective
Determine the impact of co-branding on Albertans' choice of Electricity and Natural Gas provider

Survey Design
The survey was designed by Leger, in consultation with the MSA, to ensure research objectives were met

Data Collection
Data were collected using Leger's online survey platform.

The survey length was approx. 10 min.

Data were collected from January 22nd to February 6th,2014.

Statistical Reliability
The margin of error associated with a sample size of 2,013 is ±2.2 percentage points, 19 times out of 20.

Analysis/Reporting
Data were weighted by the latest Statistics Canada proportions for age and gender

Data analysis and cross-tabulation have been conducted using SPSS and Wincross softwares.

Sampling: Interviews were conducted in proportion to population across Alberta's main regions. The distribution of these interviews is shown in the table to the right.

Target Respondents:
Albertans 18 years of age and older.

Location	n=2,013
Calgary CMA	678
Edmonton CMA	663
Northern Alberta	261
Central Alberta	204
Southern Alberta	207

The data have been analyzed by Load Settlement Agents (LSA's) throughout the report. LSA regions* include:
EPCOR: Serves Edmonton
ATCO Electric: Serves northern and east central Alberta
Valeo Power on behalf of the City of Lethbridge: Serves the City of Lethbridge
ENMAX: Serves Calgary, Cardston, Crowsnest Pass, Fort Macleod, Ponoka and Red Deer
FortisAlberta: Serves the remainder of Alberta
Source:
http://www.aeso.ca/downloads/Becoming_a_Retailer_FINAL.pdf

SUMMARY

SUMMARY

"86% of Albertans are responsible for paying their electricity or gas bills."

Among those who are responsible for paying their bills…

90% of consumers pay both their electricity and natural gas bills

	Total (n=1,834)
Electricity and Natural Gas are both purchased using the regulated rate	56%
I have a contract for Electricity, but the Natural Gas is purchased using the regulated rate	15%
I have a contract for Natural Gas, but the Electricity is purchased using the regulated rate	3%
I buy Electricity and Natural Gas on a contract with the same retailer (sometimes called a dual fuel contract)	21%
I buy Electricity and Natural Gas on contracts, but they are not with the same retailer	6%

9% of consumers pay only their electricity bill

- **77%** RRO
- **23%** CONTRACT

<1% of consumers pay only their gas bill

- **79%** Gas Flow
- **21%** CONTRACT

SUMMARY

As would be expected, cost and price are the most important factors for consumers when choosing which electricity or natural gas retailer to select for the energy they use in their home. Other than cost and price, the preference for a regulated rate and the reliability of service are notable factors that consumers consider in regards to their energy supplier. Other factors appear to have relatively lesser effect on consumers' decisions. This result showed little variability by LSA.

The majority of consumers prefer that they deal with one retailer who is their distributor and have all utilities on one bill. Whilst the strength of this view varies across the province, it is true in all LSAs.


2005 25%
2006 35%
2007 36%
2008 48%
2009 55%
2010 80%
2011 85%
+10%
2012
2013
2015
+40%
DETAILED ANALYSIS OF RESULTS

ELECTRICITY

ELECTRICITY CONTRACTS

31% **of respondents have ever signed a contract** (n=522)

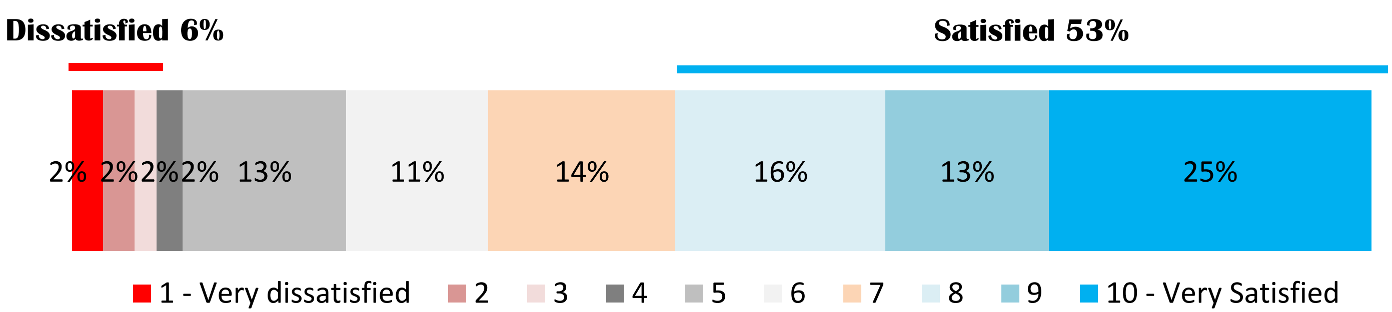
- Better price / lower rate / cheaper (44%)
- Fixed rate / lock in rate (33%)

64% **of respondents have never signed a contract** (n=1,047)

- Didn't want to / need to / have to (17%)
- Contract is more expensive / regulated rate is cheaper (16%)
- Don't want to be locked into a contract / fixed rate (13%)
- Don't see the advantage / benefit / savings (11%)
- Never been approached / didn't know it was an option (6%)
- Don't trust them / Don't like them (6%)
- Don't know enough about it (5%)

Don't Know 5%

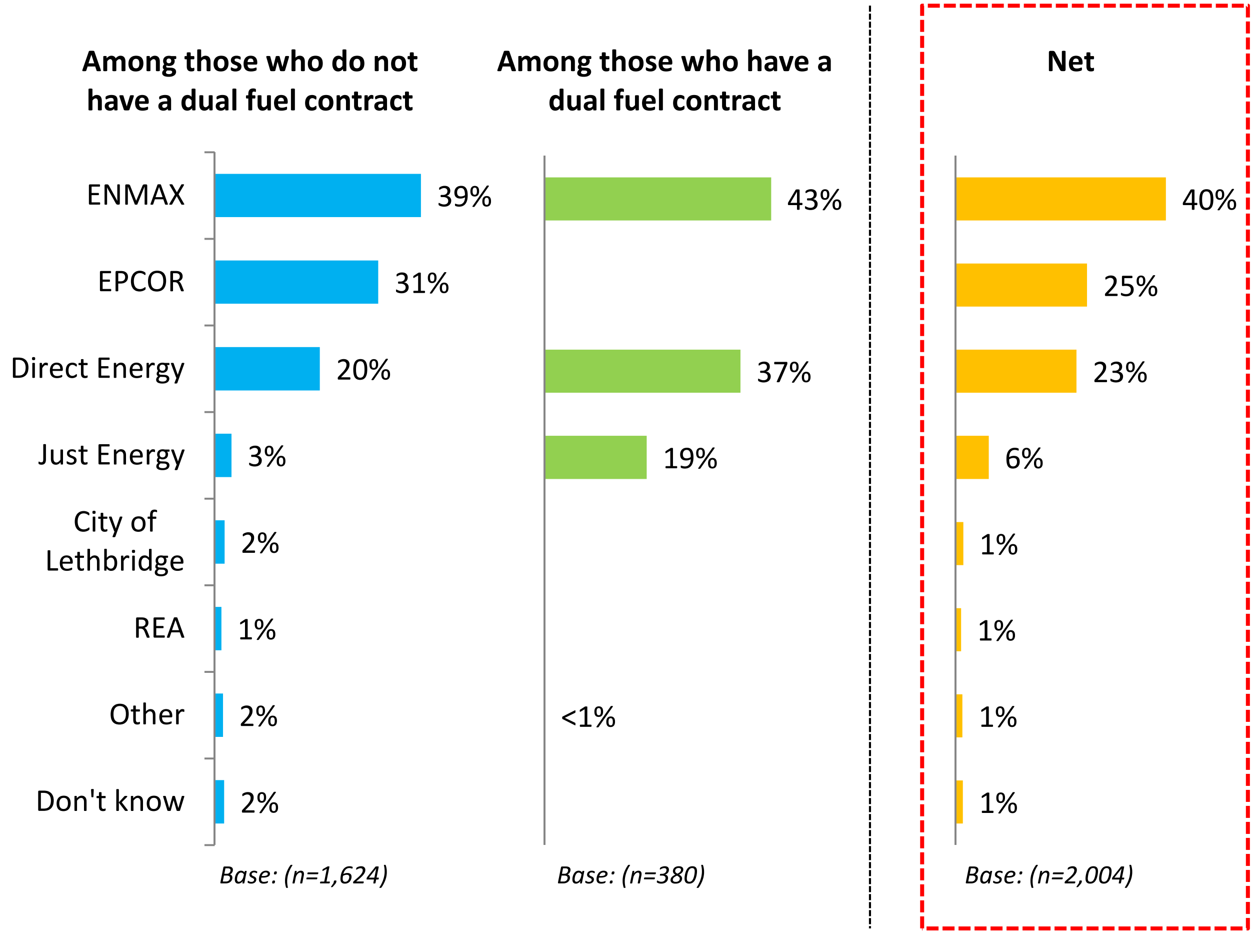
Satisfaction with Decision to Sign (n=522)



Base: Respondents who pay their electricity bills and do not have a dual contract (n=1,617)

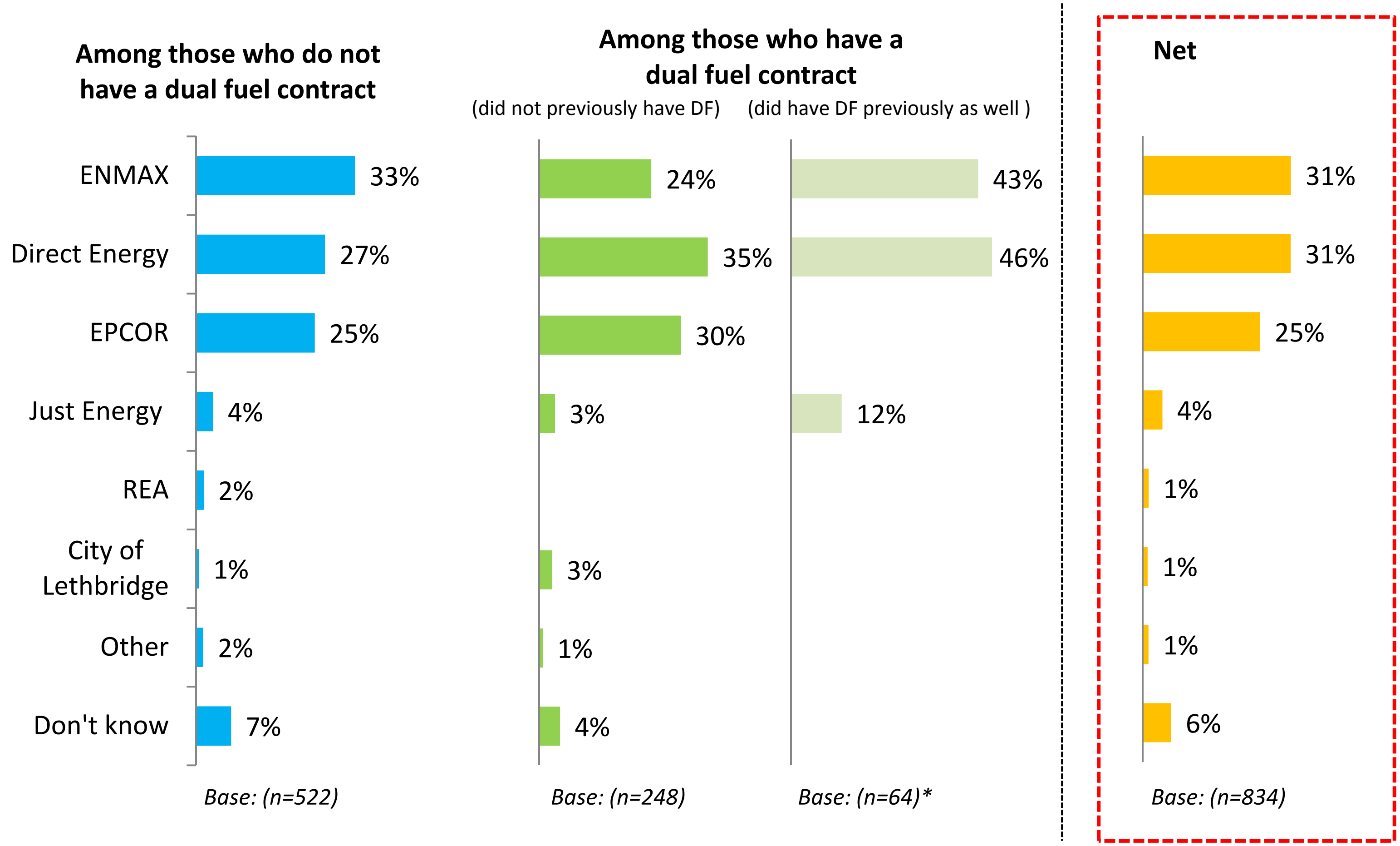
E1. Have you ever signed a contract for the electricity that you use in your home? E2. Why have you never signed a contract for the electricity that you use in your home? E3. Why did you choose to sign a contract for the electricity that you use in your home? E6. Using a scale from 1-10, where 1 is very dissatisfied and 10 is very satisfied, how satisfied are you with your decision to switch electricity retailers?

CURRENT RETAILERS



E4. Who is your current electricity retailer? CP21. Who is your current retailer of electricity and natural gas?

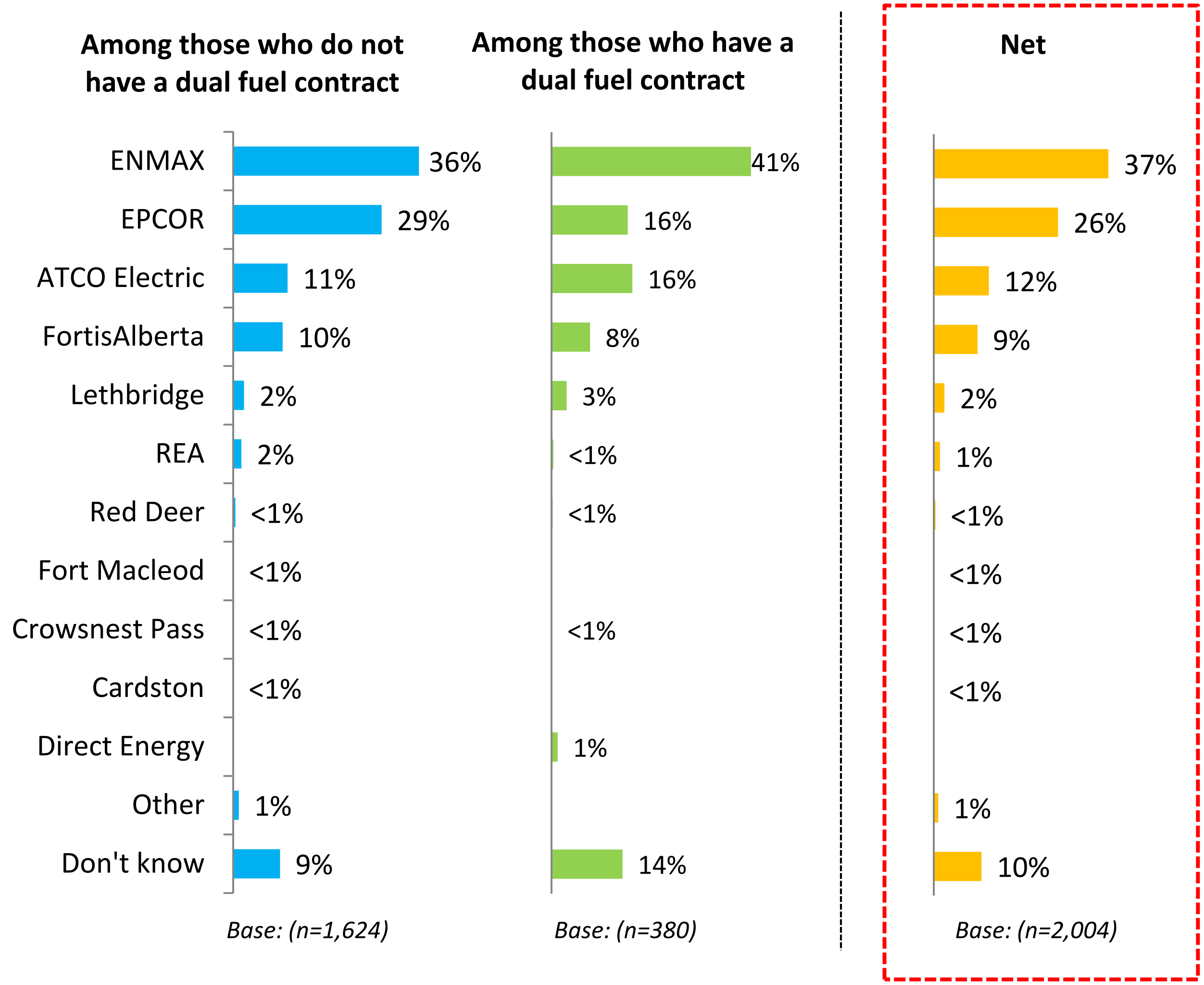
PREVIOUS RETAILERS



** Caution when interpreting results due to small sample size*

E5. Who was your previous retailer of the electricity that you use in your home? CP23. Who was your previous retailer of electricity that you use in your home? CP25. Who was you previous retailer of your dual fuel contract?

DISTRIBUTOR



E7. Who is your distributor of electricity? CP26. Who is your distributor of the electricity that you use in your home?

ELECTRICITY RETAILERS BY LSA

	EPCOR	ATCO	Fortis	ENMAX	Lethbridge
Contract	*(n=562)*	*(n=193)*	*(n=243)*	*(n=564)*	*(n=32)**
Ever signed a electricity contract	27%	31%	39%	32%	6%
CURRENT RETAILERS (NET)	*(n=659)*	*(n=233)*	*(n=311)*	*(n=713)*	*(n=55)**
ENMAX	17%	14%	21%	77%	37%
EPCOR	56%	17%	30%	3%	4%
Direct Energy	20%	59%	34%	12%	23%
Just Energy (formerly Alberta Energy Savings)	5%	8%	10%	6%	3%
City of Lethbridge	-	-	-	-	33%
Other	1%	2%	2%	1%	-
Don't know	2%	<1%	2%	1%	-
PREVIOUS RETAILERS (NET)	*(n=247)*	*(n=97)**	*(n=151)*	*(n=298)*	*(n=25)**
ENMAX	10%	13%	16%	65%	15%
Direct Energy	23%	61%	49%	15%	37%
EPCOR	59%	13%	21%	7%	8%
Just Energy (formerly Alberta Energy Savings)	4%	3%	6%	4%	-
City of Lethbridge	-	-	-	-	41%
REA (Rural Electrification Association)	-	1%	-	-	-
Other	-	6%	1%	1%	-
Don't know	3%	3%	8%	8%	-

** Caution when interpreting results due to small sample size*

ELECTRICITY DISTRIBUTORS BY LSA

	EPCOR	ATCO	Fortis	ENMAX	Lethbridge
DISTRIBUTOR (NET)	*(n=657)*	*(n=231)*	*(n=311)*	*(n=713)*	*(n=54)**
ENMAX	11%	8%	13%	81%	32%
EPCOR	70%	4%	25%	2%	5%
ATCO Electric	5%	59%	19%	3%	-
FortisAlberta	4%	11%	27%	3%	1%
Lethbridge	-	-	-	-	51%
Red Deer	-	-	<1%	1%	-
REA (Rural Electrification Association)	-	1%	1%	<1%	-
Crowsnest Pass	-	-	<1%	-	-
Fort Macleod	-	-	<1%	-	-
Cardston	-	-	<1%	-	-
Other	<1%	3%	2%	<1%	-
Don't know	10%	14%	12%	9%	12%

** Caution when interpreting results due to small sample size*

NATURAL GAS

NATURAL GAS CONTRACTS

19% **of respondents have ever signed a contract**
(n=286)

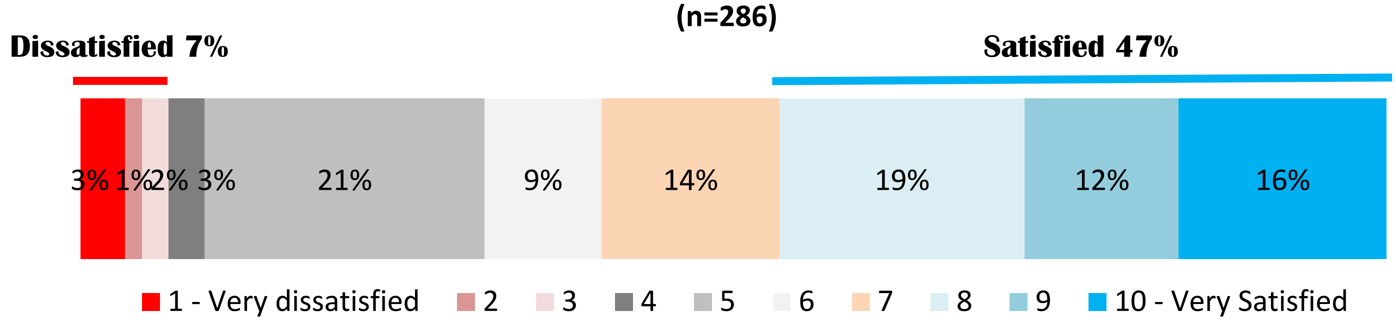
- Better price / lower rate / cheaper (31%)
- Fixed rate / lock in rate (23%)

74% **of respondents have never signed a contract**
(n=1,102)

- Contract is more expensive / regulated rate is cheaper (18%)
- Don't see the advantage / benefit / savings (13%)
- Don't like contracts / don't want to be locked into a contract (13%)
- Never been offered to me / didn't know it was an option (8%)
- Don't need to / not necessary (7%)
- Not interested / don't want to (6%)
- Happy with the way it is now (5%)

Don't Know
7%

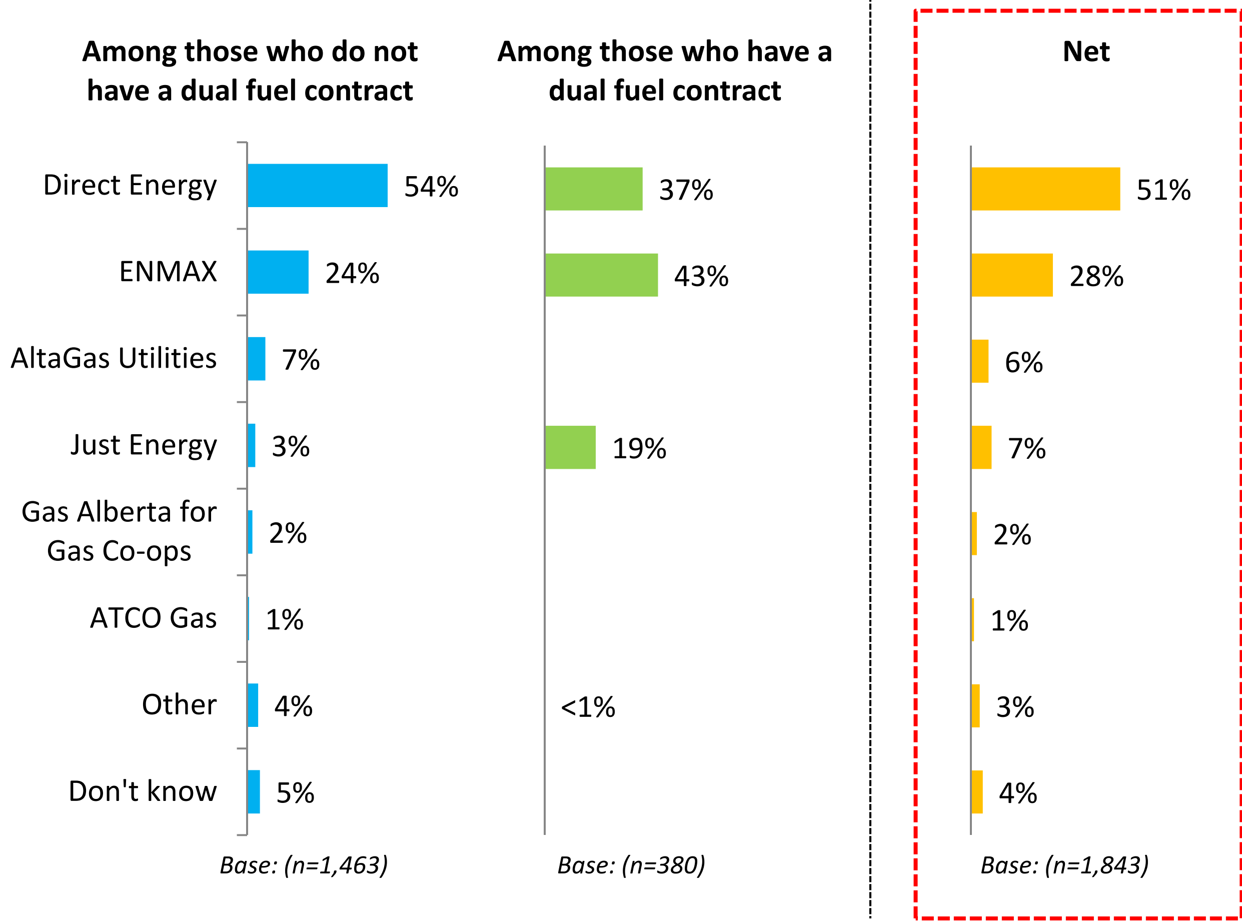
Satisfaction with Decision to Sign
(n=286)



Base: Respondents who pay their natural gas bills and do not have a dual fuel contract (n=1,463)

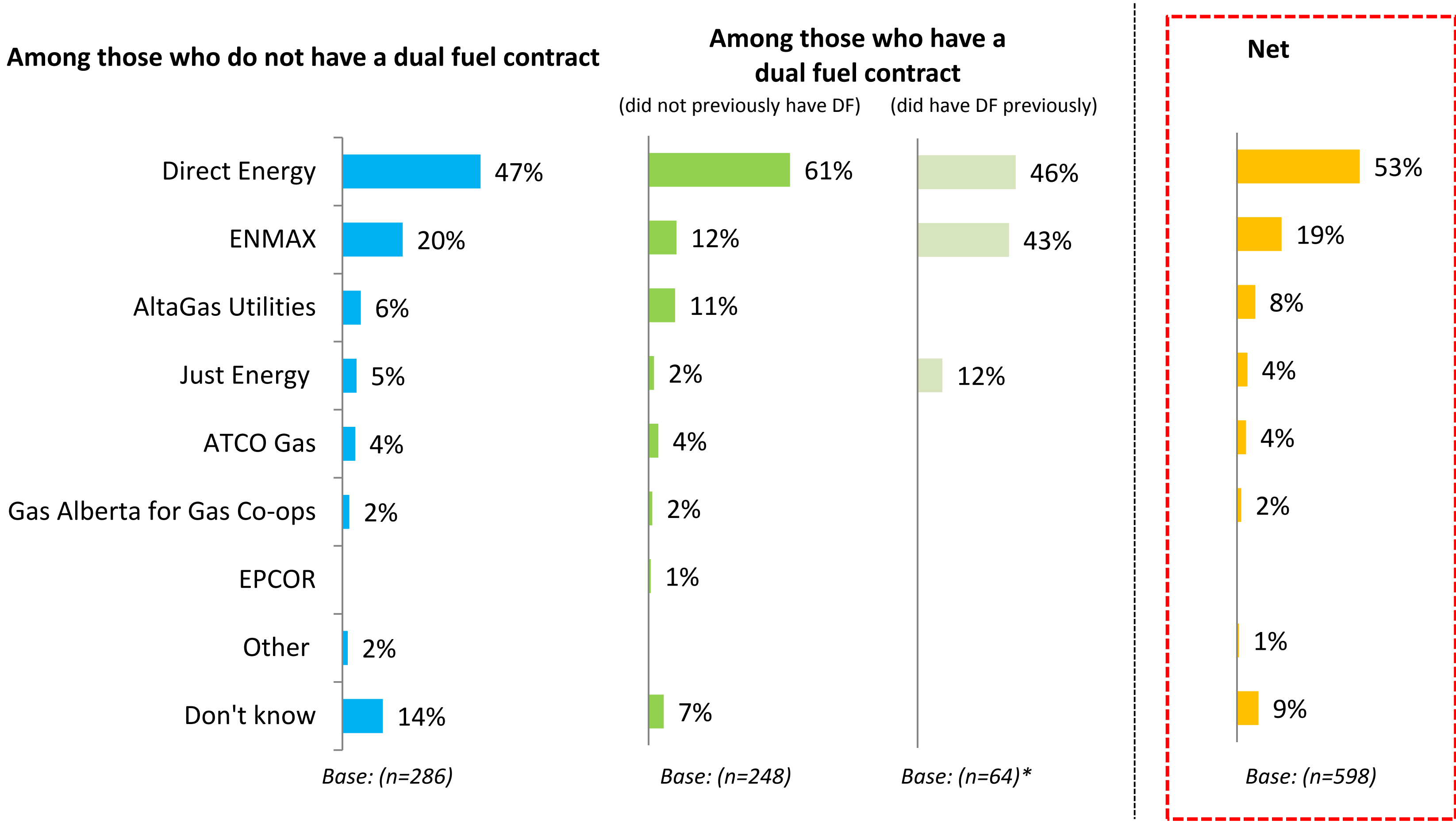
NG1. Have you ever signed a contract for the natural gas that you use in your home? NG2. Why have you never signed a contract for the natural gas that you use in your home? NG3. Why did you choose to sign a contract for the natural gas that you use in your home? NG6. Using a scale from 1-10, where 1 is very dissatisfied and 10 is very satisfied, how satisfied are you with your decision to switch natural gas retailers?

CURRENT RETAILERS



NG4. Who is your current retailer of natural gas? CP21. Who is your current retailer of electricity and natural gas?

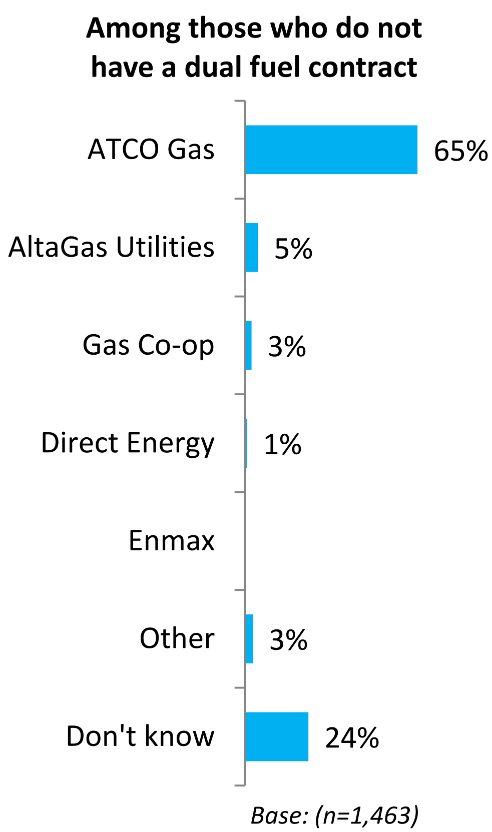
PREVIOUS RETAILERS

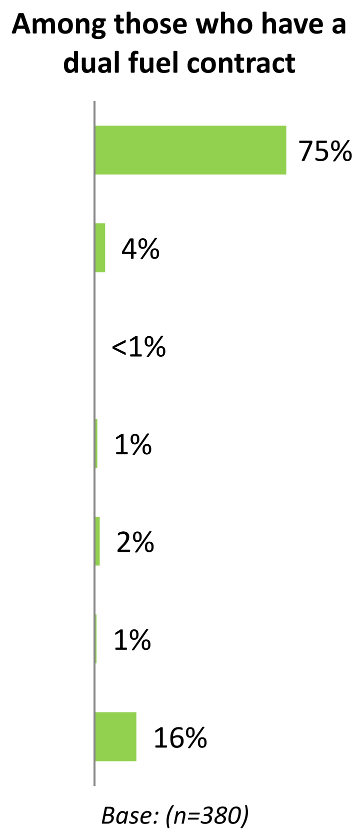


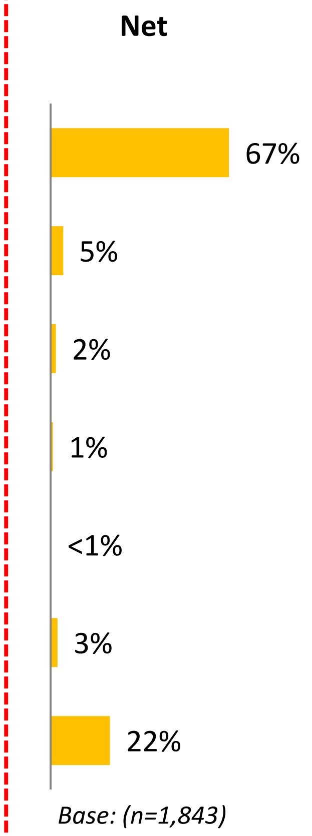
** Caution when interpreting results due to small sample size*

NG5. Who was your previous retailer of the natural gas that you use in your home? CP24. Who was your previous retailer of natural gas that you use in your home? CP25. Who was you previous retailer of your dual fuel contract?

DISTRIBUTOR







NG7. Who is your distributor of natural gas? CP27. Who is your distributor of the natural gas that you use in your home?

NATURAL GAS RETAILERS BY LSA

	EPCOR	ATCO	Fortis	ENMAX	Lethbridge	Alberta
Contract	*(n=474)*	*(n=185)*	*(n=230)*	*(n=515)*	*(n=31)**	*(n=1,463)*
Ever signed a natural gas contract	21%	15%	19%	18%	26%	19%
CURRENT RETAILERS (NET)	*(n=571)*	*(n=225)*	*(n=298)*	*(n=664)*	*(n=54)**	*(n=1,843)*
Direct Energy	70%	51%	46%	41%	44%	51%
ENMAX	17%	10%	17%	47%	33%	28%
Just Energy (formerly Alberta Energy Savings)	6%	4%	9%	5%	16%	7%
AltaGas Utilities	2%	14%	12%	2%	-	6%
Gas Alberta for Gas Co-ops	1%	7%	3%	<1%	-	2%
ATCO Gas	1%	1%	<1%	<1%	-	1%
Other	1%	9%	8%	1%	-	3%
Don't know	3%	4%	5%	3%	7%	4%
PREVIOUS RETAILERS (NET)	*(n=189)*	*(n=64)**	*(n=108)*	*(n=207)*	*(n=26)**	*(n=598)*
Direct Energy	57%	63%	54%	42%	68%	53%
ENMAX	9%	3%	10%	39%	22%	19%
AltaGas Utilities	9%	7%	14%	4%	1%	8%
Just Energy (formerly Alberta Energy Savings)	8%	5%	3%	3%	-	4%
ATCO Gas	5%	6%	2%	3%	6%	4%
Gas Alberta for Gas Co-ops	-	9%	3%	<1%	-	2%
Other	1%	1%	-	1%	-	1%
Don't know	11%	6%	13%	8%	-	9%

** Caution when interpreting results due to small sample size*

NATURAL GAS DISTRIBUTORS BY LSA

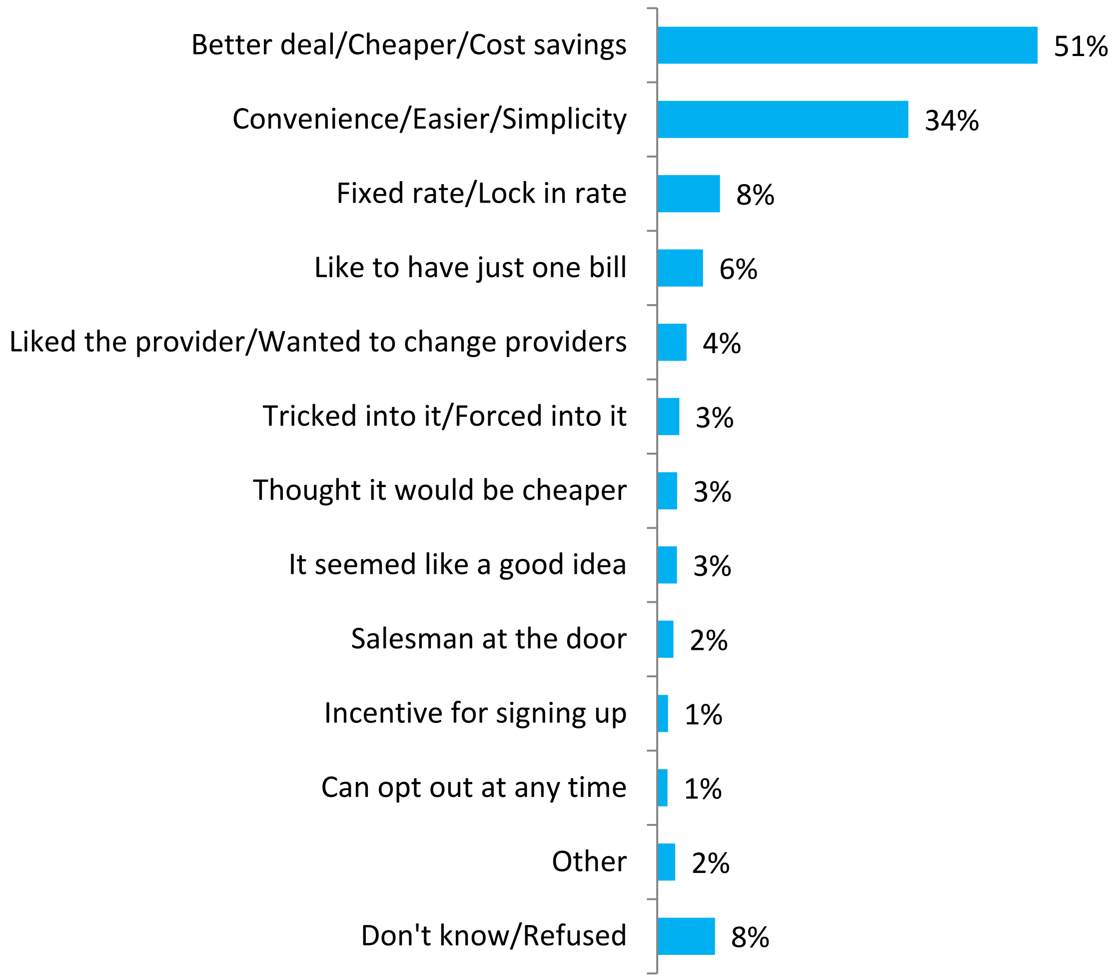
	EPCOR	ATCO	Fortis	ENMAX	Lethbridge	Alberta
DISTRIBUTOR (NET)	*(n=571)*	*(n=225)*	*(n=298)*	*(n=664)*	*(n=54)**	*(n=1,843)*
ATCO Gas	78%	57%	62%	64%	79%	67%
AltaGas Utilities	1%	13%	10%	2%	-	5%
Gas Co-op	-	9%	4%	<1%	-	2%
Enmax	<1%	-	-	1%	2%	<1%
Direct Energy	1%	2%	<1%	1%	1%	1%
Other	1%	4%	4%	3%	2%	3%
Don't know	18%	15%	19%	30%	17%	22%

** Caution when interpreting results due to small sample size*

DUAL FUEL

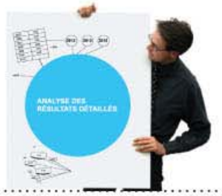
21% currently has a dual fuel contract

REASONS FOR CHOOSING A DUAL FUEL CONTRACT…

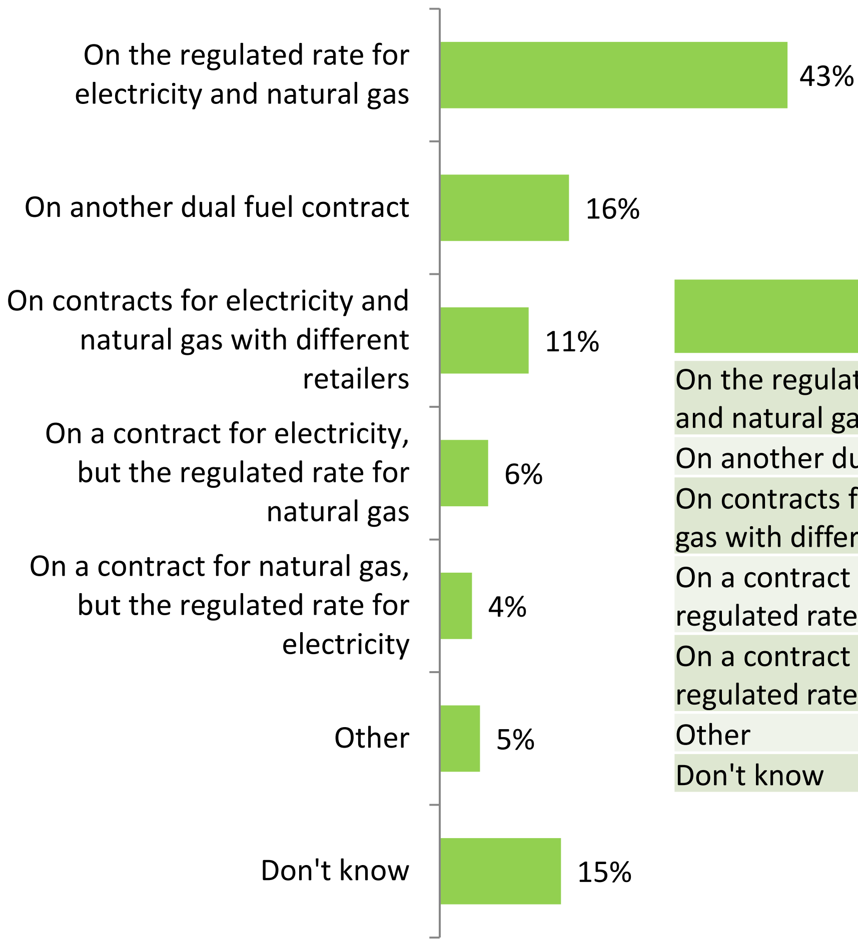


Base: Those who have dual fuel (n=380)

CP20. Why did you choose to sign a dual fuel contract?



PRIOR TO SIGNING CURRENT DUAL FUEL CONTRACT…



	EPCOR (n=97)*	ATCO (n=40)*	Fortis (n=68)*	ENMAX (n=149)	Lethbridge (n=23)*
On the regulated rate for electricity and natural gas	56%	66%	52%	25%	50%
On another dual fuel contract	13%	19%	10%	20%	16%
On contracts for electricity and natural gas with different retailers	12%	6%	15%	12%	2%
On a contract for electricity, but the regulated rate for natural gas	4%	2%	7%	8%	4%
On a contract for natural gas, but the regulated rate for electricity	8%	-	2%	4%	2%
Other	2%	1%	3%	10%	-
Don't know	5%	6%	12%	22%	27%

Base: Those who have dual fuel (n=380)

** Caution when interpreting results due to small sample size*

CP22. Prior to signing your current dual fuel contract, were you previously on the regulated rate or another contract?

DRIVERS OF CHOICE

MAX-DIFF

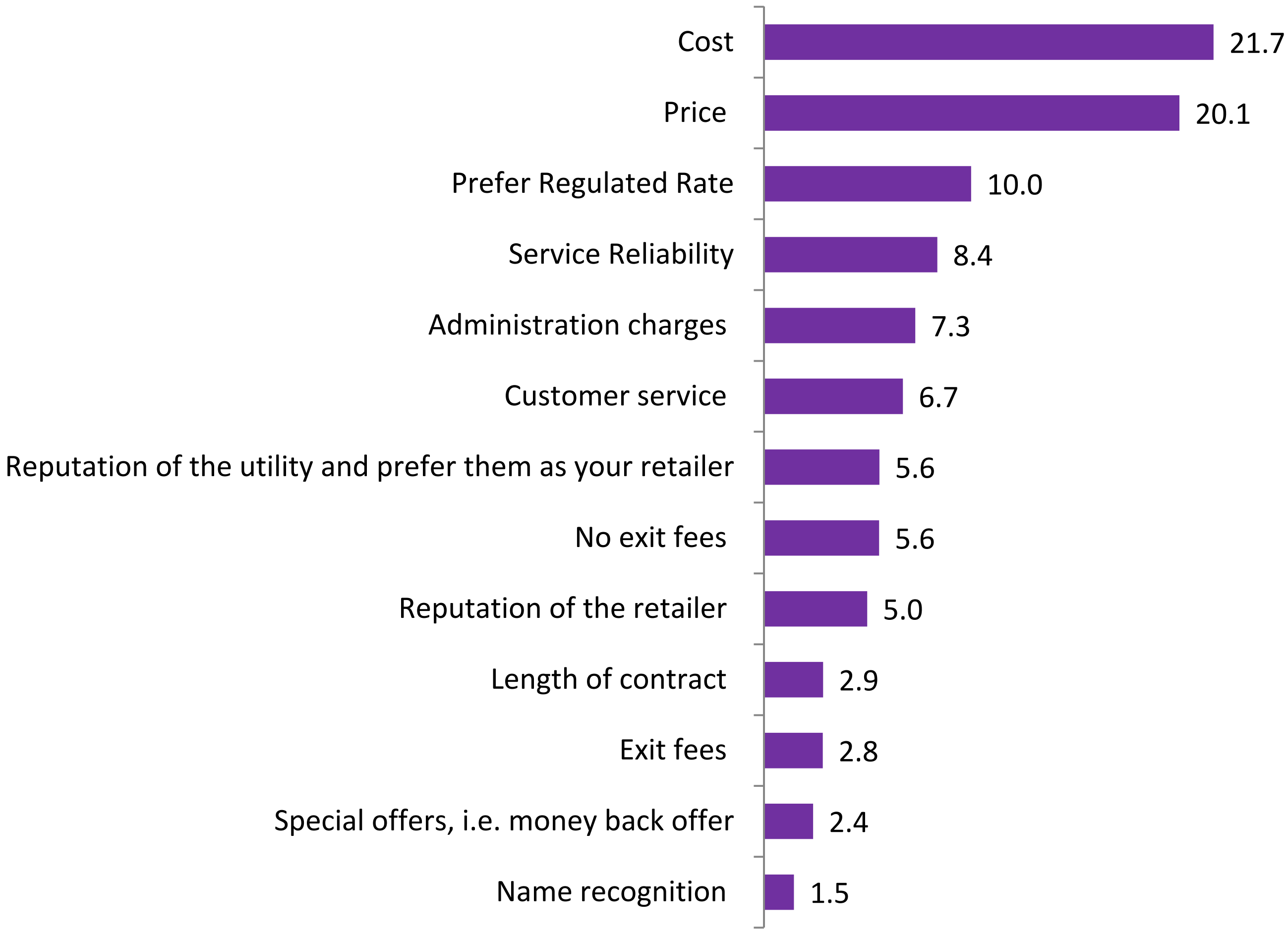
WHAT IS MAX-DIFF.

MaxDiff is an approach for obtaining preference/importance scores for multiple items (brand preferences, brand images, product features, advertising claims, etc.). Although MaxDiff shares much in common with conjoint analysis, it is easier to use and applicable to a wider variety of research situations.

MaxDiff is also known as "best-worst” scaling. Research has shown that MaxDiff scores demonstrate greater discrimination among items and between respondents on the items.

MaxDiff is simple and easy to understand, so respondents from children to adults with a variety of educational and cultural backgrounds can provide reliable data. Since respondents make choices rather than expressing strength of preference using some numeric scale, there is no opportunity for scale use bias. The trade-off techniques used in MaxDiff are robust and easy to apply. The resulting item scores are also easy to interpret, as they can be placed on a 0 to 100 point common scale and sum to 100.

DRIVERS OF CHOICE OF ELECTRICITY AND NG RETAILERS



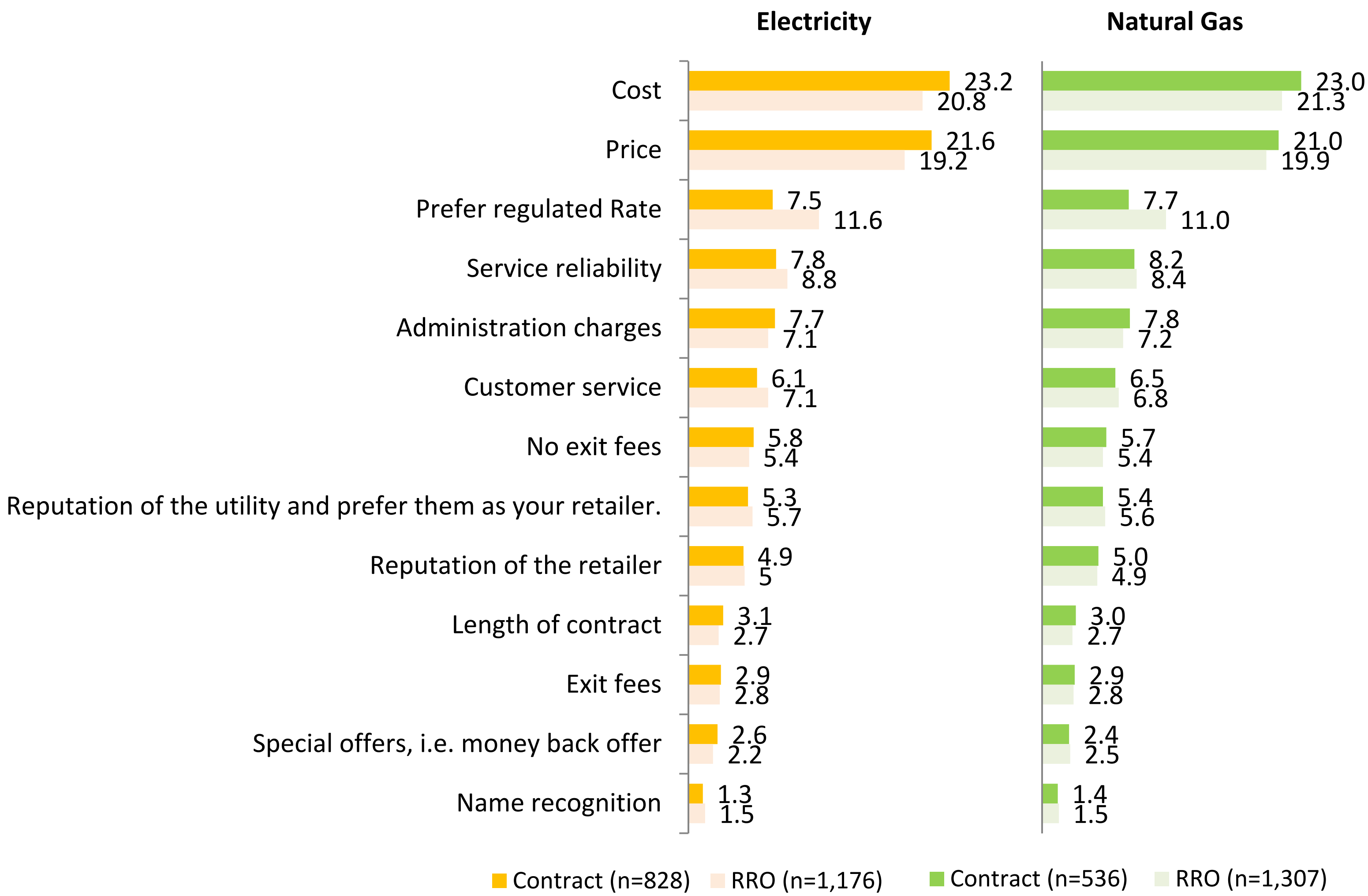
Base: All respondents (n=2,013)

DRIVERS OF CHOICE BY LSA

	LSA				
	EPCOR (n=663)	ATCO (n=233)	Fortis (n=314)	ENMAX (n=715)	Lethbridge (n=55)*
Cost	21.8	22.6	21.6	21.6	22.0
Price	19.7	21.0	19.8	20.2	21.9
Prefer regulated Rate	11.1	10.2	9.6	9.6	8.6
Service reliability	8.2	7.6	9.0	8.3	7.7
Administration charges	7.5	8.2	7.5	6.7	8.6
Customer service	6.4	6.9	7.1	6.4	8.7
No exit fees	5.8	5.7	5.6	5.5	4.9
Reputation of the utility and prefer them as your retailer.	5.4	4.9	5.4	6.2	4.4
Reputation of the retailer	4.8	4.2	4.7	5.7	3.5
Length of contract	3.1	2.7	2.9	2.7	3.7
Exit fees	3.0	3.1	2.8	2.8	2.2
Special offers, i.e. money back offer	2.0	2.0	2.4	2.7	2.8
Name recognition	1.4	0.9	1.5	1.7	0.9

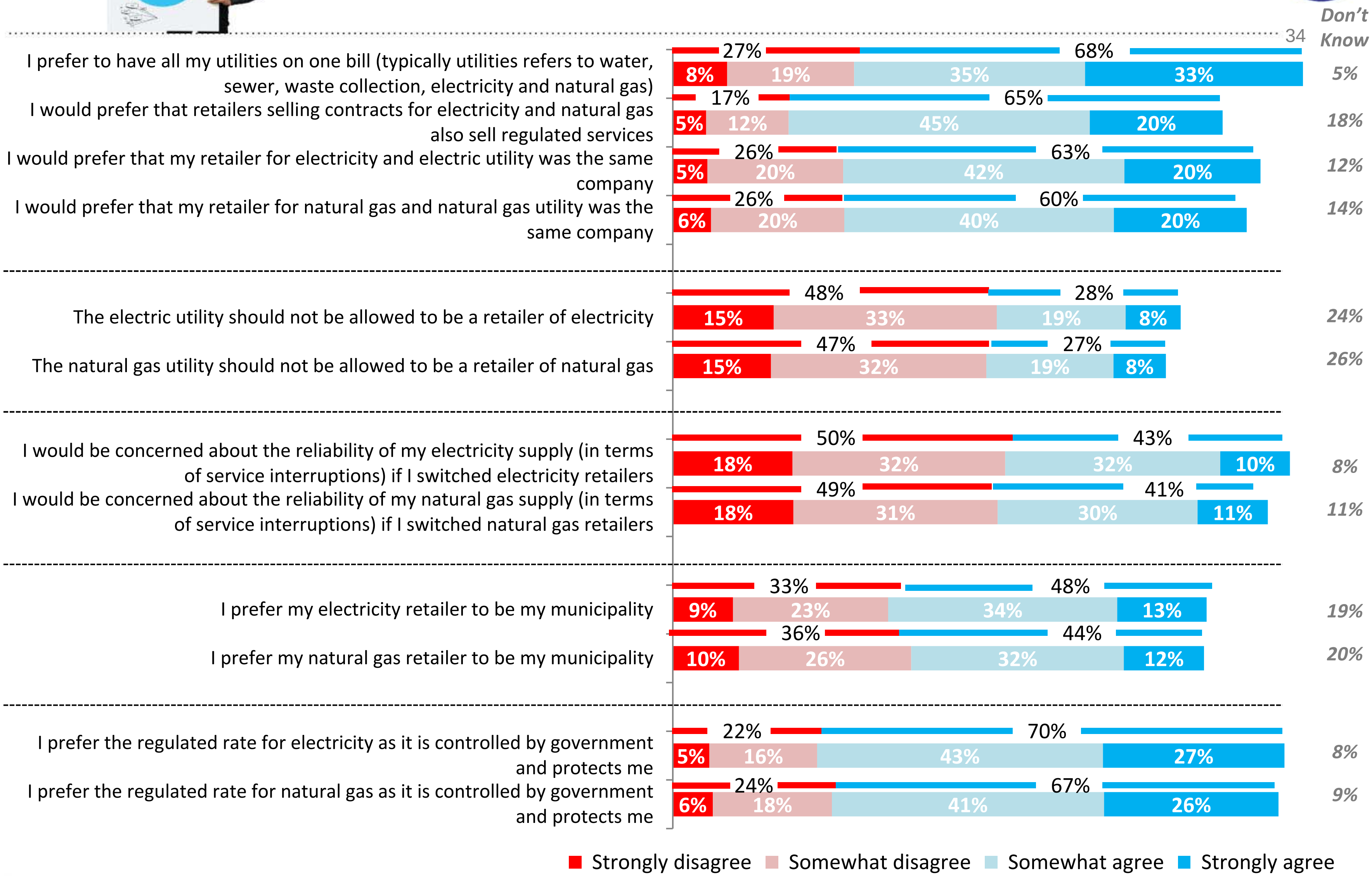
** Caution when interpreting results due to small sample size*

DRIVERS OF CHOICE BY…



ATTITUDES TOWARDS PROVIDERS

ATTITUDES TOWARDS PROVIDERS



Base: All respondents (n=2,013)

QOP1. To what extent you agree/disagree with the following statements:

ATTITUDES TOWARDS PROVIDERS BY LSA

Overall Agreement (somewhat agree/strongly agree)

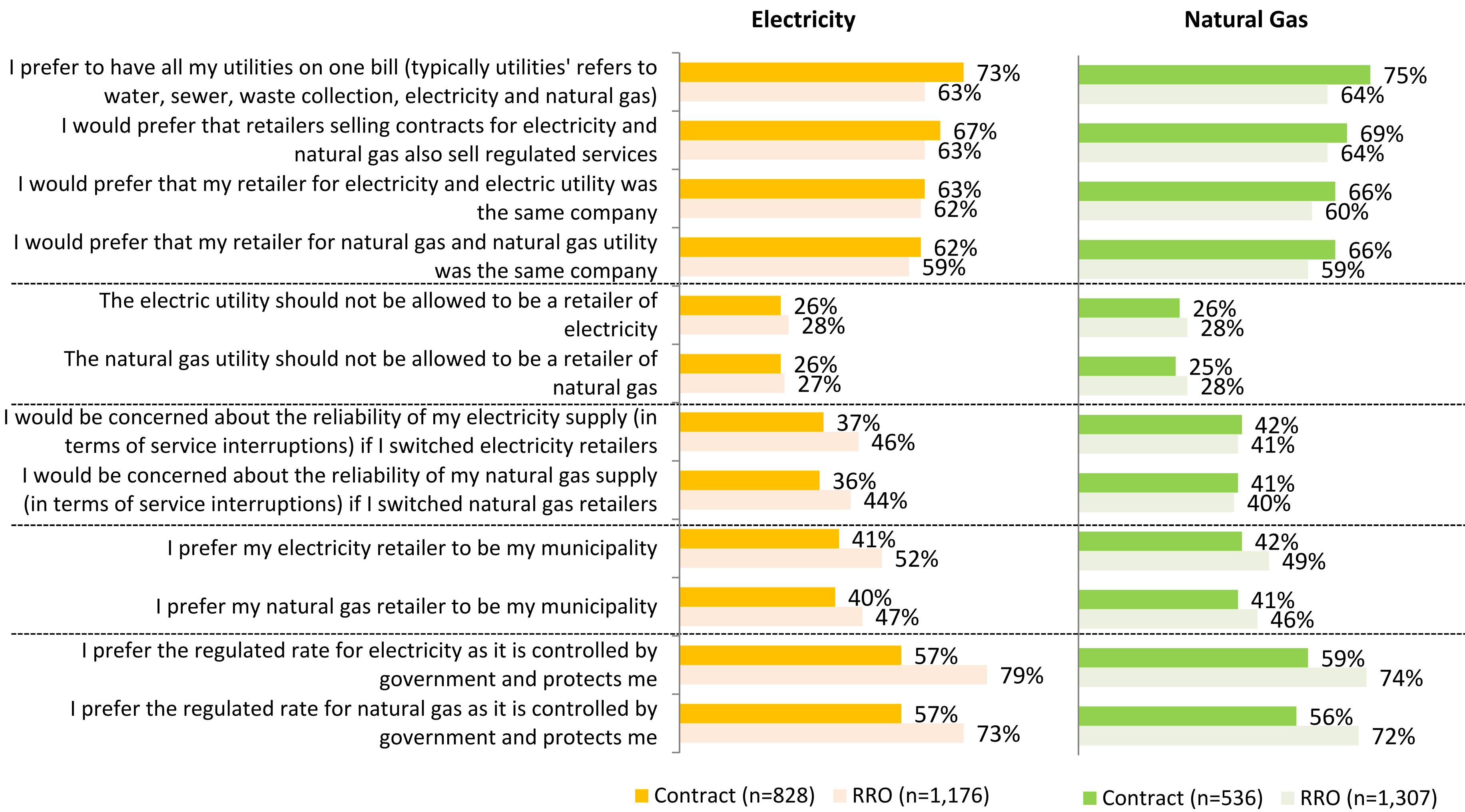
	EPCOR (n=663)	ATCO (n=233)	Fortis (n=314)	ENMAX (n=715)	Lethbridge (n=55)*
I prefer to have all my utilities on one bill (typically utilities' refers to water, sewer, waste collection, electricity and natural gas)	67%	62%	57%	74%	87%
I would prefer that retailers selling contracts for electricity and natural gas also sell regulated services	68%	57%	62%	65%	75%
I would prefer that my retailer for electricity and electric utility was the same company	65%	64%	54%	64%	82%
I would prefer that my retailer for natural gas and natural gas utility was the same company	60%	66%	55%	62%	68%
The electric utility should not be allowed to be a retailer of electricity	31%	31%	20%	27%	43%
The natural gas utility should not be allowed to be a retailer of natural gas	28%	31%	22%	27%	36%
I would be concerned about the reliability of my electricity supply (in terms of service interruptions) if I switched electricity retailers	47%	36%	38%	43%	46%
I would be concerned about the reliability of my natural gas supply (in terms of service interruptions) if I switched natural gas retailers	42%	34%	38%	42%	41%
I prefer my electricity retailer to be my municipality	55%	38%	40%	50%	47%
I prefer my natural gas retailer to be my municipality	48%	38%	38%	47%	40%
I prefer the regulated rate for electricity as it is controlled by government and protects me	74%	76%	66%	69%	59%
I prefer the regulated rate for natural gas as it is controlled by government and protects me	73%	69%	61%	66%	63%

** Caution when interpreting results due to small sample size*

QOP1. To what extent you agree/disagree with the following statements:

DRIVERS OF CHOICE BY…

Overall Agreement (somewhat agree/strongly agree)



PROFILE OF RESPONDENTS

PROFILE OF RESPONDENTS

Respondents	Total (n=2,013)
Gender	
Male	50%
Female	50%
Age	
18-24 years of age	3%
25-34 years of age	29%
35-44 years of age	16%
45-54 years of age	22%
55-64 years of age	14%
65-74 years of age	13%
75 years of age or older	2%
Region	
Northern Alberta	10%
Edmonton CMA	29%
Central Alberta	16%
Calgary CMA	32%
South Alberta	14%
City	
Calgary	38%
Edmonton	38%
Red Deer	8%
Fort McMurray	1%
Lethbridge	7%
Grande Prairie	5%
Banff/Canmore	1%
Lloydminster	2%
Medicine Hat	1%

Respondents	Total (n=2,013)
Education	
Elementary (7 year or less)	<1%
High school, general or professional (8 to 12 years)	21%
College pre-university, technical training, certificate (CEP)	32%
University certificates and diplomas	7%
University Bachelor (including classical studies)	28%
University Masters	9%
University Doctorate (PhD)	2%
I prefer not to answer	1%
Children in Household	
Yes, 12 years of age and older ONLY	8%
Yes: 12 years of age and older AND younger than 12 years old	5%
Yes: YOUNGER than 12 years old ONLY	22%
No children under 18 years old at all in the household	63%
I prefer not to answer	2%
Marital Status	
Single	17%
Married / common law	70%
Divorced	6%
Separated	3%
Widowed	3%
I prefer not answering	2%

Respondents	Total (n=2,013)
Occupation	
Office worker	11%
Personnel specialized in sales	4%
Personnel specialized in services	4%
Manual workers	2%
Skilled, semi-skilled workers	8%
Science and technologies workers	7%
Professionals	18%
Managers/administrators/owners	11%
Homemaker	8%
Student (full-time or whose studies take up most of his/her time)	2%
Retired (pre-retired or private means)	17%
Unemployed (unemployment, welfare)	1%
Other	5%
I prefer not answering	1%
Annual Household Income	
$19,999 or less	3%
between $20,000 and $39,999	10%
between $40,000 and $59,999	15%
between $60,000 and $79,999	14%
between $80,000 and $99,999	15%
$100,000 or more	30%
I don't know / I prefer not answering	15%

Are you...? How old are you? Region S1A. Which of the following places do you live closest to? What is the last year of education that you have completed? Is it... Are there any children who are UNDER 18 YEARS OF AGE living at home? (IF SO): Are any of them 12 YEARS OLD AND OLDER or LESS THAN 12 years old? What is your current main occupation? Which of the following categories reflects the total INCOME before taxes of all members of your household in 2013? You are ...

APPENDIX

Question	Total
S2. Which of the following best describes how your electricity bill is paid?	*(n=2013)*
I pay it myself	99%
It is paid by others (included in my rent, paid by someone else etc.)	1%
S3. Which of the following best describes how your natural gas bill is paid?	
I pay it myself	91%
It is paid by others (included in my rent, paid by someone else etc.)	9%
CP2. How many bills do you get each month for the electricity and natural gas that you use in your home?	*(n=2,013)*
One	53%
Two	44%
More than Two	1%
Don't Know	3%

CP1. Which of the following best describes how you purchase the electricity and natural gas that you use in your home?	EPCOR (n=567)	ATCO (n=225)	Fortis (n=295)	ENMAX (n=662)	Lethbridge (n=54)*
Electricity and Natural Gas are both purchased using the regulated rate	59%	64%	55%	52%	61%
I buy Electricity and Natural Gas on a contract with the same retailer (sometimes called a dual fuel contract)	18%	18%	23%	22%	31%
I have a contract for Electricity, but the Natural Gas is purchased using the regulated rate	12%	12%	15%	18%	4%
I have a contract for Natural Gas, but the Electricity is purchased using the regulated rate	4%	1%	1%	3%	4%
I buy Electricity and Natural Gas on contracts, but they are not with the same retailer	7%	5%	7%	4%	-

** Caution when interpreting results due to small sample size*

Alberta Market Surveillance Administrator
Co-Branding Impact Research
DRAFT Report
February 2014