CUSTOMERS AT THE CENTRE
PHASE ONE: FOCUS GROUPS

Qualitative Research Report

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NEWGATE RESEARCH

REPORT PREPARED FOR

Ausgrid | Customers at the Centre

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DISCLAIMER

In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

The qualitative research findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population. This project was conducted in accordance with AS: ISO20252:2012 guidelines, to which Newgate Research is accredited. Project reference number: NGR 1705004.

BESTPRACTICE CERTIFICATION AMSRO ISO20252 MARKET, OPINION & SOCIAL RESEARCH

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EXECUTIVE SUMMARY

KEY FINDINGS

This report presents results from a series of 14 x two-hour focus groups with customers from Sydney CBD, Parramatta, Newcastle, Gosford and Singleton in May 2017. Each group comprised around 8 participants, with 118 participants in total.

Issues Context and Satisfaction with Current Service

Energy customers are typically quite interested and easy to engage on the topic of electricity. Top of mind interests and concerns include:

High prices: although this seems to be less of a hot-button issue than in previous years as issues related to renewables and the quality and security of electricity supply rise to the fore;

Solar and renewables: with most supportive of the shift to cleaner sources of energy and believing that energy companies should be investing in this area;

Future reliability and energy security: underpinned by awareness of South Australian outages, closure of Hazelwood, potential summer shortages in Sydney and “government meetings” to sort out the crisis; and

Retail issues and behaviour: including confusing bills and an increasingly competitive, sometimes aggressive retail and solar sector.

Lower level issues: included gas shortages, government asset sales, privatisation and foreign ownership, aging infrastructure, reduced solar feed-in tariffs, gold plating and Coal Seam Gas.

Almost without exception customers are happy with current levels of reliability and responsiveness and typically only experience a blackout every 1-3 years. Most want to maintain the status quo and are unwilling to pay more for better service or less for reduced service levels.

Despite the high satisfaction with service levels it is clear that electricity is something that is taken for granted in day-to-day life and, as such, many are undecided over whether it provides good value for money or not (giving an average rating for value for money for their electricity supply of 4.9 out of 10).

Knowledge and Attitudes to Ausgrid

Although most have heard of Ausgrid, there is limited knowledge about the company with common misconceptions that it is also responsible for transmission and/or generation.

Similarly, most have a very limited understanding of how electricity prices are calculated or the constituent parts of the bill, with customers typically only looking at the overall total and how that compares with previous bills or to other people.

Overall sentiment towards Ausgrid is typically neutral to slightly positive with an average reputation score of 5.9 out of 10. There is little in the way of strong positive or negative feeling towards the company and this is partly due to low knowledge levels, very limited opportunities for direct interaction and a lack of awareness of any prominent issues facing it.

EXECUTIVE SUMMARY

KEY FINDINGS

Ausgrid's perceived strengths include ensuring a reliable supply of electricity, the ease for some in getting information about blackouts, ensuing safety when working on streets and providing good service from the local call centre.

Perceived weaknesses relate to a lack of proactive communication, estimated meter readings, street lighting, tree trimming (though not a big concern in these groups), dissatisfaction with having to pay for poles on private property, and some mentions of perceived price gouging and monopolistic behaviour.

Future Expectations for Ausgrid

Future expectations for Ausgrid as a customer focussed distributor included:

Raising its profile and communicating more so people know what it does and on what issues to get in touch. Digital channels (e.g. website or an app) were considered most useful with less interest in a shop front or outbound calls. Customers also wanted Ausgrid to take more of a lead, e.g. on sustainability issues.

Helping people take control of their energy bills and keep their costs down (e.g. by providing impartial information on how to get a smart meter, how to take advantage of different tariff structures and solar panels) – noting that Ausgrid was seen as a more credible information source than retailers on these issues;

Providing proactive real-time information about outages to give a sense of comfort and control – e.g. via sms, online, social media or an app;

Being more efficient and keeping costs down – although there were few suggestions on how to do this aside from upgrading equipment to be more energy efficient;

Focussing on sustainability / looking after the environment e.g. via schemes that encourage people to get solar or source power from greener sources or by providing trusted unbiased information about solar and batteries;

Putting powerlines underground to reduce issues related to storms and to improve visual amenity; and

Partnering with businesses (particularly larger energy users) to help them be more energy efficient, on the basis that their actions will make the most difference.

Attitudes to Cost-Reflective Pricing

There is widespread awareness of daily peak and off peak pricing and most are broadly comfortable and accepting of the concept of paying different rates at different times of day.

While most are not currently changing their behaviour, a significant minority are shifting their usage with some feeling empowered by the opportunity to save.

When they came to understand the rationale and benefits of cost reflective pricing (i.e. that it could mean less investment in the network and lower bills), acceptance grew further and most felt it was a good idea in principle.

It is important to note that many found the issues complex and difficult to understand and, as such, it will be essential to develop clear and relevant case studies to present in the deliberate phase of this engagement program.

SUMMARY FEEDBACK ON TARIFF PROPOSALS AND PROGRAMS

TARIFF PROPOSAL	INTEREST LEVEL	SUPPORT	PERCEIVED FAIRNESS	OTHER QUESTIONS & ISSUES
Increasing the fixed proportion of distribution tariffs	Low	Mixed / Somewhat supportive	Mixed views	Impact on low income earners / users? Impact on solar customers? Rewarding increased consumption?
Seasonal time of use pricing	Low to moderate	Mixed	Mixed / Somewhat unfair	Seems complex - will this hinder behaviour change? Hard to understand the rationale
Opt-in daily peak pricing	High	Moderate / Strong support	Fair	Will I need a smart meter? How will I get my rebate? $ is preferred to a movie voucher
Locational pricing	High	Strong opposition	Unfair	"Un-Australian" and unfair for regional areas Slightly more acceptable to differentiate pricing based on dwelling type
Capacity pricing	Moderate	Mixed / Somewhat opposed	Mixed / Somewhat unfair	Confusing concept Uncertain impacts & harsh "1-strike" rule Currently driving behaviour change amongst SMEs
SME partnership schemes	Moderate to high	Qualified support	Fair	SMEs interested in partnering with Ausgrid to drive efficiency / behaviour change More support efficiency schemes than solar
Remote usage - "Coolsaver" & Battery schemes	Moderate to high	Qualified support	Fair	Attractive incentives I assume my air conditioner would still work? Some concern with the "big brother" aspect? Cynicism/lack of trust due to solar tariff reductions
Vulnerable customer programs	Moderate	Somewhat supportive	Mostly fair	Strong belief that vulnerable shouldn't be disadvantaged Some role for Ausgrid (e.g. education programs) but retailers and gov. have primary responsibility

Introduction

Background, objectives and methodology

BACKGROUND AND RESEARCH OBJECTIVES

Background

Ausgrid is striving to be a customer-centric business that focusses on meeting the needs, expectations, preferences and priorities of its customers.

This customer perspective will inform Ausgrid's broader business decisions while also being incorporated into its 2019-2024 "Regulatory-reset Submission" to the Australian Energy Regulator.

It also will help ensure that Ausgrid's proposed service levels and pricing structures meet customer expectations and are considered fair.

This interim report details findings from a series of exploratory focus groups with electricity bill payers. The findings will inform, and integrate with, subsequent phases of the engagement program.

Objectives

The main objectives of this independent research were to explore and understand customer expectations and preferences and seek their feedback in relation to:

- Knowledge, interest and attitudes towards electricity;
- Knowledge and perceptions of Ausgrid;
- Expectations and preferences for Ausgrid to become a customer-centric distribution company;
- How Ausgrid can meet customer expectations at specific service touchpoints;
- A series of initial regulatory proposal concepts; and
- Communication and engagement preferences.

PHASES OF THE CUSTOMERS AT THE CENTRE PROJECT

THIS REPORT PRESENTS RESULTS FROM PHASE ONE

0 INCEPTION WORKSHOP

Initial planning phase to confirm Ausgrid's objectives and requirements for its drive to customer focus, its Regulatory Reset Proposal, and its Tariff Structure Statement.

Completed

1 FOCUS GROUPS

14 x 2-hour focus groups held in Sydney CBD, Parramatta, Newcastle, Gosford and Singleton

General community and specific groups with SME's, early adopters and vulnerable customers.

Completed & presented in this report

2 DELIBERATIVE FORUMS

Two x 4-hour deliberative forums in Newcastle (mix of 24 customers) and Sydney (mix of 40 customers – older, younger, vulnerable, SMEs, solar & battery customers) following a pilot in Sydney.

June 2017

3 QUANTITATIVE SURVEY

Scheduled survey among a representative sample of Ausgrid's customer base (n=2400) including a sample of SMEs and a sample of vulnerable customers.

TBC later in 2017

4 ADVANCED ANALYTICS

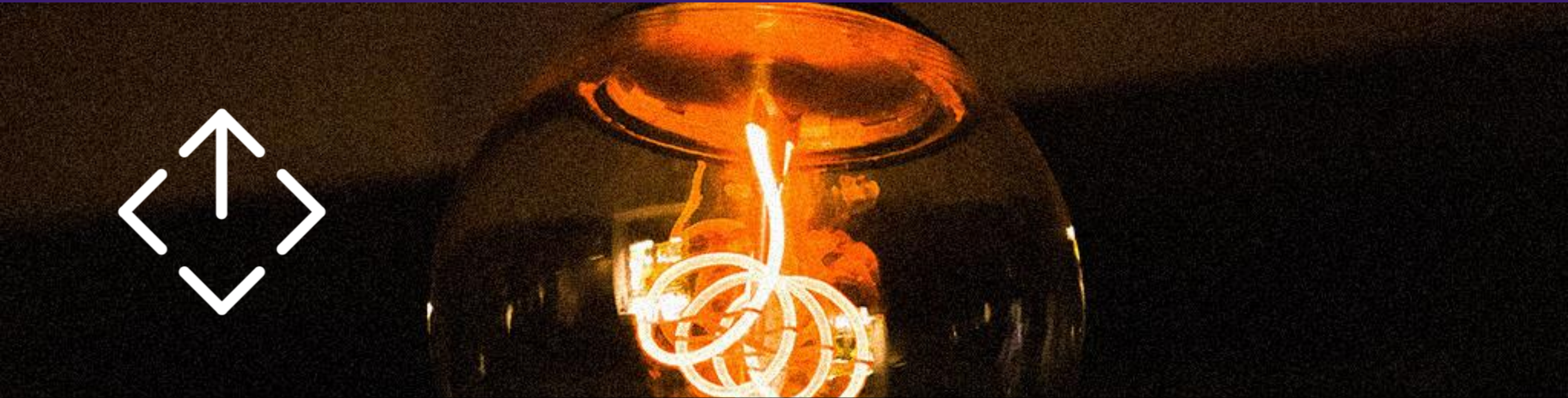
Examining trade offs and propensity to pay, and using choice modelling to gain greater insight around optimal tariff structures.

TBC later in 2017

METHODOLOGY

- This report is based on a series of 14 two-hour focus groups with Ausgrid customers conducted in May 2017. Each group comprised between seven and nine participants, with 118 participants in total.
- Residential participants were incentivised $100-$120 while business participants were incentivised $200-$300 in line with standard market research practices. The table below summarises the focus group composition.

GROUP	LOCATION	SEGMENT	OTHER CHARACTERISTICS
1	Sydney CBD	General community (18-50 yrs.)	Mix of men/women, ages, life stages, owners/renters, electricity usage profiles, and people from culturally and linguistically diverse backgrounds
2	Sydney CBD	Early adopters	
3	Parramatta	Vulnerable	
4	Parramatta	General community (51+ yrs.) with direct contact with Ausgrid	
5	Parramatta	Early adopters	
6	Hurstville	General community (18-50 yrs.)	
7	Gosford	General community (51+ yrs.)	
8	Gosford	Vulnerable	
9	Newcastle	General community (18-50 yrs.)	
10	Newcastle	Early adopters with an interest in batteries (sample from Ausgrid)	
11	Singleton	General community (51+ yrs.)	
12	Singleton	Early adopters	
13	Sydney CBD	SME owners and managers	
14	Sydney CBD	SME owners and managers	



Issues Context and Knowledge of Ausgrid

ENERGY ISSUES, INTERESTS AND CONCERNS

WHILE PRICES REMAIN TOP OF MIND THERE IS GROWING INTEREST IN RENEWABLES & UNCERTAINTY ABOUT FUTURE ENERGY SUPPLY & RELIABILITY

Most people are quite interested and easy to engage on energy and electricity issues. This is partly due to the direct impact on their day-to-day lives via their bills as well as the changes in the industry that are bringing a raft of new opportunities and concerns. Key themes from initial discussions around electricity are as follows:

High prices: are the most common top-of mind associations with electricity and many think that they have been rising over the last few years.

- Most are unsure of the reason for price rises although the typical assumption is that it is somehow related to the privatisation, foreign ownership or the restructuring of the industry.
- Several spoke of ways they are trying to modify their usage to save money by using energy at off-peak times or switching to energy-efficient lighting or appliances.
- Though still important, it appears that price rises are less of a hot-button issue than in previous years, particularly as issues related to renewables and the quality and security of electricity supply rise to the fore.

Solar and renewables: are another significant area of interest and most are supportive of the shift to cleaner sources of energy.

- Many are keen to see energy companies looking to the future and investing more in renewables, with some noting that the system is not set up to incentivise this.
- There is also widespread awareness of reduced solar feed-in tariffs and strong dissatisfaction with this amongst those who have already invested in solar.
- Batteries are another topical renewables-related issue with interest mostly driven by a desire for cost savings, control and, in some cases independence from energy companies. While many have investigated them, most are waiting for prices to drop and/or technology to improve.

> *I think it's overpriced now, no-one can explain to me why it's gone through the roof in the last few years.*
>
> Hurstville, general community

> *I think you can make it work to your advantage if you use a smart meter and use it to suit your needs.*
>
> Parramatta, early adopter

ENERGY ISSUES, INTERESTS AND CONCERNS *CONT.*

CONFUSING BILLS AND AN INCREASINGLY COMPETITIVE RETAIL SECTOR WERE AMONGST OTHER ISSUES MENTIONED

Future reliability and energy security: has become an increasingly salient issue with the major outages in South Australia and/or the closure of Hazelwood mentioned in every group.

- Although most are unsure what exactly caused the problem in South Australia it is most commonly assumed to be somehow related to an increased reliance on renewables. For some this underpinned the importance of coal in providing base-load power and raised concerns about potential cost and reliability impacts of increasing our reliance on renewables.
- The recent hot summer has also brought these issue into focus with several aware of announcements of potential shortages in Sydney and recent "government meetings" to sort out the "energy crisis".

Retail issues and behaviour: that were also commonly mentioned included:

- The increasing number of energy retailers;
- The sometimes aggressive behaviour of solar and energy retailers; and
- Confusing bills which some believe are deliberately designed to be hard to understand.

Other issues: which were mentioned less frequently by participants included:

- Gas shortages due to exports – some confused this with electricity shortages;
- Government sale of energy assets;
- Aging infrastructure (particularly in regional areas) and reliability implications;
- Gold plating of the network, although this is now a less salient issue; and
- Concerns around coal seam gas, which is also less salient than previous years.

> *I keep getting phone calls to change to another provider. It's really annoying. They keep ringing you. They ring you at least once a week.*
>
> Sydney CBD, SME

> *The power station is coming to the end of its life and nothing is being mooted about what's going to replace it.*
>
> Singleton, general community

THE PERCEIVED VALUE OF ELECTRICITY

ELECTRICITY IS CONSIDERED ESSENTIAL TO MODERN LIFE ALTHOUGH ATTITUDES ARE DIVIDED ON WHETHER IT IS GOOD VALUE FOR MONEY

- The value of electricity is most commonly expressed in relation to the comfort it provides (e.g. via heating and air conditioning) and its role in powering the various electronic devices that have become essential to modern life.
- It is something that is taken for granted in day-to-day life and, as such, many are undecided over whether it provides good value for money or not. Some note the increased demand for electricity (e.g. via bigger houses with more lighting, ducted air conditioning) as a valid reason for larger bills although many believe it is expensive for an essential service and a few noted the high cost compared to other countries.
- The fact that people don't have a choice in whether or not to buy electricity makes it hard for them to think in terms of value for money. When pushed to reflect on it, some do think it is reasonable value – particularly when they consider the nature of the network and the need to build and maintain the poles, wires and other infrastructure.
- Importantly however, we found that educating people about the complexity of the supply chain actually increases perceptions of poor value with several surprised by the number of companies who all have "fingers in the pie". Many wonder why retailers even exist.
- It was also apparent that prices are considered more reasonable when expressed on a per-day rate as this anchors them to minor everyday expenses such as coffees.

It's a necessary evil, I just wish it was cheaper.

Singleton, general community

It's there for your lifestyle and you use it to be comfortable, I don't care if I save a dollar by doing my washing later.

Hurstville, general community

ENGAGEMENT WITH ELECTRICITY BILLS AND PRICE SENSITIVITY TO VARIATIONS IN THEM

MOST JUST FOCUS ON THE OVERALL TOTAL OF THEIR BILL AND HOW IT COMPARES THROUGH TIME AND WITH OTHER HOUSEHOLDS

- Most customers only glance at their bill before paying it and would only question it if it was significantly higher than what they have paid in the past (typically around 10-30% higher than what they say it would take for them to take a stop and really notice).
- Many look at how their total bill compares to the previous corresponding period or what a typical household of their size would pay, although some note that seasonal changes make it difficult to identify underlying changes in usage and cost.
- A significant minority have some awareness of the constituent parts of the bill – i.e. that it includes an access fee and a usage charge. A few look to make sure they are maximising their off-peak periods.
- Several noted the confusing nature of their bill. This often comes into focus when they are investigating switching retailers and trying to work out if they would save by doing so.
- Only a handful reported calling their retailer to find out why their bill was so high and one mentioned they look to see when their next meter read is scheduled.
- SME owners and managers and those with solar are most engaged with their bills and knowledgeable about them.

We have looked at the bill and figured out whether we can come up with a different shift configuration to reduce the total cost.

Sydney CBD, SME

I look at mine very closely, so any increase in meter usage would make me notice.

Newcastle, early adopter

Most of us don't know how we're being charged, or if there's a better option.

Hurstville, general community

RELIABILITY AND RESPONSIVENESS

MOST ARE HAPPY WITH THE STATUS QUO AND ARE LOOKING FOR REAL-TIME COMMUNICATION TO PROVIDE REASSURANCE AND CONTROL

- Most have not experienced any significant reliability issues, typically experiencing only around one unplanned outage every one to three years.
- Almost without exception they are happy with the current situation and therefore have no desire to pay more to increase reliability or responsiveness.
- Similarly, they do not want to pay less for lower reliability or responsiveness with some also noting that reduced reliability is a strange aspiration for an electricity provider to have.
  - However, when prompted, most consider one outage a year to still be acceptable and, as such, they are accepting of it if they are unaware that it represents a lower level of service.
- Vulnerable customers are more open to the idea of saving money for reduced reliability although the cost saving they expect (up to $100 less per year) is typically far higher than the saving that could realistically eventuate.
- Those who are particularly attuned to reliability issues include SME's owners and managers due to the impact on productivity and costs, as well as those who have experienced poor reliability in other countries or states.
- The acceptability of outages is strongly related to:
  1. Timely communication (e.g. via SMS or social media) which provides a sense of relief and control, particularly if it gives a reliable estimate of when the outage will be resolved; and
  2. The nature of the outage, with natural causes considered more acceptable than those due to human error or infrastructure failure.
- Note that responses to the question on service levels were inevitably influenced by behavioural factors including "status quo bias" and "loss aversion" and these will need to be considered properly in the design of subsequent research phases evaluating these findings.

Once you know what's going on, you don't panic anymore.

Singleton, general community

As long as a blackout doesn't go on for days, it's ok.

Hurstville, general community

Storms are out of anyone's control.

Newcastle, general community group

AWARENESS AND KNOWLEDGE OF AUSGRID

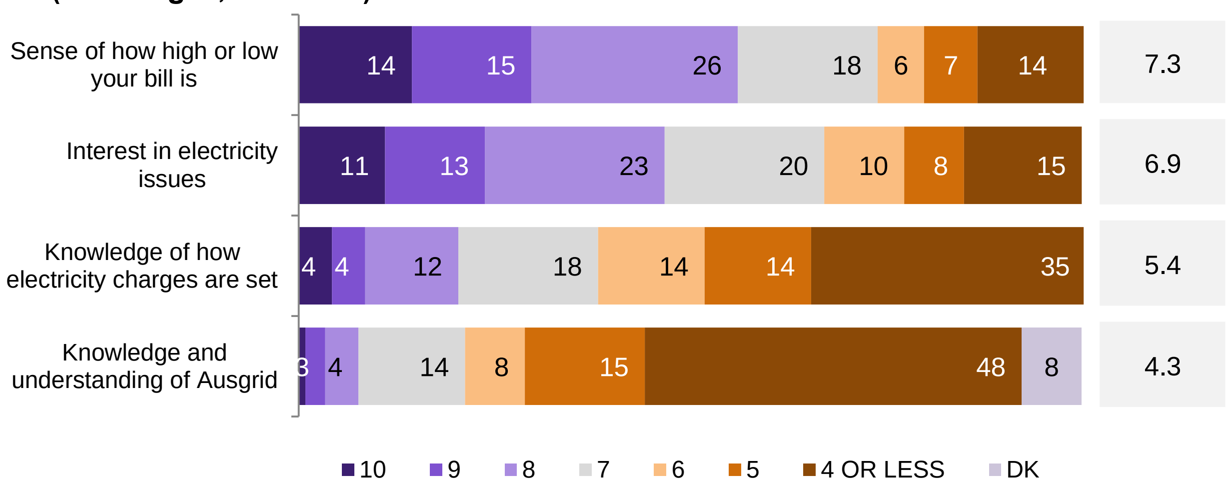
KNOWLEDGE LEVELS ARE TYPICALLY LOW WITH COMMON MISCONCEPTIONS THAT AUSGRID IS ALSO RESPONSIBLE FOR TRANSMISSION OR GENERATION

- Most have heard of the name Ausgrid but knowledge is typically limited. Many have simply seen the Ausgrid name on cars and trucks or have seen workers' doing maintenance.
- Most tend to associate it with "poles and wires". Some knew to call Ausgrid if there was a blackout and a handful knew that Ausgrid was responsible for meters and street lights.
- Most had no real knowledge of where Ausgrid's responsibilities start and stop in terms of the overall supply chain.
- Common misconceptions included that it is also responsible for the transmission network (i.e. the entire network) or that it is also responsible for generation. A few thought it was also a retailer.

> *I thought Ausgrid was the provider for Energy Australia.*
>
> Singleton, general community

> *Ausgrid govern & control everything that happens with the supply of energy, they're the octopus head, and the retailers are the tentacles.*
>
> Parramatta, general community

Awareness and interest in electricity issues
% (10 = "high", 0 = "low")



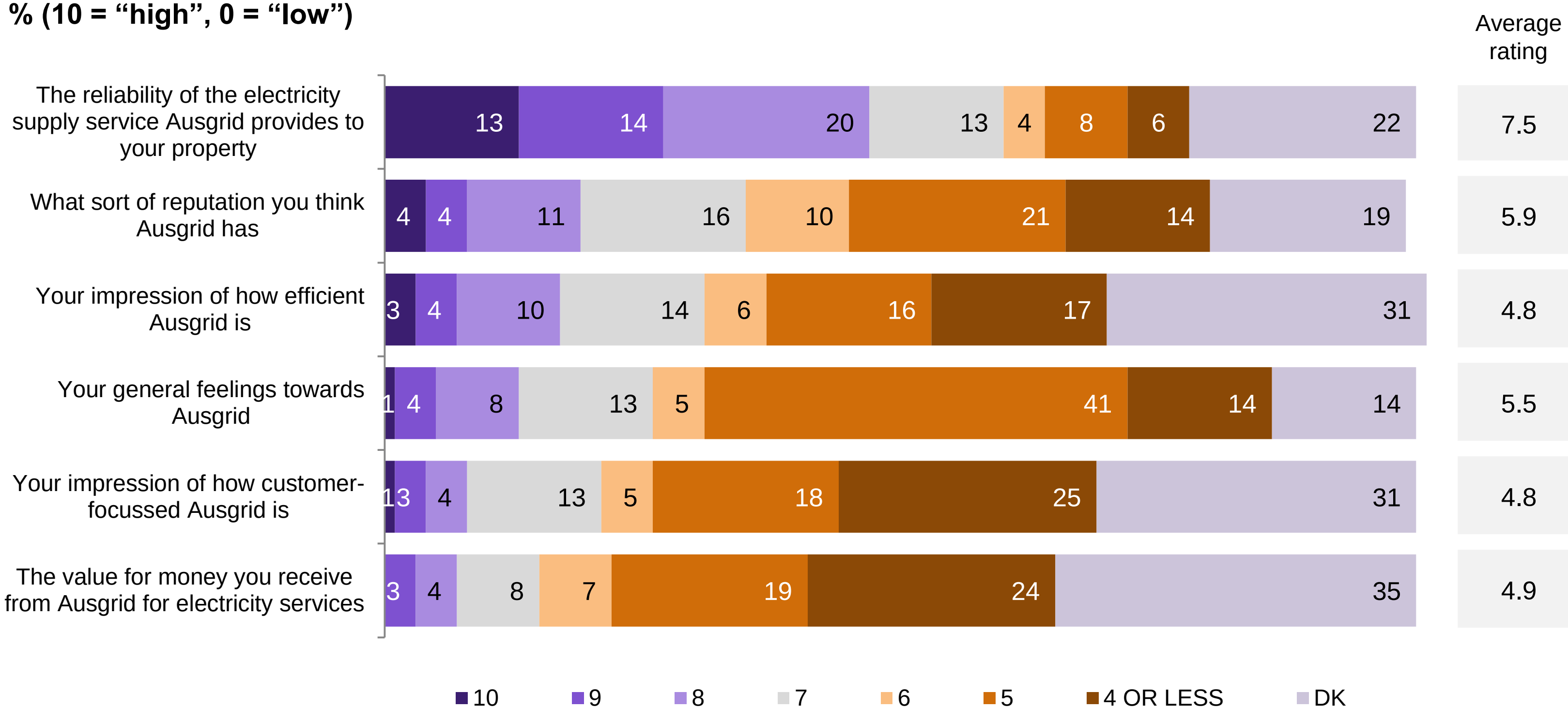
Attitudes to Ausgrid and Expectations for a Customer-centric Distributor

REPUTATION AND PERFORMANCE METRICS

QUALITATIVE RESEARCH BENCHMARKS – TO BE CONFIRMED IN SUBSEQUENT QUANTITATIVE SURVEY

Overall sentiment towards Ausgrid is fairly neutral. There is little in the way of strong positive or negative feeling towards the organisation and this is partly due to low knowledge levels, very limited opportunities for direct interaction and a lack of awareness of any prominent issues facing the organisation. The chart below presents perceived performance on a series of performance metrics. Note that these are not drawn from a statistically valid random sample of Ausgrid's customer base and will need to be confirmed in a subsequent quantitative survey.

Awareness and interest in electricity issues
% (10 = "high", 0 = "low")



BRAND PERCEPTIONS

PERSONIFIED ASSOCIATIONS REVEAL AN ORGANISATION CONSIDERED COMPETENT AND RELIABLE BUT ALSO SOMEWHAT CONSERVATIVE, SECRETIVE AND POWERFUL.

To evaluate Ausgrid's brand we asked participants to describe what Ausgrid would be like as a person.

STRENGTHS AND WEAKNESSES

AUSGRID IS RECOGNISED FOR ITS CORE COMPETENCY OF ENSURING A RELIABLE SUPPLY; A LACK OF PROACTIVE COMMUNICATION IS FREQUENTLY NOTED AS A PERCEIVED WEAKNESS

What Ausgrid does well

- Ensuring a reliable supply of electricity and quickly resolving blackouts.
- Reported ease of getting information about blackouts in their area (although most had just googled it, or Facebooked, and were not aware this information came from Ausgrid).
- Ensuring safety and directing traffic when working on streets (mentioned by a few).
- Good/excellent service when ringing the customer service centre with some noting it was "better than other companies" and that they spoke with "local people" who knew their area.

Where Ausgrid is seen to be lacking

- A lack of proactive communication – leading to a degree of distrust and suspicion. Note however that this only arose because the research was asking about Ausgrid – it was not an unprompted concern.
- Estimated meter readings which had caused problems for some.
- A small proportion commented on trees being trimmed too harshly in their area although when probed most did not feel strongly about this and were not prepared to pay more to have them trimmed more lightly and frequently.
- Street lighting, with some noting that it had taken Ausgrid weeks to fix a street light after it being reported and others commenting that street lighting was inadequate in their area more generally.
- Dissatisfaction about having to pay for electricity poles on their property – and the fact that Ausgrid would own it.
- One mentioned that Ausgrid had charged to come and fix a meter problem.
- Perceptions of price gouging / monopolistic behaviour.
- Private or foreign ownership – mentioned by a few.

ATTITUDES TO AUSGRID
IN THEIR WORDS

They haven't been in the news for a scandal!
Parramatta, early adopter

I think they're really good, I deal with Energex in Queensland as well and Ausgrid's knowledge base and customer service is better than others.
Parramatta, early adopter

Ausgrid are powerful… They're the manager, the owner, and the rule maker
Newcastle, early adopters

They're very safety conscious and professional
Parramatta, general community

I'm not a direct-facing customer for these guys, I'd rather go through my energy company. I'd only want them to contact me if they're coming to fix something on my street, or read my meter.
Hurstville, general community

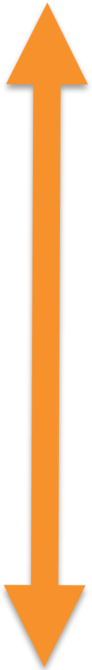
PERCEPTIONS AND PRIORITIES FOR AUSGRID TO BECOME A CUSTOMER-CENTRIC DISTRIBUTOR

CUSTOMERS ARE LOOKING FOR MORE PROACTIVE COMMUNICATION AND ASSISTANCE IN CONTROLLING THEIR BILLS AND KEEPING COSTS DOWN

- Current perceptions of Ausgrid as a customer focussed organisation are mixed. Some say that reliability is good so give Ausgrid relatively high ratings on this attribute. However, many give low ratings simply because they haven't heard of Ausgrid and/or because they don't have any interaction with it.
- When asked what Ausgrid could do to become more customer-focussed in the future, high-level suggestions included the following, in broad descending order of importance:
  - **Raising its profile** so people know what it does and on what issues to get in touch;
  - **Providing information that will help people take control of their energy bills** and keep their costs down (e.g. about how to get a smart meter, how to take advantage of different tariff structures and information about solar panels).
  - **Providing proactive real-time information about outages** – e.g. online, social media or an app.
  - **Focussing on being more efficient and keeping costs down** – although the complexity of the business meant they had no real suggestions on how to do this aside from upgrading equipment to be more energy efficient.
  - **Focussing on sustainability/looking after the environment** e.g. via schemes that encourage people to get solar or source power from greener sources or by providing trusted unbiased information about solar and batteries and on sourcing power from greener energy sources. Note that Ausgrid was seen as a more credible source on these issues than a retailer once participants understood what it does.
  - **Putting powerlines underground** to reduce issues related to storms and to improve visual amenity;
  - **Partnering with businesses** (particularly larger energy users) to help them be more energy efficient, on the basis that their actions will make the most difference; and
  - **Monitoring technologies/approaches overseas** to see if they could be applied here.

> *I've never seen anything from Ausgrid saying if there is a bad storm, this is who you contact.*
> Singleton, general community

More important



Less important

EXPECTATION FOR CUSTOMER-CENTRICITY AT SPECIFIC AUSGRID TOUCHPOINTS

AFTER LOOKING AT CUSTOMER TOUCH-POINTS, OTHER SPECIFIC SUGGESTIONS FOR AUSGRID TO BE CUSTOMER-CENTRIC WERE AS FOLLOWS:

Meters

- Explain what smart meters are, what the benefits and implications are and how people can get them.
- Explain how the meter is read, that Ausgrid does it, how they can read it themselves, when the meter is read remotely and why.
- Reduce the need for estimated readings.

Unplanned outages

- Inform people via text message and social media (Twitter & Facebook).
- Ensure maps showing blackout location are as detailed as possible.
- Continue the current process of informing people about unplanned outages, which is considered appropriate.
- Consider developing an app (potentially with push notifications) and increasing focus on other digital channels.

Customer connection

- Several noted a preference for an Australian-based call centre with staff who “understand local issues”. There was no suggestion that Ausgrid used a ‘foreign’ call centre.

Tree trimming

- No particular suggestions here and it was only a big issue for a few people. None wanted to pay more for more frequent lighter trimming.

Construction work

- No particular suggestions here beyond appropriate communication to locally affected resident and traffic management. Ausgrid is seen as doing a good job in this area.

Street lighting

- Most didn’t know this was Ausgrid’s responsibility and a few had called council or their retailer regarding issues.
- Many were keen to see more/better lighting on streets and parks to improve safety in the community.
- A few suggested using more efficient light bulbs so they had to be changed less frequently or considering solar/battery-powered lights.
- One suggested that power poles should be made from a longer-lasting material to avoid termite issues and increase their lifespan.

EXPECTATIONS FOR AUSGRID TO BE CUSTOMER CENTRIC

IN THEIR WORDS

I would really appreciate something in my letterbox saying how to know if you're being ripped off.

Singleton, early adopter

If they have a monopoly, they have a duty. I know that shareholders have to make a profit but they have a responsibility to make electricity affordable. They need to have a conscience.

Gosford, general community

If they put themselves out there [on social media], and put up a poll or forum and said 'what things interest you and how can we help you?', it will make us feel that we can contact them and not just go to them when there's a problem".

Singleton, early adopter

Work with industry or the bigger consumers of power and say, "this is how you can reduce it and reduce the load on the network" because we are all going to benefit because it would take down the peak demand and the demand on the network.

Sydney CBD, SME

Explain more about the smart meters. I had new lines put in my house and a new smart meter installed. I have no idea what it is and how it works.

Newcastle, general community

Pricing and Tariffs

TARIFF PROPOSALS EVALUATION IN THIS SECTION

TARIFF PROPOSAL	DESCRIPTION PROVIDED TO PARTICIPANTS
Increasing the fixed proportion of distribution tariffs	Changing the distribution component of your bill so that the fixed proportion increased to 50% up from around 20% currently. Similar to many internet plans where there is a fixed monthly fee and also water services where the fixed component of a water bill is typically around 65% of the bill.
Seasonal time of use pricing	To reflect the times of the year when peak demand occurs and more closely reflect the cost of supplying electricity. Bills would be higher in summer and winter but lower in spring & autumn.
Opt-in daily peak pricing	Customers would be sent an SMS that will ask them to use less electricity at peak demand days. If they do so they could receive a rebate of around $10 or $20 that reduces their electricity bill.
Locational pricing	At the moment, the prices paid by people across the distribution area are the same. Should there be different tariffs for customers in different areas of the network to better reflect the cost of supplying energy to different customers? E.g. different prices in rural vs metro areas.
Capacity pricing	The customer is charged for the maximum electricity demand in a half hour that they consume over the last 12 months or 3 months (i.e. the billing period). This is representative of the capacity of the customers connection to the network. For example, an apartment dweller has a smaller connection capacity than a large house with a three-phase electricity connection.
SME partnership schemes	The program would involve facilitating or providing a modest subsidy for businesses to install a solar power system and/or energy efficient appliances. The subsidy might be 10% to 20% of the total upfront costs of installing the solar power system or energy efficient appliances.
“Coolsaver” program	This CoolSaver program involved paying customers upfront between $150 to $300 for participating in the program and a further $20 for each day they allowed Ausgrid to activate the air conditioner power saving mode over summer (generally around 5 to 8 days each summer).
Battery Scheme	Ausgrid offers free installation of control equipment and an upfront $200 bonus for participation. The customer then earns a further $20 for each peak day that they allow Ausgrid to operate the battery to reduce peak demand (around $100 to $160 each year).
Vulnerable customer programs	Programs to assist vulnerable customers save money through education programs, energy efficiency packs, or programs to assist them to use more energy efficient appliances.

OVERARCHING ATTITUDES TO COST-REFLECTIVE PRICING AND ALTERING TIME OF CONSUMPTION

MOST SUPPORT THE GENERAL PRINCIPLE OF COST-REFLECTIVE PRICING ONCE IT IS EXPLAINED TO THEM

- There is widespread awareness of daily peak and off peak pricing and most are broadly comfortable and accepting of the concept of paying different rates at different times of day. In fact, many think they pay peak and off rates when they in fact just have an off-peak water system.
- While most are not currently changing their behaviour, a significant minority are shifting their usage to save money (e.g. using the dishwashers after 10pm) with some feeling empowered by the opportunity to save. Note that some were doing this when they were in fact on a flat or controlled load tariff.
- Others would rather have the freedom to be able to use electricity and appliances like air conditioning whenever they want to without the penalties being so harsh as to incur an unexpectedly large bill.
- When they came to understand the rationale and benefits of cost reflective pricing (i.e. that it could mean less investment in the network and lower bills), acceptance grew further and most felt it was a good idea in principle. It is important to note however that many found the issues involved very complex and difficult to understand.
- Those who felt they could potentially alter the times at which they consume electricity typically included those who were interested in energy issues and worked flexible hours or did not work.
- Those who said they had limited if any interest in altering their consumption behaviour included households in which all adults worked full time and those with children. Those who rent also feared they might also be worse off as they cannot purchase energy efficient appliances or solar panels and have no control over the type of meter they have.

> *It sounds like they're going to shift things around, you'll end up paying the same.*
>
> Parramatta, general community

> *I could change my off-peak patterns because I'm not home in those times.*
>
> Hurstville, general community

INCREASING THE FIXED PROPORTIONS OF DISTRIBUTION TARIFFS

MOST WERE UNCONCERNED WITH AN INCREASED FIXED DAILY CHARGE UNLESS IT HAS A NOTICEABLE IMPACT ON THEIR OVERALL BILL

- The relative proportion of fixed and variable components of the bill was a relatively unimportant issue to most people with little in the way of strong sentiment or preference either way.
- Most felt that a higher fixed component of the distribution charge makes some sense in-principle based on the explanation that it better reflects Ausgrid's underlying cost structure.
- Some also agreed with the argument that solar and battery consumers should pay their "fair share" for network access and that the cost should not be paid by a shrinking pool of non-solar customers.
- Most said their support would depend on the actual impact on their bill and some said it was fine "as long as the price goes down".
- Secondary concerns related to the impact on other people with some noting that:
  - It seems to be better for those who use a lot of electricity and worse for those who don't use as much;
  - It appears to incentivise more energy consumption and people who use less energy would not be rewarded; and
  - It could impact on vulnerable customers and very low energy users who were most often noted as the ones who would be worse off.
- The proposed change was most unpopular with early adopters who have already been hit with reduced feed-in tariff charges.
- It was difficult to gather feedback on the relativities of this change (i.e. whether the proportion should be 40/60, 50/50 or 60/40) and whether this change should be introduced immediately or over time – these are not the concern of people in their day-to-day lives and most struggled to see the relevance to them, particularly if they would be obscured by retail charges. If Ausgrid wishes to explore informed support or opposition it will be essential to include clear examples which illustrate the likely impact on a range of customer segments.

> *I can see how it would be fair for Ausgrid, because they're paying so much to maintain everything.*
>
> Singleton, general community

> *I see that as me being penalised, when I'm going to extra efforts to reduce my power bill. Why should that have to go up, to subsidise those that use more?*
>
> Newcastle, general community

SEASONAL TIME OF USE PRICING

SEASONAL TIME OF USE PRICING IS CONFUSING AND SOME WONDER IF THE ADDED COMPLEXITY WILL MAKE IT HARDER TO CHANGE PEOPLE'S BEHAVIOURS.

- This was another potential tariff change that did not generate much in the way of strong initial sentiment although, to a degree, this reflected confusion around the concept and its rationale.
- As with other complex tariff reform options most just wanted to know what impact it would have on them and their bills and they evaluate it in this context.
- Most were accepting of the general idea of having higher bills in summer/winter and lower bills in spring/autumn although this acceptance largely related to the fact that most are already experiencing this due the differences in their seasonal demand for electricity.
- There was however some concern about the prospect of even greater seasonal differences and potential impacts on themselves (i.e. "bill-shock") and impacts on vulnerable groups such as pensioners.
- Unlike some other tariff reform options there were no obvious groups of "winners'' or "losers" beyond those who are able or unable to shift their usage.
- Despite this, participants typically felt that having even higher summer and winter bills would be unfair unless this was offset by the prospect of much lower bills in spring and autumn.
- Several also commented that this system would be unnecessarily complex and that it would be frustrating for consumers to try to work out how to alter their behaviour in relation to time of day and the time of year.
- Others noted that it would also be harder to communicate and achieve sustainable time of use behaviour change if it was not year around.

> *As long as I can see the rates, and know what charges will be in place at what time, it would be OK.*
>
> Parramatta, general community

> *People don't want to change their patterns after 3 months. Just apply a structure and let people get used to their routine.*
>
> Parramatta, early adopter

OPT-IN DAILY PEAK PRICING

THERE WAS STRONG INTEREST AND IN-PRINCIPLE SUPPORT FOR OPT-IN DAILY PEAK PRICING AS LONG AS IT WAS OPTIONAL AND POSITIVELY INCENTIVISED

- Some participants were already familiar with the concept of reducing their load on peak days to reduce the strain on the grid. A few mentioned hearing of requests to do this in the last twelve months and some said they had taken action in response to this and gone to the shopping centre rather than use air-conditioning at home, for example.
- Overall, there was strong support for opt-in daily peak pricing schemes (e.g. for people to moderate their usage on hot days to receive a $10-$20 rebate) - there was no real interest in a movie voucher.
- Support was largely due to the positive incentive, the voluntary nature of the proposed schemes and the associated sense of control that it provides. It was also based on an assumption that such days would be relatively infrequent.
- Support was predicated on getting a text to warn them of a likely peak day and encouraging them to reduce their use in exchange for a rebate; and also the use of specific examples of how they can save (e.g. by turning down the air-conditioning a bit or turning off a few lights).
- Questions raised included whether a smart meter would be needed and how the rebate would actually be applied and customers reimbursed.
- Note that participants' positive response to this initiative must be considered in the context of the groups - at this point participants were fairly well educated on Ausgrid's business and the issues around peak pricing. Like all the other initiatives, introducing a system of this nature would involve the need to clearly explain rationale.

I would be willing to do it if there was a financial incentive.

Parramatta, general community

The more information, and the more aware we can be, the better off… Anything that gives choice to individuals.

Singleton, general community

LOCATIONAL PRICING

WAS SEEN AS UNFAIR AND “UN-AUSTRALIAN”

- Participants reacted negatively to this concept very quickly.
- Most felt that regional areas are doing it tough already and that increased prices would be an unnecessary and unfair additional hardship for them.
- Even those living in metro areas were adamant that people in regional areas should not pay more than those living in metro areas, with some saying “it’s not the Australian way”.
- Having differing tariffs for units and freestanding houses was slightly more acceptable although most were also opposed to this and some noted that it was unfair for people to pay a different rate based on factors over which they had little control.
- SME owners and managers were somewhat more open to the idea than other groups as they tended to be more economically rational and supportive of the principle of user pays overall.

If you’re living in rural communities, you’re not making as much as people in the CBD, so it’s fairer to keep it the same.

Hurstville, general community

It’s hard for people who live in the country, we’re always getting slugged extra, for fuel, for everything… we’re trying to convince people to stay on the land.

Singleton, general community

CAPACITY PRICING

IS CONFUSING AND PEOPLE ARE WORRIED ABOUT UNCERTAINTIES AND THE POTENTIAL FOR "SINGLE PEAK" BILL SHOCK

- Participants found it difficult to understand the concept of capacity pricing based on the description given and it was generally not a favoured tariff reform option overall.
- Although it made sense to some, many were suspicious about the potential implications for their bill and the uncertainty around this.
- Several felt that that a tariff determined by a single peak in a 12-month period was a "harsh penalty for a single mistake" and that that a system which averaged peak events would be a fairer approach.
- Some, who were explained further details, also felt it would be unfair for households with a three-phase electricity connection to be charged for higher capacity simply because they have it in place, regardless of whether or not they actually use it.
- Again, SME owners and managers, who had a better appreciation of the issues overall, were more supportive of the idea. Some noted that it had been effective in driving behaviour change for their businesses.

> *If you do have three or four spikes, you're going to get penalised, even if the steady consistent user is using more electricity than you, it doesn't seem fair.*
>
> Parramatta, early adopter

> *It makes sense for businesses, because they can pass the cost on to customers but it wouldn't work so well for residential customers.*
>
> Newcastle, general community

SME PARTNERSHIP SCHEMES

ARE WELCOMED BY SME OWNERS AS A GOOD WAY TO TARGET AND INCENTIVISE HIGH ENERGY USERS

- SME owners and managers strongly support the proposal for Ausgrid to work closely with businesses on how they can moderate their usage (e.g. to avoid the need to outlay for additional infrastructure).
- There was a general consensus that larger business should be the priority for this given their high energy usage and the associated benefits that changing their usage behaviour could bring.
- There was also in-principle support for schemes that offer rebates for solar and energy efficiency measures. It is important to note that these will be evaluated in a very rational way with the decision ultimately coming down to the costs and benefits (i.e. the payback period for any capital outlay).
- Support appeared to be strongest for energy efficiency measures rather than solar due to their perceived simplicity and more immediate benefits (e.g. less capital outlay, less issues with strata and less uncertainty about future Government policies).

I think it would be good if the installation of solar panels was tax deductible

Sydney CBD

I think it would be a good idea, because it can get your peak demand down. So you are drawing off whatever it is, the usage is going down; your peak demand is going down; so the payback could actually be quicker.

Sydney CBD, SME

REMOTE USAGE SCHEMES

THE COOLSAVER PROGRAM WAS WELL RECEIVED AND THERE WAS STRONG INTEREST IN PARTICIPATING, BUT SUPPORT FOR BATTERY SCHEMES WAS MIXED

- There was strong in-principle support for the CoolSaver program. Appealing aspects included the size of the financial incentives, the opt-in nature of the program and the assumption that the air conditioner would still work to some degree and there would not be a big difference in its operation. However, a few didn't like the "big brother" aspect of the scheme and would not participate for this reason.
- Support for similar battery schemes was mixed among early adopter groups, with the principal barriers being 1), a lack of knowledge about how it would work in practice, and (2) a lack of trust towards Ausgrid following changes to solar feed-in tariffs.
- A lack of clarity around the details of the battery scheme feed-in led to equivocal endorsement of the scheme by early adopters. They posed a number of questions that needed to be answered before they could make an informed decision. These included:
    1. Would line fees be reduced?
    2. If a distributor uses a battery and the equipment is damaged, who pays for its repair?
    3. If a battery isn't full, who gets first priority on its use?
    4. What's the minimum amount of needed battery power to participate?
    5. Do you get a readout on how much power is taken, and at what times?
- It is important to note that detractors of the battery scheme were strongly vocal in their opposition.
- Opposition was driven by anger at the reduction in solar feed-in tariffs that purchasers experienced after installation of this technology, and a lack of trust that they would not be stung again by future changes to battery tariff feed-ins. These consumers were "once bitten, twice shy", and some were unwilling to outlay significant amounts for capital expenditure that they believe) was unlikely to benefit them in the long term.

It sounds fair as long as your aircon still worked enough

Hurstville, general community, CoolSaver

I don't think I'd be ok with that for the big brother aspect.

Singleton, early adopter, Battery scheme

There's a trust issue here with the solar panel scheme, you got promised everything, and got nothing.

Singleton, early adopter, Battery scheme

SUPPORT FOR VULNERABLE CUSTOMERS

MOST BELIEVE THAT TARIFF CHANGES SHOULD NOT DISADVANTAGE VULNERABLE CUSTOMERS ALTHOUGH ATTITUDES ARE DIVIDED ON WHO SHOULD BE RESPONSIBLE FOR PROGRAMS TARGETED TO THEM

- There was a consistent belief that any changes to tariff structures should not disadvantage vulnerable customers.
- Attitudes were more divided on whether a network company has a broad responsibility to vulnerable customers although, on balance, most felt it should make some contribution. Others felt that the primary responsibility should be with the retailer (since they are responsible for financial transactions) or with the Government (who is ultimately responsible for welfare issues).
- Ideas that were considered most appropriate for Ausgrid included:
  - Providing information on how to keep energy prices down (potentially delivered to the neediest by organisations like the Salvation Army or Asylum Seeker Resource Centres – some pointed out that getting the information to the people who need it in a readily digestible form was the challenge);
  - Providing funds for programs that give subsidised access to energy efficient appliances; or
  - Working in partnership with retailers to contribute to fee reductions.

They need to show some level of corporate good citizenship.

Newcastle, early adopter

It sounds good, but shouldn't it be the retailer's responsibility? You're making payments to your retailer.

Parramatta, early adopter

Communications Preferences and Attitudes of Key Segments

COMMUNICATION PREFERENCES

THERE IS A STRONG DESIRE FOR AUSGRID TO COMMUNICATE MORE PROACTIVELY WITH CUSTOMERS

- There is very strong support for Ausgrid to engage with the community on the issues covered in the research and this support remains strong even when customers are informed that these communications and engagement activities involve a cost.
- Improved communications is seen as central to being a more customer-focussed organisation – participants pointed out that knowing what an organisation does is a basic foundation to having an opinion about what it does and the quality of its customer service.
- Importantly, once participants understood what Ausgrid does, it is seen to be more credible than retailers in providing objective unbiased information although a few noted that they would just want to deal with one point of contact (i.e. their retailer)
- Ausgrid's credibility relates to its core business of delivering a reliable supply rather than selling directly to customers (i.e. being "closer to the source" rather than a "middle man") and this experience means it is seen as being particularly well-positioned to provide information on 'grid' issues such as smart meters, solar panels, battery storage and micro-grids.
- Specific types of information that customers are most interested in include helping customers make smarter energy decisions, providing easy ways for people to calculate energy costs or providing up-to-date and transparent information during outages.
- There was strongest support for communication via digital channels included an updated website, app or social media activities to provide real-time information, while research and online surveys were also noted as a good method for customers to provide feedback.
- There was less interest in a shop-front which most were unlikely to visit (although this could support a broader marketing positioning goal) or for more proactive outbound calls from Ausgrid. Regional customers also particularly valued face-to-face communications e.g. via stalls at markets or shopping centres.
- It is important to note that in the unprompted part of the discussion there was no suggestion that any participants had a desire to know more about how electricity gets to them.

Give consumers more information about how we can save money and how and why prices are set.

Parramatta, general community

Send people a good old fashioned letter, and maybe have a survey in that letter

Singleton, general community

ISSUES AND PREFERENCES OF KEY SEGMENTS

SME's

- Highly engaged and interested in energy issues.
- Very financially motivated and evaluate tariff proposals and energy programs in a very rational way.
- Larger customers like the idea of dealing with a single customer relationship manager.
- Like the idea of Ausgrid partnering with business to moderate demand.
- Open to changing behaviour if it will save them money (e.g. shift times) but noting that labour costs are typically more significant.
- More supportive than other segments of user pays tariff models (e.g. locational pricing).

> *Be more direct and transparent, for example during outages.*
>
> Sydney CBD, SME

Early adopters

- Innovators by definition, they are interested in new technologies including solar, batteries, and micro-grids.
- Driven by a desire for energy independence, they want to be able to use energy when and how they want to.
- Decisions to invest in solar were primarily driven by price although environmental benefits are a secondary benefit to some.
- More likely to see Ausgrid as rigid and inflexible and believe it should become more open-minded and future thinking.
- Somewhat distrustful of Ausgrid and its motives and feel they should be given special consideration due to the investment they have made and the electricity they are feeding back into the grid.
- Lack of trust of solar installers/spruikers and see potential for Ausgrid to play an impartial role here.

> *Increase feed-in tariffs and spend more money on green energy education.*
>
> Newcastle, early adopter

ISSUES AND PREFERENCES OF KEY SEGMENTS

Vulnerable

- Mostly interested in the size of their bill, they are concerned with rising prices and already moderating their energy use.
- Strong distrust around any proposed changes to tariffs that they don't understand and assume that they will be likely taken advantage of.
- Opposed to increasing the fixed proportion of their bills and see themselves as being disadvantaged by this.
- Strongly motivated by financial incentives to save money (e.g. incentivised opt-in peak demand programs) but wonder if they can actually save any more than they currently do.
- Little if any interest in renewables or the details of potential tariff reforms.
- Very interested in programs that will help them save – e.g. via incentivised appliance upgrades.

> *Be compassionate and give lower rates on bills.*
> Parramatta, vulnerable

Regional

- Generally thought Ausgrid was performing well in quickly restoring service if storms caused blackouts.
- Wanted information about Ausgrid's long-term plans to maintain or replace aging infrastructure; and wanted information about addressing electricity 'black spots'.
- Did not favour an increase in the fixed proportion of their bill as most were already making attempts to minimise electricity usage and felt this would be unfair.
- Opposed location-based tariff charges as they felt it was disadvantaging a segment of the population that already paid higher prices for other essentials (e.g. fuel).
- Favoured tariff structures that notified users of potential peak periods and offered financial incentives to modify electricity usage.
- Favoured in-person contact (phones, info booths at local markets) and letterbox drops over digital communications.

> *Remember the country areas, don't just focus on the cities.*
> Singleton, general community

FINAL SUGGESTIONS FOR AUSGRID

IN THEIR WORDS

Work out an option that doesn't penalise some at the expense of others.
Newcastle, general community with direct Ausgrid contact

The average person doesn't always win, and at the end of the day, customers need to know that they are important, they are being heard, and that their needs are being considered because at the moment, with electricity, it doesn't seem to be happening.
Parramatta, general community

Educate business about how to bring down the cost. People have a general idea about it but go into detail, about how to use efficient methods, so really focus on that educational program.
Sydney CBD, SME

Provide longer off-peak times for pensioners.
Gosford, vulnerable

Subsidise local generation & storage of electricity. For example, supermarkets have massive roofs that are wasted but could be harnessed for solar.
Newcastle, early adopters with an interest in batteries

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