CUSTOMERS AT THE CENTRE PHASE TWO: DELIBERATIVE FORUMS

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.

BEST PRACTICE CERTIFICATION MSRO ISO20252 MARKET, OPINION & SOCIAL RESEARCH

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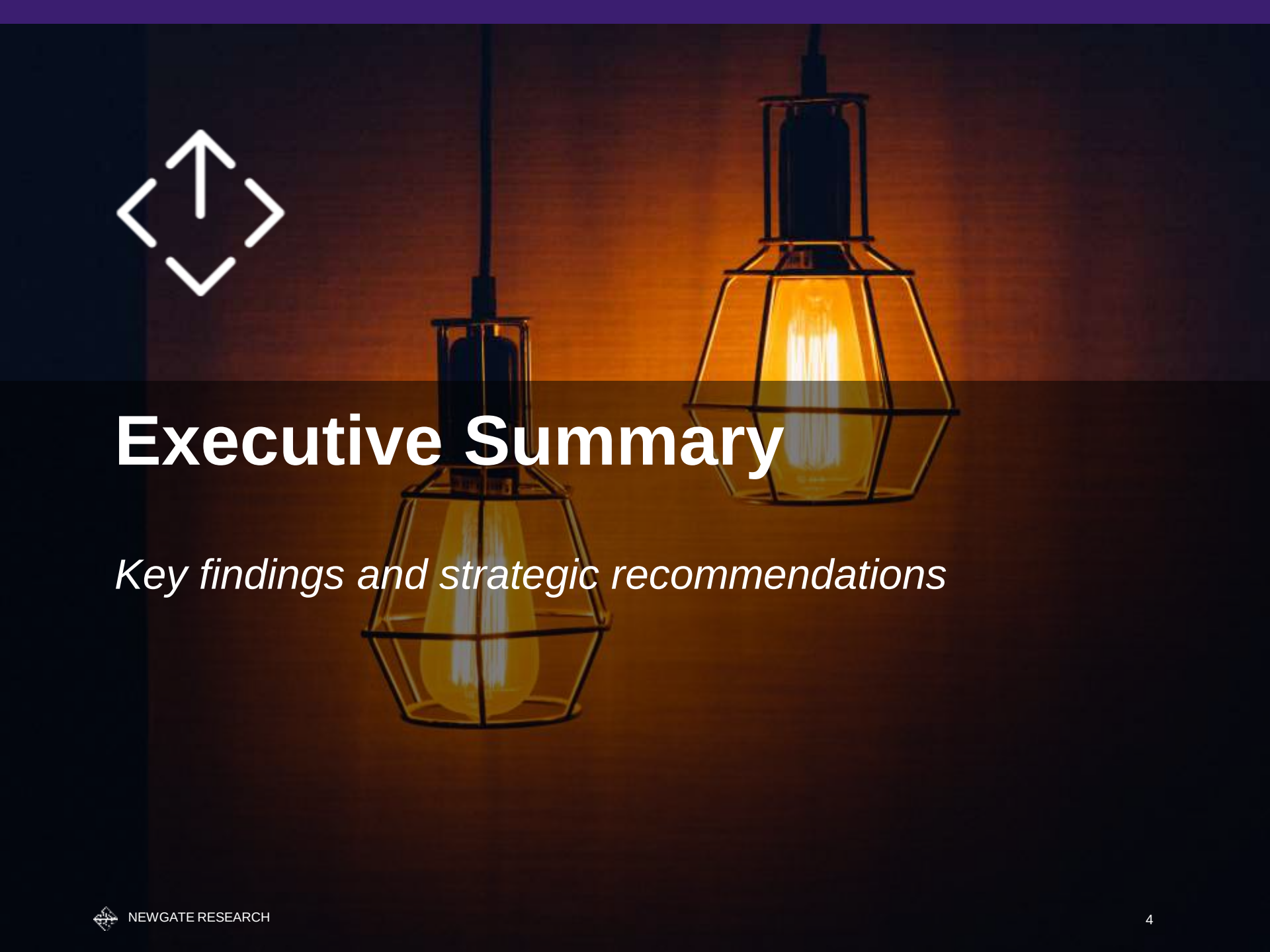


Executive Summary

Key findings and strategic recommendations

KEY FINDINGS

ELECTRICITY ISSUES AND ATTITUDES TO AUSGRID

This report presents results from two four-hour deliberative forums conducted on the 14th and 15th of June, 2017. A total of 80 customers participated in the engagement including 40 from Sydney and 24 from Newcastle and its surrounds. Results from a smaller "test forum" (n=10) conducted a week prior were also included in the analysis. Participants were selected to be broadly representative of Ausgrid's customer base and included specific representation of vulnerable customers and small business owners and managers.

Electricity issues, interests, and concerns

We began the forums with a brief discussion of energy issues, interests and concerns. Consistent with results from the preceding focus groups the strongest top-of mind themes centred on:

- The size of customer's electricity bills (including recent price rises, the effects on elderly and vulnerable customers and a desire for information and support to potentially reduce their bills);
- Interest in and support for the switch to solar and renewables (unprompted) with several looking to network companies to provide leadership in this area (when prompted); and
- Growing uncertainty and concern around future reliability and energy security following a series of recent high-profile network failures in South Australia.

Attitudes to Ausgrid and reactions to information about the company

Although customers were quite interested in electricity issues (especially new technologies) they typically know little about Ausgrid. Overall attitudes to Ausgrid were typically neutral at the start of the forums (rated average of 4.9 out of 10) and few considered it a customer-focussed organisation (rated at 4.6 out of 10).

Responses to a detailed presentation about Ausgrid revealed the attitudinal impact of key facts including:

- That charges and profit margins are regulated by the Government (which assuaged perceptions of "price-gouging"); and
- That Ausgrid is majority owned by AustralianSuper and IFM Investors (which allayed concerns about foreign ownership of Australian infrastructure).

However, it was also apparent that a detailed explanation of the supply chain increased customer concerns, with several surprised by the number of companies who have "fingers in the pie". Some appreciated Ausgrid's efforts on behalf of customers, and noted that Ausgrid should educate customers about their efforts to reduce costs since retailers may ultimately not pass them on to customers.

KEY FINDINGS

EXPECTATIONS FOR LONG-TERM PLANNING AND ATTITUDES TO TARIFF REFORM

Expectations for long-term planning

When asked, customers typically considered a 10-20 year timeframe to be appropriate for Ausgrid's "long-term" planning, although their personal household planning is on much shorter timeframes. Future expectations for Ausgrid as a customer-centric network provider (which are detailed in the previous focus group report) revealed that, in general, customers are looking for a high quality, affordable service and expect active leadership from the industry in the transition to cleaner energy sources.

This is evidenced by 80% of participants feeling that solar customers should be encouraged and even incentivised, and therefore should continue to pay for network access at current rates.

Attitudes to tariff reform and the need for cost-reflective pricing

Almost all participants were supportive of the broad move to cost-reflective pricing when they came to understand its rationale and benefits (i.e. that it could mean less investment in the network and lower bills) and most felt it was a good idea in principle. Some were already modifying their energy usage at different times to save; and the concept of peak and off-peak rates were familiar to most and broadly considered acceptable and fair.

In gauging responses to specific tariff reform options it was apparent that many were driven by the impacts to themselves as customers, but some were motivated by the overall fairness of the proposal.

The perceived outcome is far more important to customers than the details of the pricing structure (which are typically complex and require education to understand). As such, there are several tariff combinations that are acceptable if customers believe they deliver a positive outcome to customers and incentivise reduced energy use.

Seasonal pricing provides an interesting case in point: a simple version presented in the initial focus groups was considered unacceptable because it led to increased seasonal variation in bills. However, in the deliberative forums, a combined tariff option including seasonal pricing and narrow 2 hour peaks was considered highly acceptable because it actually led to less seasonal variation and reduced bills for average users in all customer segments. A narrower peak window meant that the 'peak' was more avoidable and therefore more acceptable.

The primary lenses through which customers evaluate tariff reform options are the motivations and concerns that relate to them directly and these include whether:

- They will pay more or less;
- It will enable them to easily modify their behaviour to save;
- It will compromise their comfort (heating and cooling);
- Their bill will become more or less predictable and variable; and
- Whether they may be "punished" for atypical use.

KEY FINDINGS

ATTITUDES TO INCREASING THE FIXED PROPORTION OF NETWORK TARIFFS AND TIME OF DAY PRICING

Secondary motivations and concerns typically included those related to the broader community as well as the individual and these included whether a tariff reform option:

- Is simple and easy to understand;
- Will reward energy efficiency;
- Is fair for vulnerable customers (assuming the definition is reasonable); and
- Will incentivise the uptake of renewables.

Less important values and concerns that were nonetheless mentioned by some were more likely to be Ausgrid-centric, and these included:

- Whether the proposed changes were fair for Ausgrid;
- If they reflect the costs associated with connecting customers and managing demand in peak times; and
- Whether the proposals impact customers whose reduction in energy consumption will lead to the biggest benefits to the network.

Much of the time in the forums involved deliberation on a set of four potential tariff options and this included an evaluation of their modelled impact on key customer segments (low, medium and high energy users as well as SMEs and solar customers).

Increasing the fixed proportion of network tariffs

This was a reform that made sense to most (i.e. that it is more reflective of Ausgrid's cost structure) although the theoretical benefit to customers was not immediately apparent.

Despite this, participants were typically more accepting of a move to a 50:50 ratio of access to usage fees while a 65:35 ratio was considered too extreme by most. This was partly driven by a concern that increasing the access fee would disincentivise energy conservation among moderate or high users. Support for low-usage vulnerable customers increased the acceptability of the reform significantly, with a $2 annual levy seen as widely acceptable.

Time of day pricing (of various duration)

The concept of time of day pricing was familiar and broadly acceptable, with most seeing an obvious benefit to network cost management and customers more broadly. Participants much preferred a shorter peak period than the current situation (two hours rather than six) as they felt it would give them more control to manage their usage and avoid peak periods. Some said it may be more reflective of the underlying demand profile, as they questioned whether peak periods were sustained across six hours. However, others felt a 3 hour peak may be a better reflection of demands on the network.

The specific hours of the peak period (2-4 pm in our tested scenario) were also an important consideration. Many householders indicated they would either be unaffected / not at home, or able to shift their behaviour. Business customers were most concerned they may struggle to shift their usage, and were interested in potential services and support to assist them with this. Some customers suggested that a 3 hour period staggered across peak business and residential timeframes was an appropriate compromise.

KEY FINDINGS

FURTHER TARIFF OPTIONS, DEMAND MANAGEMENT PROGRAMS AND ATTITUDES TO THE ENGAGEMENT

Seasonal time of use with a narrower peak period

This was the most acceptable of all the tariff options, based on a 2-hour seasonal peak window. This was largely underpinned by the modelling that showed benefits to most typical (i.e. "non-peaky") users as well as the somewhat unexpected result of less variation between summer/winter and autumn/spring. This is in contrast to customer responses in the Phase One focus groups, where seasonal pricing (discussed in isolation of other changes to peak pricing) was not acceptable.

Capacity pricing

This was considered unacceptable and unfair by the vast majority of customers. They worried about the potential for bill shock from single "infrequent mistakes" and the associated lack of control over their bills that this could bring. An average of five peaks in 12 months was only slightly more acceptable than one peak in three months.

Interest in demand management programs

Overall, there was very high interest in four demand management programs that we evaluated. The appeal of these programs centred on:

- Their voluntary nature;
- The immediate financial benefits to participants; and
- The potential long-term benefits (that were readily understood when explained).

The "Opt-in peak time rebates" was the most appealing program, with the highest reported likelihood of participation. The "CoolSaver" and energy appliance rebate programs were also strongly acceptable, with slightly more customers saying they would participate in "CoolSaver" than the appliance scheme.

SME customers were also interested in business rebates with energy efficiency programs considered more appealing than solar rebates due to their perceived simplicity and more immediate benefits, including:

- Less capital outlay,
- Fewer issues with strata and property management, and
- Less uncertainty about future Government policies.

Responses to the deliberative forum and its effect on attitudes to Ausgrid

Responses to the engagement process were very positive. When asked, 87% of participants rated it as "excellent" or "very good". The forums also had a significant positive effect on rated average attitudes to Ausgrid (measured at the start and end of the forum) including:

- "Overall attitudes to Ausgrid" increasing from 4.9 to 7.3;
- Belief that Ausgrid is "customer focussed" increasing from 4.6 to 7.1; and
- Belief that Ausgrid is "listening to customers" increasing from 4.8 to 6.9.

INITIAL RECOMMENDATIONS FOR THE DEVELOPMENT OF AUSGRID'S TARIFF REFORM PROPOSAL

Ausgrid's final tariff reform proposal will be informed by the forthcoming quantitative survey and advanced analytics as well as external factors that are beyond the scope of this deliberative engagement. At this interim stage however we suggest that an acceptable tariff reform package that would be consistent with customer expectations of Ausgrid could involve:

1. **An increase in the fixed proportion of network tariffs** to 50:50 ratio with a modest annual levy on other users ($2 or $5) to minimise the impact on vulnerable low usage customers;
2. **Time-of-day pricing with a narrower peak** and higher peak usage rate; and
3. **Consideration of seasonal pricing** as part of the mix (assuming that it involves narrow peaks leading to a reduction in seasonal variability, and benefits most typical "non-peaky" users).

A final reform package should also ensure there are **measures** in place to encourage energy efficiency and the transition to renewables to maximise benefits for customers and the network.

Ausgrid should also consider increasing its implementation of demand management programs due to the strong levels of interest and appeal.

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. The Customers at the Centre project was designed to provide the insight and data Ausgrid needs to fully understand and measure the customer perspective.

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

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

This report details the latest findings from the Customers at the Centre project, specifically the Phase Two Deliberative Forums. Following the Phase One Focus Groups, there were two deliberative forums with Ausgrid customers, where a series of tariff reform options were presented and deliberated on. The findings will inform, and integrate with, the other phases of the Customers at the Centre program.

Objectives

The main objectives of the deliberative forums were to:

- Identify customers' awareness of and expectations about Ausgrid's long-term focus;
- Understand customers' long-term needs and expectations;
- Educate customers about Ausgrid's role, its current challenges, and plans, e.g. the move towards cost-reflective pricing;
- Explore customers' overarching attitudes to cost reflective pricing and tariff reform;
- Understand customer attitudes towards changing the fixed vs usage proportions of the network component of their bills;
- Deliberate on several different options for managing peaks in network demand.

A secondary aim of the deliberative forums was to understand customers' broader attitudes to Ausgrid including their perception of Ausgrid's overall reputation, and whether the engagement process – having given customers access to much more information than they would usually have – altered these perceptions.

PHASES OF THE CUSTOMERS AT THE CENTRE PROJECT

THIS REPORT PRESENTS RESULTS FROM PHASE TWO

0 INCEPTION WORKSHOP	1 FOCUS GROUPS	2 DELIBERATIVE FORUMS	3 QUANTITATIVE SURVEY	4 ADVANCED ANALYTICS
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.	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	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	Scheduled survey among a representative sample of Ausgrid's customer base (n=2400) including a sample of SMEs and a sample of vulnerable customers.	Examining trade offs and propensity to pay, and using choice modelling to gain greater insight around optimal tariff structures.
Completed	*Completed*	***Completed & presented in this report***	*TBC in September 2017*	*TBC later in September 2017*

METHODOLOGY

- This report is based on two four-hour deliberative forums with Ausgrid customers conducted on 14-15 June, 2017. Each forum comprised three to five tables of seven to nine respondents who were drawn from a variety of customer segments. Results from a smaller “test forum” conducted a week prior were also included in the analysis.
- Residential participants were incentivised $250 while business participants were incentivised $400 in line with standard market research practices. The table below summarises the composition of each forum.

LOCATION	TABLE / SEGMENT	NUMBER OF PARTICIPANTS
Newcastle 14th June 2017	Low-mid SES	8
	Mid-high SES	9
	SMEs	8
Sydney CBD 15th June 2017	Younger (18-40yrs)	9
	Older (40-70yrs)	9
	Early adopters	9
	Vulnerable	9
	SMEs	9
Sydney CBD Test Forum 7th June 2017	Mixed	10
	TOTAL	80

CUSTOMERS AT THE CENTRE: DELIBERATIVE FORUM PROCESS

Context, issues, and expectations for Ausgrid's long-term plans

ENERGY ISSUES, INTERESTS AND CONCERNS

COST AND MOVING TOWARDS RENEWABLES WERE THE STRONGEST UNPROMPTED ENERGY THEMES REPORTED BY CUSTOMERS

We began the forums with a brief discussion of energy issues, interests and concerns. Consistent with results from the preceding focus groups the strongest top-of mind themes related to:

- **The size of customer's electricity bills** including recent price rises and concerns for future increases, the effects on elderly and vulnerable customers and a desire for information and support to potentially reduce their bills.
  - Some attributed price rises to privatisation or energy networks "selling off" their assets to overseas companies, although most were unsure what forces were driving them.
  - Many customers in the forums had already implemented behavioural changes to reduce electricity costs by minimising usage of high-consumption appliances (e.g. air conditioning) or switching to more efficient light bulbs.
- **Interest in and support for the switch to solar and renewables.** Many participants had or aspired to get solar although some noted that solar (and batteries in particular) are presently too expensive and that solar feed-in tariffs have been reduced.
  - It was also apparent that customers are expecting leadership on renewables from the energy industry, including network providers, and this was also identified as a core expectation for acting in the "long-term interests of customers".
- **Growing uncertainty and concern around future reliability and energy security** following a series of recent high-profile network failures (e.g. in South Australia) and responses from Governments to "sort out the problem". For some this emphasised the importance of coal in providing base-load power and raised questions about the ability of renewables to do this.
- Other issues raised less frequently included retail issues (bills, retail competition, overseas call centres and aggressive behaviour amongst retailers), gas shortages due to exports, Government sale of energy assets and aging infrastructure.

They were relying on green energy… South Australia had no back up, it was all renewable energy.

Newcastle, low-mid SES.

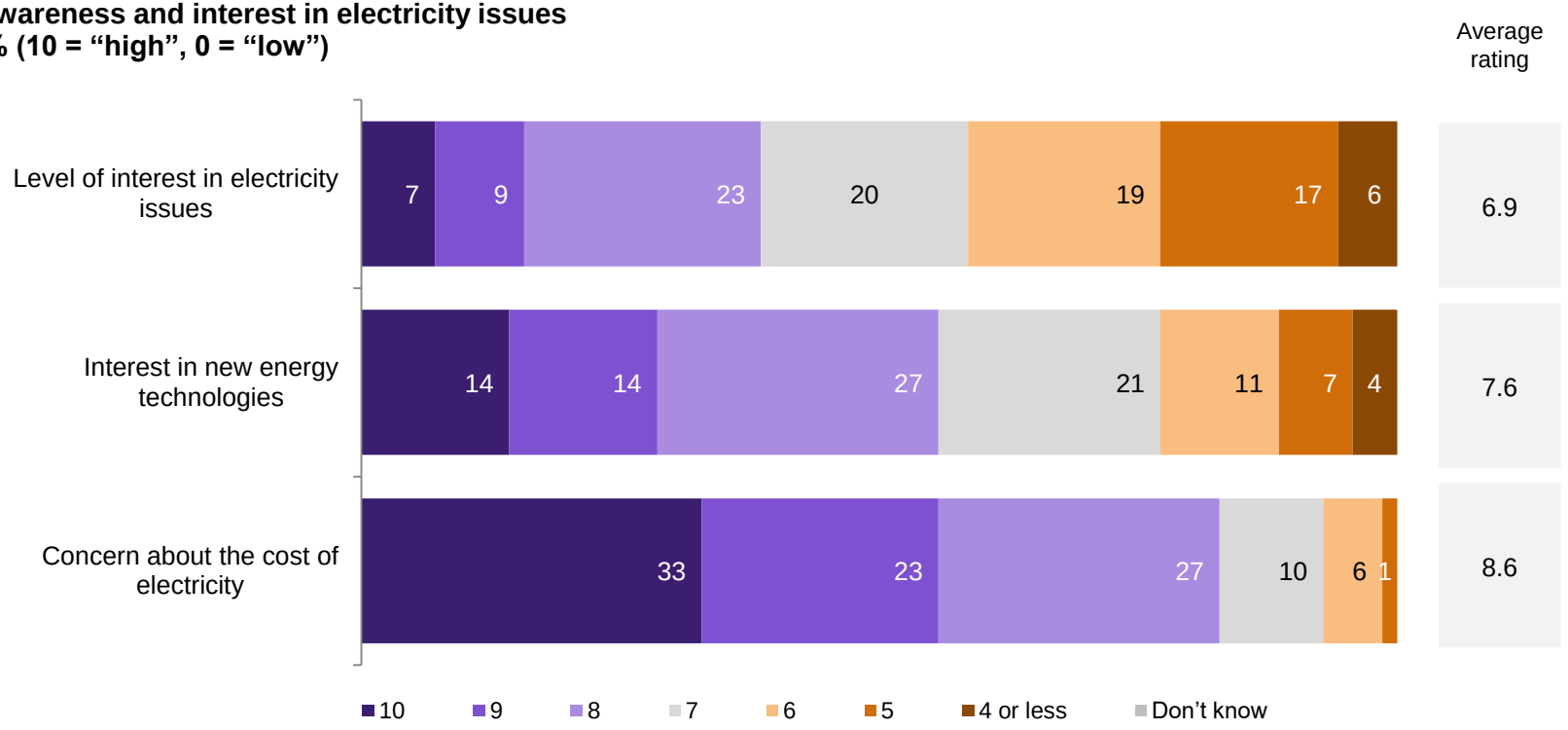
I would love to put solar on my roof. But it's really expensive. If subsidies are available, it would be good to get solar and even feed into the grid.

Sydney, older customer.

ATTITUDES TO ELECTRICITY AT THE START OF FORUMS

CUSTOMERS ARE QUITE INTERESTED IN ELECTRICITY ISSUES WITH A PARTICULAR FOCUS ON COSTS AND NEW TECHNOLOGIES

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



Q5. Please rate your level of interest and concern in the following. Base: All participants (n=70)

KNOWLEDGE OF AUSGRID AND RESPONSES TO INFORMATION

CUSTOMERS WERE REASSURED BY INFORMATION ABOUT GOVERNMENT REGULATION AND AUSGRID'S PART OWNERSHIP BY SUPER COMPANIES

- While virtually all customers had heard of Ausgrid, most had only a cursory understanding of its roles, responsibilities and position in the supply chain. They typically had limited knowledge of its regulatory or ownership structures, or the network contribution to overall bills.
- Responses to a detailed presentation about Ausgrid revealed the attitudinal impact of several key facts about Ausgrid including:
  - That charges and profit margins are regulated by the Government (which assuaged perceptions of “price-gouging”); and
  - That Ausgrid is partly owned by AustralianSuper and IFM Investors (which allayed concerns about foreign ownership of Australian infrastructure).
- However, it was also apparent that a detailed explanation of the supply chain increased perception of poor value with several surprised by the number of companies who all have “fingers in the pie”.
  - Some wonder why retailers even exist and several noted that Ausgrid should educate customers about their efforts to reduce costs since retailers may ultimately not pass these reductions through to customers.

I was interested in who owns it… I’m with AustralianSuper so that gives me reassurance.

Newcastle, low-mid SES.

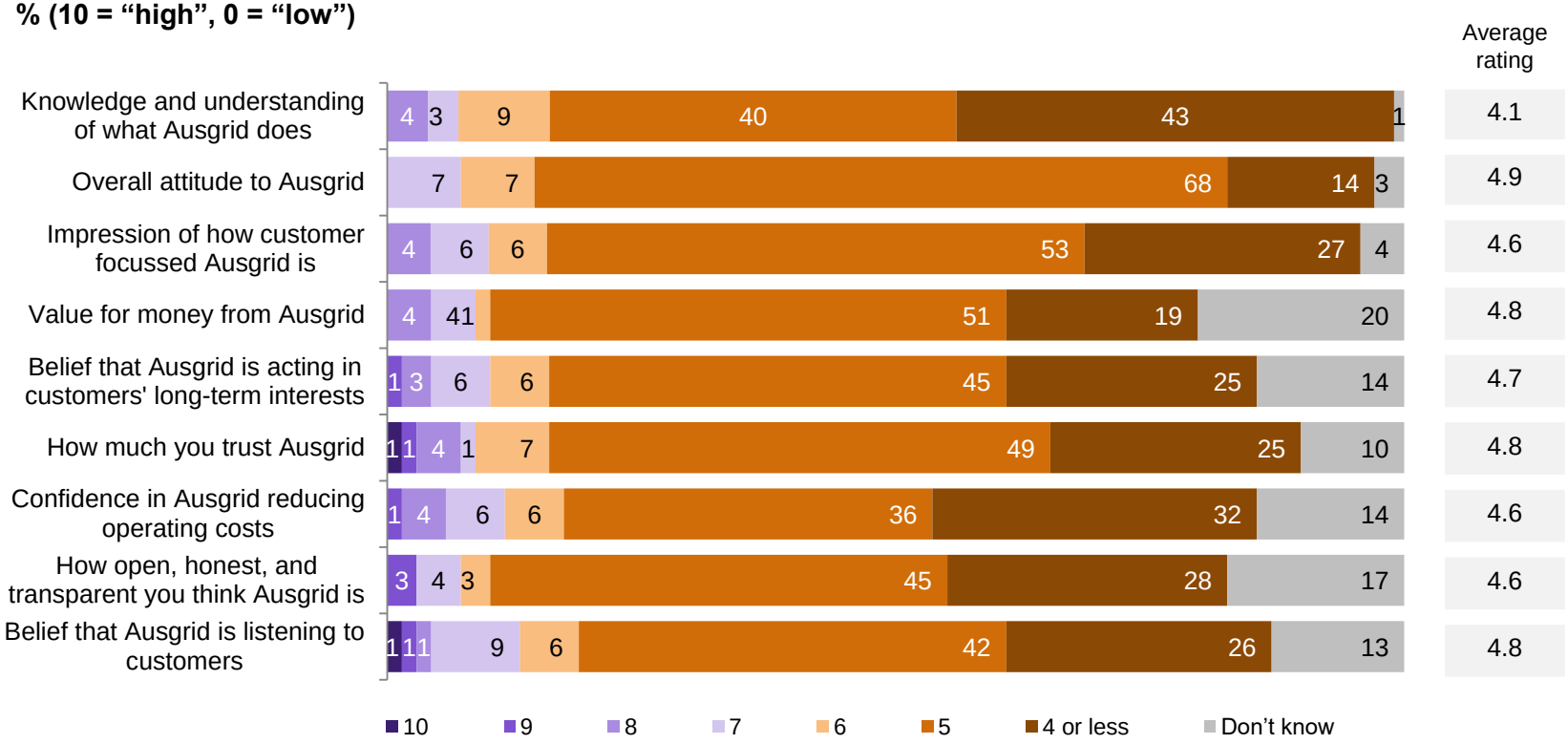
I think they should focus on how they deliver their savings to end users and how that saving is being passed on.

Newcastle, SME.

ATTITUDES TO AUSGRID AT THE START OF FORUMS

OVERALL ATTITUDES TO AUSGRID WERE TYPICALLY NEUTRAL WITH ONLY A SMALL PROPORTION BELIEVING IT IS CURRENTLY CUSTOMER FOCUSSED

Knowledge and attitudes to Ausgrid
% (10 = "high", 0 = "low")



Q5. How would you rate Ausgrid on the following. Base: All participants (n=70)

EXPECTATIONS FOR AUSGRID'S LONG-TERM PLANNING

COST, RENEWABLES, RELIABILITY, SAFETY AND EDUCATION WERE KEY THEMES

How long is "long-term"?

- When asked, most participants considered a 10-20 year timeframe to be appropriate for Ausgrid's "long-term" planning (occasionally 5 or 30 years).
- In contrast the concept of "long term" from the perspective of their households was shorter (typically between 3-10 years). For some, housing was an important dimension in planning.

What are the "long-term interests of customers"?

The following strong themes emerged from discussions about what Ausgrid should focus on to best meet the long-term interests and needs of customers.

1. **Price management:** Customers want energy prices to stabilise or decrease, and this was their top priority for Ausgrid being customer-focussed.
2. **Renewables and new energy technology**: Most participants also believed that Ausgrid should be actively involved in the shift to renewable energy sources, and should be investing in and potentially subsidising new energy technologies (e.g. solar and battery storage). This perspective also informed their responses towards demand management proposals and tariff reform proposals (discussed in more detail later in this report).
3. **Reliability:** is a fundamental expectation and this was a concern for some, particularly those from Sydney's North Shore who had experienced recent extended blackouts.
4. **Safety:** was seen as essential although not something that most think about on a day-to-day basis. Some were pleasantly surprised by Ausgrid's focus on safety (which the first presentation identified as Ausgrid's top priority) and believed that this should be a continued point of emphasis.
5. **Education:** A smaller number of participants also felt that Ausgrid should focus more on educating the public about their responsibilities and to provide information on how they could save money on their bills.

> *We might move every 5-7 years … so that's our long-term.*
>
> Newcastle, low-mid SES.

> *We don't want corners cut to reduce cost, safety is essential.*
>
> Newcastle, mid-high SES.

Pricing and tariff structures

ATTITUDES TO COST REFLECTIVE PRICING AND SMART METERS

MOST SUPPORT THE MOVE TO MORE COST-REFLECTIVE PRICING ONCE IT IS EXPLAINED TO THEM

Cost reflective pricing

- Many customers were naturally suspicious when pricing was discussed, and initially thought this would inevitably lead to increased bills.
- Explanation that this change would be 'revenue neutral' to Ausgrid allayed the concerns of the majority (but not all) who were sceptical about its impact on bills.
- Virtually all participants were supportive of the broad move to more cost-reflective pricing when they came to understand the rationale and benefits of it (i.e. that it could mean less investment in the network and lower bills) and most felt it was a good idea in principle.
- Several were already modifying their energy usage at different times to save and the concept of peak and off-peak rates were familiar to most and typically considered acceptable and fair.

I'm impartial about it, I'm not swayed either way.

Newcastle, SME.

I think it's fair that the access fee reflects more of what it costs for Ausgrid.

Newcastle, SME.

Smart meters

- Customers did not have strong preconceived views on smart meters but were also largely unaware of their benefits before these were explained to them.
- Accordingly, it will be important to communicate their benefits (i.e. no estimated bills, more control and real-time monitoring, and support for renewables) to avoid potential community backlash regarding installation costs. A couple of participants mentioned possible health concerns such as increased electro-magnetic frequencies.

CUSTOMER MOTIVATIONS AND CONCERNS UNDERPINNING THE ACCEPTABILITY OF TARIFF OPTIONS

CUSTOMER OUTCOMES ARE FAR MORE IMPORTANT THAN SPECIFIC PRICING STRUCTURES

- Customer reactions to specific tariff reform options are driven primarily by their underlying motivations and concerns and motivations around electricity services.
- **The perceived outcome in terms of impacts on their bills is far more important to customers than the details of the pricing structure (which are typically complex and require education to understand). As such, there are several tariff combinations that are acceptable if customers believe they deliver a positive outcome to customers and incentivise reduced energy use.**
- Seasonal pricing provides an interesting case in point: a simple version presented in the initial focus groups was considered unacceptable because it led to increased seasonal variation in bills. However, in the deliberative forums, a combined tariff option including seasonal pricing and narrow 2-hour peak periods was considered highly acceptable because it actually led to less seasonal variation and reduced bills for customers with an average energy usage pattern in all customer segments.
- The following slides outline the motivations and concerns underpinning the acceptability of tariff reform proposals.

CUSTOMER MOTIVATIONS AND CONCERNS UNDERPINNING THE ACCEPTABILITY OF TARIFF OPTIONS

PERSONAL PRICE IMPACTS AND THEIR ABILITY TO MODIFY BEHAVIOUR ARE AMONGST THE STRONGEST MOTIVATORS

The primary lens through which customers evaluate tariff options is the motivations and concerns **that relate to them personally** and these include:

- **Whether they will end up paying more or less.** This is the most important determinant of tariff acceptability and is far more salient than the specific details of costing structures related to constituent parts of their bills.
- **Whether it will enable them to easily modify their behaviour to save** which was a key reason for the support for a shorter peak daily period with a higher usage rate. This also underpinned the broad support for demand management programs that incentivised behaviour change and a sense of personal control.
- **If it will compromise their comfort (heating and cooling)** with several noting that they need to use electricity on particularly hot and cold days and that it is the reason for purchasing air conditioners and heaters in the first place.
- **Whether their bill will become more or less predictable and variable.** Customers are seeking control over and predictability in their expenses. They are concerned about unexpectedly high bills they haven't anticipated and are looking for less variability (e.g. between seasons).
- **Whether they may be "punished" for atypical use.** Similarly, customers believe it is unfair to be charged on the basis of one-off events that may not reflect their typical usage and this underpins their strong opposition to capacity pricing.

> *They should flat-line it out so you know what your bill is going to be each time… The most important thing for customers is being able to pay the bill and knowing what to expect, so ironing out the peaks is really important.*
>
> Newcastle, low-med SES.

> *If it's a hot summer day, we'll have the aircon on. It's as simple as that.*
>
> Newcastle, low-med SES.

CUSTOMER MOTIVATIONS AND CONCERNS UNDERPINNING THE ACCEPTABILITY OF TARIFF OPTIONS

SECONDARY MOTIVATIONS ARE MORE LIKELY TO RELATE TO THE BROADER COMMUNITY

Secondary motivations and concerns include those that related to the broader community and the individual and these include whether a tariff reform option:

- **Is simple and easy to understand:** including whether customers can clearly see how the changes would impact their bill as well and the associated ease with which they could shift their behaviour. For example some felt that a complex seasonal tariff or capacity pricing proposal would be harder to communicate to the broader community and would therefore be less effective in shifting behaviour.
- **Will reward energy efficiency:** with several noting, for example, that an increase in the fixed proportion of network tariffs (in isolation) would counterintuitively reward those who use more energy.
- **Is fair for vulnerable customers:** There was strong belief that vulnerable customers should be protected from price rises although several raised questions about how you define "vulnerable" and noted that many working families are also struggling to make ends meet.
- **Will it incentivise the uptake of renewables:** which was seen as being an important thing to encourage and promote.

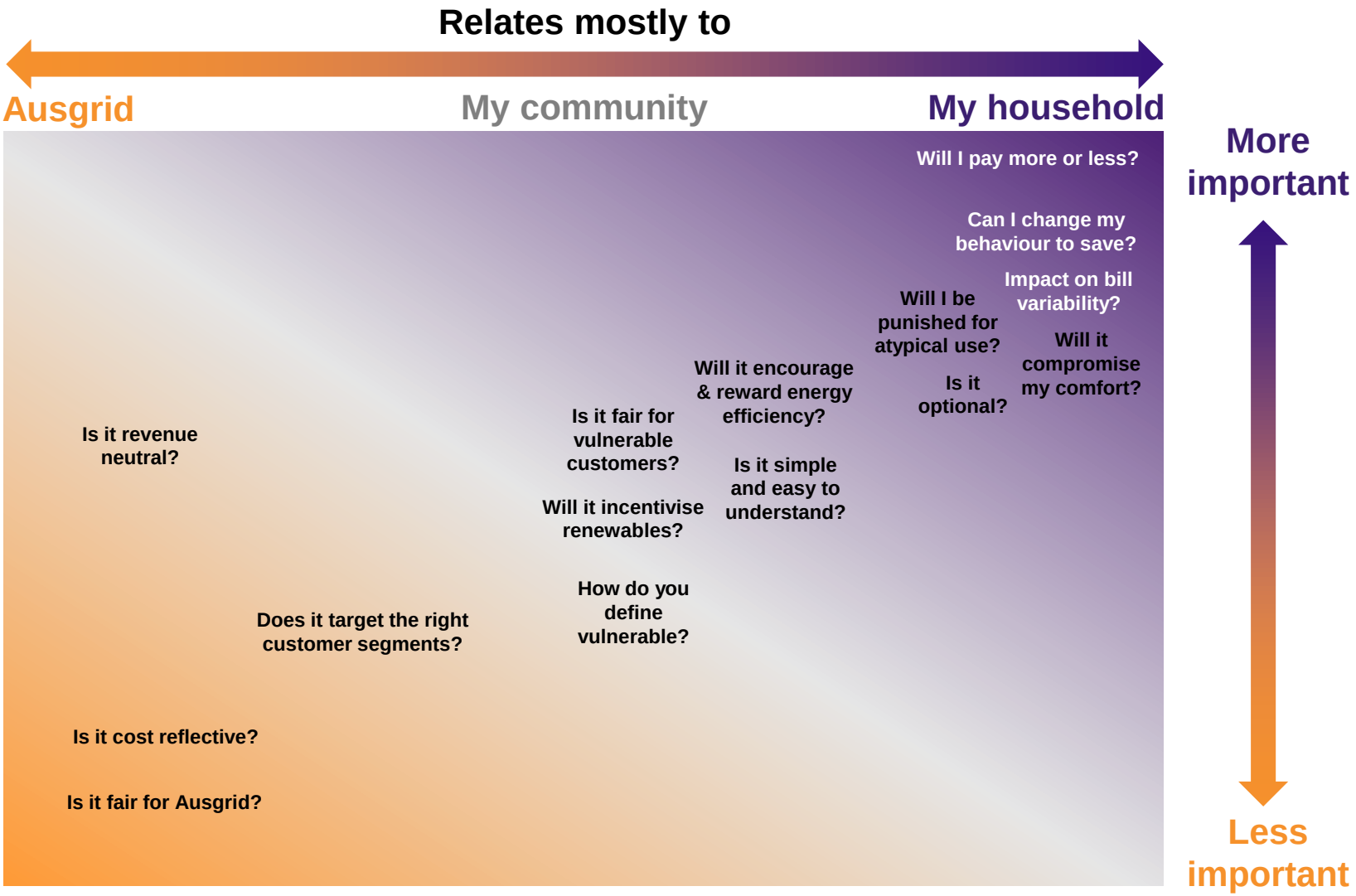
> *You go and you read something, you've got no idea what it means by the time you finish it… talking to someone on our level is important*
>
> Sydney, older customer.

Less important motivations that were nonetheless mentioned by some were more likely to be Ausgrid-centric, and these included:

- **Whether it is fair for Ausgrid:** which was a concern for a few (after they had been fully briefed on Ausgrid's issues);
- **If it is "cost reflective":** which some considered important in the context of the forum;
- **Whether it targets the appropriate customers:** (i.e. those whose behaviour change will lead to the biggest benefits to the network); and
- **Is it revenue neutral:** which in combination with regulation was reassuring to participants.

> *From a business perspective, you have to do what you have to do.*
>
> Sydney, older customer.

PERCEPTUAL MAP OF THE MOTIVATIONS AND CONCERNS UNDERPINNING TARIFF ACCEPTABILITY



TARIFF PROPOSALS EVALUATED IN THIS SECTION

TARIFF PROPOSAL	DESCRIPTIONS
Changing the fixed/variable proportion of the network part of bills **With and without support for vulnerable customers**	Changing the network part of the bill so the fixed access charge is 50% (or 65%) of the total. The variable usage component would then be 50% (or 35%), down from 80%. This is similar to water services where the fixed access fee is typically around 65% of the bill. Low-use customers would pay slightly more for their bills, while high use customers would pay slightly less. Ausgrid is considering providing support for vulnerable low-use customers through a $2 / $5 / $10 yearly levy on all other customers.
Time of day pricing (6 and 2 hour peaks)	Customers would be charged more for usage in peak times, and less in shoulder and off-peak times. The peak period could be longer and charged at a lower rate (current 6 hour peak), or shorter and charged at a higher rate (proposed 2 hour peak).
Seasonal time of use pricing combined with narrow 2 hour peak	Only charging peak rates in summer and winter, when demand on the system is higher. This would be combined with a narrow 2 hour peak period. For customers with an average usage profile, bills in summer and winter would be slightly lower than they currently are, and bills in autumn and spring would be slightly higher (as the shoulder period is longer).
Capacity pricing	Part of the network charge would be determined by the point of maximum peak demand in a half hour period. This could be calculated as just 1 event where highest ‘peak demand’ occurred in the last 3 months, or as the average of the 5 highest ‘peak demand’ events in the past 12 months.

EXAMPLE OF MODELING PRESENTED TO PARTICIPANTS

MODELING ILLUSTRATED THE EFFECTS OF TARIFF REFORM ON AVERAGE BILLS FOR A RANGE OF CUSTOMERS

Pricing proposal 1 – Higher fixed and lower usage charges

	Low	Medium	High	Solar	SMEs
Current cost (2017)	$1,154	$1,710	$3,065	$2,258	$3,647
Proposal (2024)					
• Higher fixed	$1,293	$1,710	$2,905	$2,241	$3,416
• Lower usage					
CHANGE (over 5 years)	**$139 increase (+12%)**	**No change**	**$160 decrease (-5%)**	**$16 decrease (-1%)**	**$231 decrease (-6%)**
Actual cost to Ausgrid	$1,854	$1,950	$2,050	$2,046	$2,839

This reflects a change in the network access/use proportions within your bill, rather than increasing or decreasing prices overall

35

INCREASING THE FIXED PROPORTION OF NETWORK TARIFFS

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

Overall reaction

This reform was well understood by most customers, although its theoretical benefits (both to Ausgrid and customers) were not immediately apparent and needed to be explained. Participants were generally accepting of a 50:50 ratio of fixed to variable costs although support for a 65:35 ratio was much lower. The potential for this pricing proposal to increase costs for low-use customers and to disincentivise energy saving behaviour in high users was noted. Support for low-usage vulnerable customers increased the acceptability of the reform, with a $2 annual levy on other customers seen as an acceptable way to fund the support provisions.

Positive reactions

- User-pays makes sense and seems fair, especially among SME customers.
- It's simple and easy to understand.
- Fair for Ausgrid to better reflect their business costs.
- A rebate protecting vulnerable customers is a good idea and most are prepared to pay a little more for this.

Questions and concerns

- Increased costs for low-energy users.
- Will it encourage more electricity use (counterintuitive to sustainability and demand management).
- Unfair to those who choose to use less and those who are rarely or intermittently at home.
- Unfair to solar users who are feeding back to the grid.
- How will "vulnerability" be defined? (i.e. would help only be given to those in genuine need?)

I think it's fair that the access fee reflects more of what it costs.

Newcastle, SME.

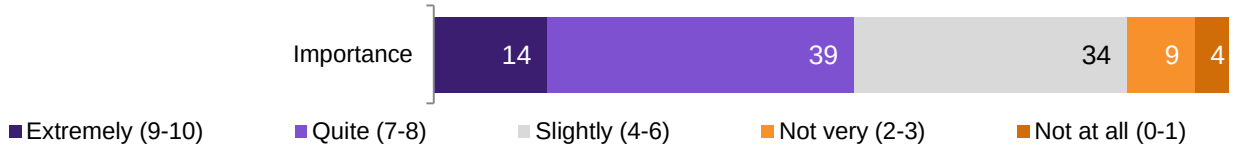
I'm a low user and go out of my way to conserve and I would be penalised.

Sydney, older customer.

INCREASING THE FIXED PROPORTIONS OF NETWORK TARIFFS

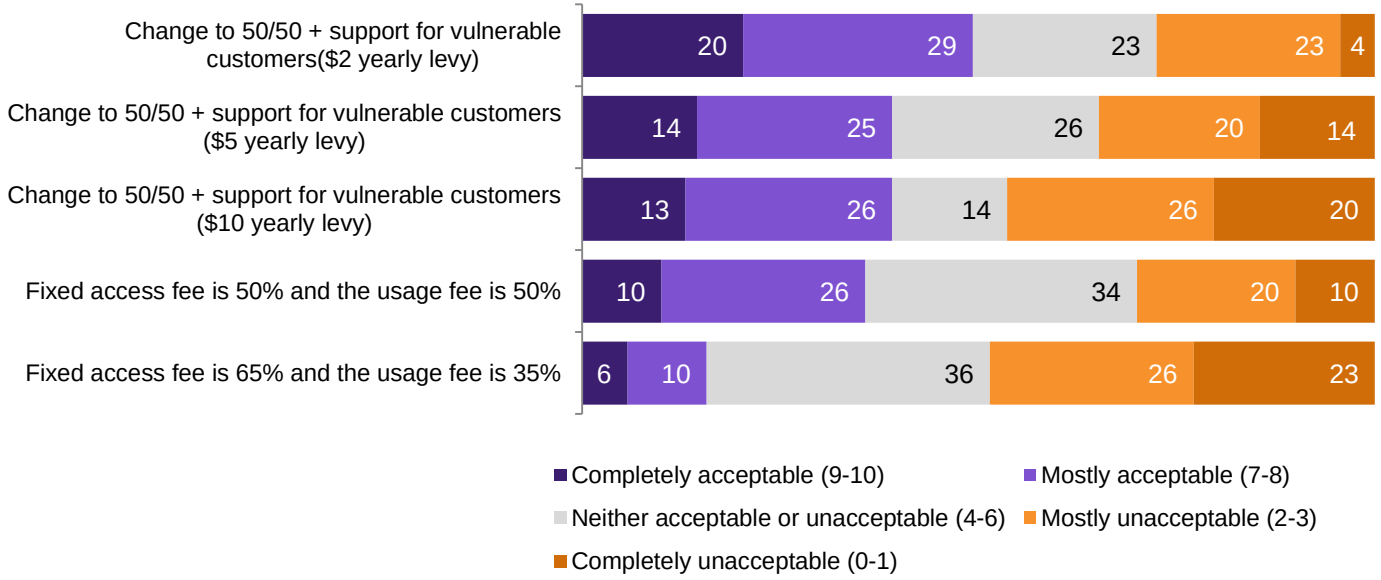
QUANTITATIVE METRICS

Importance of increasing the fixed proportion of bills (%)



Average rating
6.2

Acceptability of increasing the fixed proportion of bills (%)



Average rating
5.9
5.2
4.7
5.1
3.8

Q6. How important to you is the idea of changing the structure of your electricity bill so the fixed access component is higher (to 50%) and the usage fee is lower by a similar amount? Q7. How acceptable are the following pricing structures to you? Base: All participants (n=70)

TIME OF DAY PRICING

A NARROWER 2 HOUR PEAK CHARGED AT A HIGHER RATE WAS PREFERRED TO THE CURRENT 6 HOUR PEAK WINDOW

Overall reaction

Customers found time-of-day pricing to be generally acceptable, and understood the benefits to network costs and customers more broadly. They preferred shorter 2 hour peak periods to the current scenario (6 hour peaks at a lower rate) as they felt this would give them more control over their usage. The specific hours of the peak period were an important consideration, and customers were more prepared to accept an earlier peak time (e.g. 2-4pm) – although some reported that later peak periods (e.g. 4-6pm) were a good compromise between the needs of business and residential users. Participants had mixed reactions to the relationship between 2 hour peak periods and the underlying network demand profile. Some suggested that a 3 hour peak window would also be acceptable (depending on the time) as it could still be avoided, but may better reflect network demands. Where the defined peak period becomes 4 hours or more, it becomes more difficult to avoid and, therefore, there is much less motivation for trying to change behaviour.

Positive reactions

- Simple and easy to understand and communicate.
- Good that peak periods don't apply on weekends.
- Familiar and comfortable with this approach.
- Predictable and year-round which can support the development of consistent usage habits.

Questions and concerns

- 6 hour peak window seems too broad and makes it harder to avoid peak periods.
- Will it disadvantage families and those who can't shift their consumption?
- Will a 2-hour peak from 2-4pm increase costs for businesses and will they then pass these costs on to consumers?

> *I like it, I think it's very logical, and the two hour peaks are easier for people to change.*
> Sydney, rotating station discussions.

> *5-7pm is a critical time. People are cooking and heating their homes. If you make the peak when they cannot change then it will be hard.*
> Sydney, rotating station discussions.

SEASONAL TIME OF DAY PRICING COMBINED WITH A SHORTER PEAK

HIGH ACCEPTABILITY WAS BASED ON REDUCED VARIABILITY IN QUARTERLY BILLS AND BENEFITS TO CUSTOMERS WITH TYPICAL USAGE

Overall reaction

This was the most acceptable of all tariff pricing proposals, although it was only slightly more acceptable than simple time-of-day pricing with a 2-hour peak. Acceptance was underpinned by the modelling which showed that typical "non-peaky" customers across all segments would benefit from reduced prices as well as the (somewhat counterintuitive) outcome of reduced seasonal variability in bills. However, it was considered complex and some were confused about the mechanics of it regardless of how it was explained.

Positive reactions

- Reflects the actual load profile and could (potentially) bring down network costs.
- Minimises potential bill shock by reducing seasonal variability in bills.
- Encourages energy conservation which is good for the environment.
- All average "non-peaky" customers benefit.

Questions and concerns

- Impacts on customers who can't shift their usage out of peak times? Will their bills be larger in summer and winter?
- Complex to understand and implement. Will there be education costs to implementing this option?
- Will the seasonality make it harder for people to develop sustainable consumption habits and routines?
- Will it disincentivise energy saving in the seasons without peaks?

I feel like this is the fairest way to charge people compared to the load they actually place on the system.

Sydney, rotating station discussions.

If it is just two seasons of the four you're going to be less likely to change your behavior because it's not year around.

Sydney, rotating station discussions.

CAPACITY PRICING

WAS THE LEAST ACCEPTABLE OF ALL TARIFF PRICING PROPOSALS

Overall reaction

Capacity pricing was the least acceptable of all presented pricing proposals. It was considered unfair because it penalises customers retrospectively for infrequent 'mistakes', and customers were worried about the potential for bill shock and a lack of control over their bills. More frequent peak averaging and the exclusion of holidays and weekends made it slightly less unacceptable, but it was still disliked. The fact that it is currently applied to medium to large businesses also made some people think it may not be appropriate for residential tariffs.

Positive reactions

- Not many at all.
- When understood, a few thought it would raise awareness of energy issues, even out peaks, and potentially minimise blackouts.
- Business users were somewhat more neutral towards capacity pricing than residential customers – reflecting their economic sophistication and support for the principle of user-pays.

Questions and concerns

- Penalises you for infrequent mistakes and does not reflect general consumption habits.
- Penalises you retrospectively and for too long.
- Provides no incentive for behavioural change after you have been penalised for a past peak.
- Difficulty controlling others in your household (e.g. flatmates in share houses and children).
- Is unpredictable (could cause bill shock).
- Complex and difficult to understand.

I don't think it would meet customer expectations or would make for a good customer experience.

Newcastle, rotating station discussions.

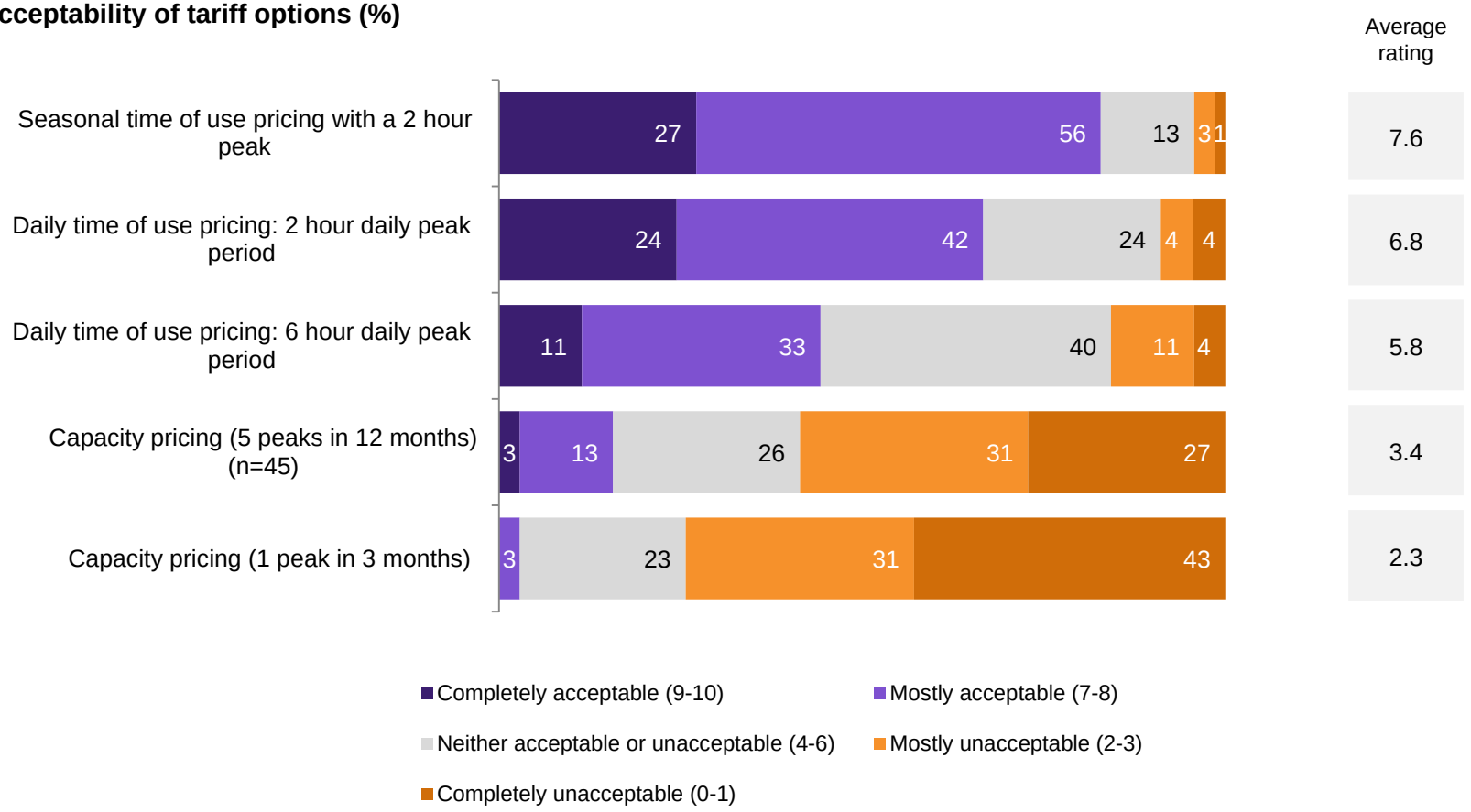
Complex, punitive and prone to confusion for customers.

Sydney, rotating stations discussions.

ACCEPTABILITY OF "DEMAND-BASED" TARIFF OPTIONS

QUANTITATIVE METRICS

Acceptability of tariff options (%)

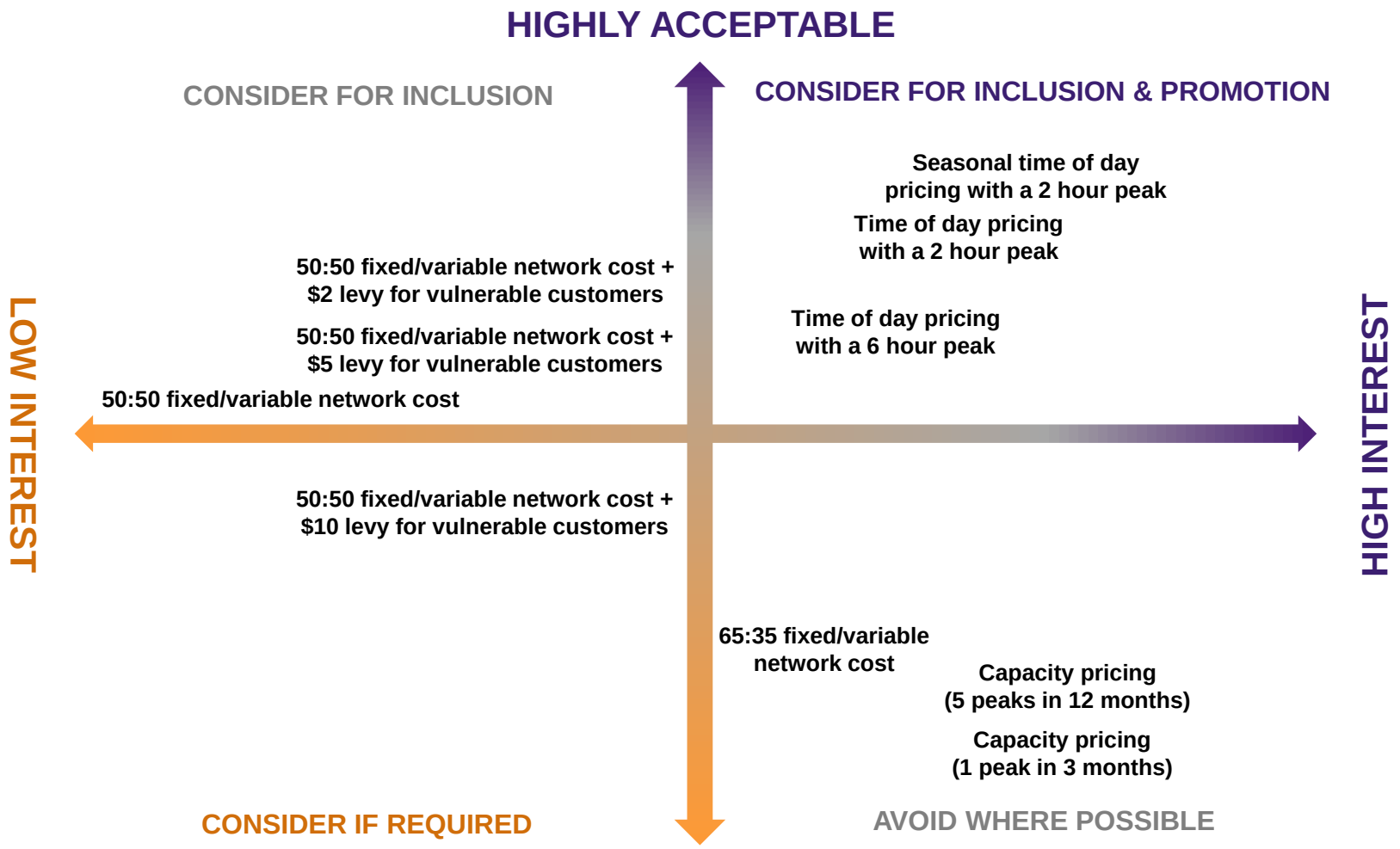


Q8. How acceptable are the following pricing structures to you? (Please circle for each one)

Base: All participants who responded (n=70 except where noted)

SUMMARY OF TARIFF PRIORITIES

BY RELATING ACCEPTABILITY AND INTEREST WE CAN PRIORITISE OPTIONS FOR TARIFF REFORM



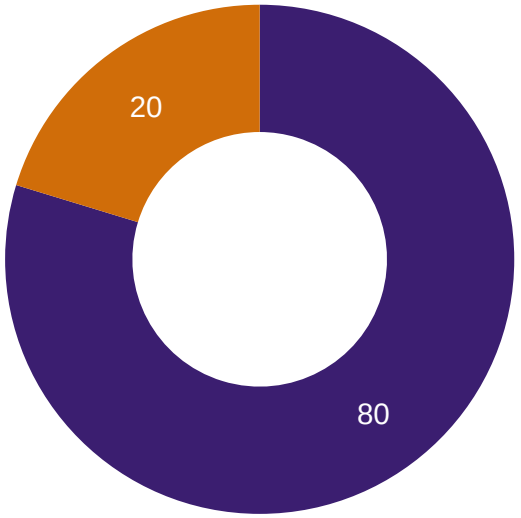
Expectations for solar customers and attitudes to demand management programs

EXPECTATIONS FOR SOLAR CUSTOMERS

THERE WAS A STRONG BELIEF THAT SOLAR CUSTOMERS SHOULD BE INCENTIVISED AND SHOULD THEREFORE CONTINUE TO PAY THE NETWORK CHARGE AT CURRENT RATES

- Customers strongly felt that solar users should be recognised and rewarded for their investment in and contribution to the grid, especially given the reduction in solar feed-in tariffs. For this reason, the clear majority (80%) of participants felt that solar customers should continue to pay for network access at current rates.
- In practice, this means that solar customers effectively receive a subsidy from non-solar customers in terms of network charges. This issue will be explored in more detail in the upcoming quantitative survey to be conducted in Phase Three of the Customers at the Centre research program.
- Most were also interested in and supportive of an increase in renewables and associated solar and battery technology. They felt that solar use should be actively encouraged and potentially incentivised, even by those who could not adopt it for practical (e.g. renting) or financial reasons.
- As noted earlier most also felt that Ausgrid should be involved and demonstrating leadership in the move towards renewable energy.

Attitudes to network fees for solar users (%)

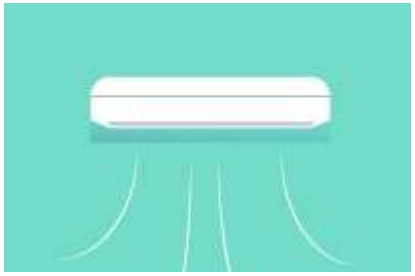


- Solar customers should pay the same for their network fixed charge as they do now and should continue to be treated like other customers.
- Solar customers should pay more for their network fixed charge than they do now because they benefit from the network and it is unfair for other customers to pay more

Q9. Solar electricity customers typically pay lower network charges than they otherwise would because their electricity usage from the network is lower. Which of the following best represents your views about how solar customers should be charged for the network part of their electricity bills?
Base: All participants who responded (n=69)

OVERARCHING ATTITUDES TO OPT-IN DEMAND MANAGEMENT PROGRAMS

HIGH INTEREST AND STRONG SUPPORT AMONGST CUSTOMERS



- Residential and SME customers strongly supported opt-in demand management programs. The appeal of these programs was based on:
  - their voluntary nature,
  - the perceived generosity of the associated financial incentives, and
  - the degree of personal choice and behavioural control they brought.
- Customers were generally quick to recognise the immediate financial and environmental benefits of these schemes, and also readily understood the potential long-term network benefits when these were explained.
- As shown in the following slides there was also a high proportion of customers who said they were likely to participate in the programs. However, we caution that these results exaggerate the proportion of customers who would actually participate in a real life situation and note that this will need to be evaluated more precisely in the forthcoming quantitative survey.

ATTITUDES TO OPT-IN PEAK TIME REBATES

CUSTOMERS FOUND OPT-IN PEAK REBATE SCHEMES VERY APPEALING AND SAID THEY ARE LIKELY TO PARTICIPATE

Opt-in programs to modify behaviour at peak times and reduce network congestion were the most appealing of all demand management schemes.

The figures to the right show the appeal and likelihood to participate in a program where customers would be sent an SMS asking them to moderate their usage at a peak period in exchange for a $10 or $20 rebate off their bill.

Some participants are also more willing to accept the consequences of being charged a premium rate during peak times if they received notifications but made the choice to ignore these.

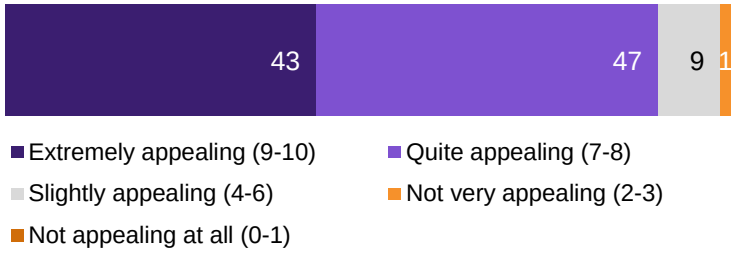
Reasons for its appeal:

- Easy to shift behaviour
- Financial benefits are readily apparent
- Network benefits are easy to understand
- Afforded customers personal control and choice
- Participation not reliant on having specific appliances

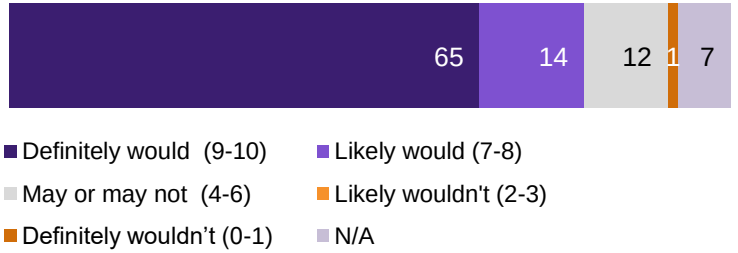
Questions and concerns:

- Will I need a smart meter?
- How would I be paid?
- Does it send a message that the network is not coping?

Level of appeal (%)



Likelihood to participate (%)

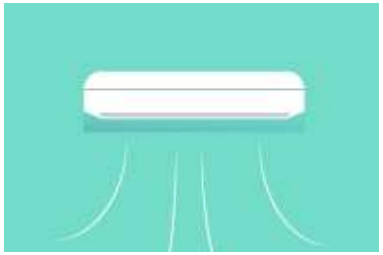


Q10. How appealing is the opt-in program to you? Base: All participants who responded (n=70)

Q11. How likely would you be to participate in the program if asked to by Ausgrid? Base: All participants who responded (n=69)

ATTITUDES TO THE “COOLSAVER” PROGRAM

THIS PROGRAM WAS VERY APPEALING ALTHOUGH IT RAISED SOME QUESTIONS



Participants were typically quite interested in the “CoolSaver” program and more than half indicated they would definitely participate in the program if asked (59% rating their likelihood to participate at a 9 or 10).

It involved an initial reward for customers who allowed remote access to their airconditioning unit and allowed Ausgrid to manage settings at nominated high-demand times. Participants received $10 to $20 per peak day for a 50% load reduction (5 to 8 days each summer)

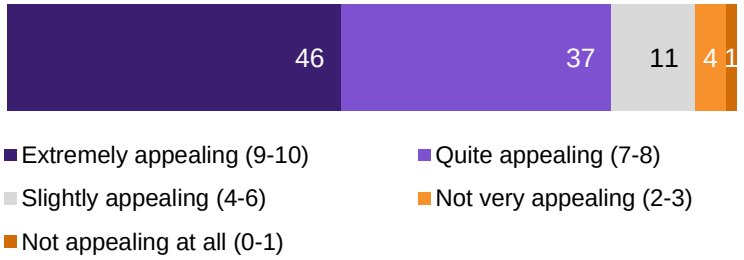
Reasons for its appeal:

- Generous financial benefits
- Seems simple and presumably easy to participate in
- Voluntary

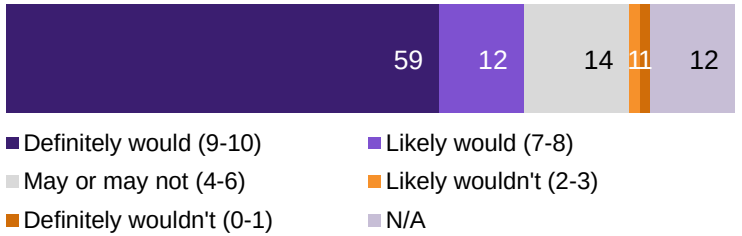
Questions and concerns:

- What will the temperature change be?
- Will my house still be comfortable?
- Can I override remote access if I need to?
- Is “big brother” watching?

Level of appeal (%)



Likelihood to participate (%)



Q10. How appealing is the CoolSaver program to you? Base: All participants who responded (n=70)

Q11. How likely would you be to participate in the program if asked to by Ausgrid? Base: All participants who responded (n=69)

ATTITUDES TO APPLIANCE REPLACEMENT REBATES

APPEALING BUT LOWER LIKELIHOOD TO PARTICIPATE THAN OTHER DEMAND MANAGEMENT PROGRAMS

This scheme involved customers receiving $150 to $250 (medium energy user) or $300 to $500 (large energy user) upfront for replacing an old air conditioner with a new energy efficient one. Although still appealing, the appliance rebate scheme had a lower level of predicted participation than other programs (with 36% rating their likelihood to participate as a 9 or 10). This is at least partly due to the initial capital outlay involved in replacing appliances.

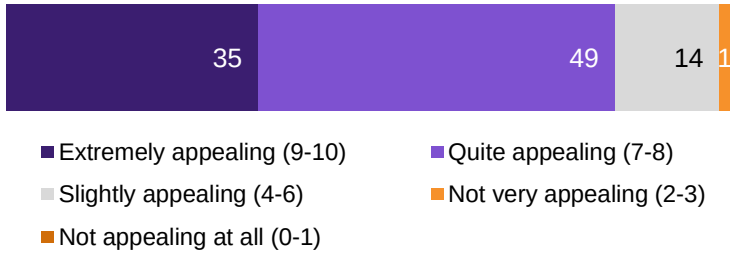
Reasons for its appeal:

- Simple and clear rationale
- Voluntary
- Good for needy families and vulnerable customers

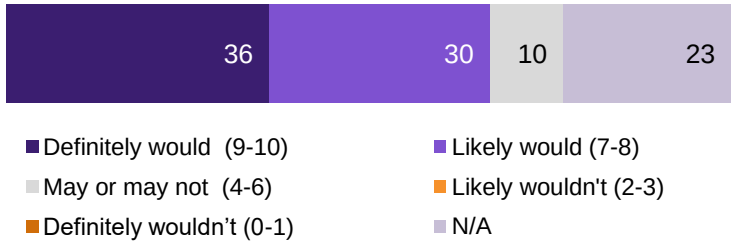
Questions and concerns:

- The rebate (10-20%) is relatively small compared to the costs of major appliances
- How will the scheme operate – will it be easy to get reimbursed?

Level of appeal (%)



Likelihood to participate (%)



Q10. How appealing is the appliance rebate proposal to you? Base: All participants who responded (n=70)

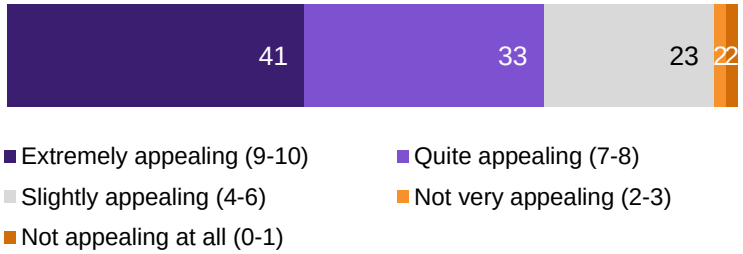
Q11. How likely would you be to participate in the program if asked to by Ausgrid? Base: All participants who responded (n=69)

ATTITUDES TO BUSINESS REBATES

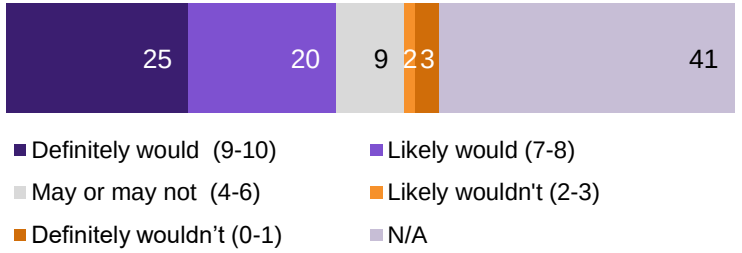
STRONG SUPPORT FROM BUSINESS FOR ENERGY EFFICIENCY PROGRAMS

- SME customers were strongly interested in business rebates. Their preference was for energy efficiency rather than solar programs, primarily due to their more immediate benefits and perceived simplicity.
- Energy efficiency programs involved subsidising 10-20% of the upfront costs for energy efficiency retrofits (eg. commercial lighting, air conditioning or refrigeration systems).
- This scheme was also seen to incentivise energy conservation by large business users, presumably resulting in bigger network and environmental gains. Of those who thought the program was applicable to them, 25% felt they would definitely participate if asked (rating it as a 9 or 10 out of 10).
- Several factors weighed in to their preference for energy efficiency rebates over solar including that:
  - It would require less capital outlay, compared to the price associated with purchasing and installing solar panels;
  - Something that could be implemented more quickly with less research or investigation required; and;
  - Fewer potential issues with strata, leasing versus ownership, and property management.

Level of appeal: Energy efficiency (%)



Likelihood to participate: Energy efficiency (%)



Q10. How appealing is the energy efficiency rebate to you? Base: All participants who responded (n=64)

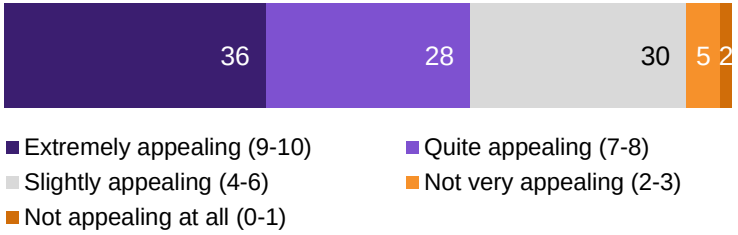
Q11. How likely would you be to participate in the program if asked to by Ausgrid? Base: All participants who responded (n=64)

ATTITUDES TO BUSINESS REBATES

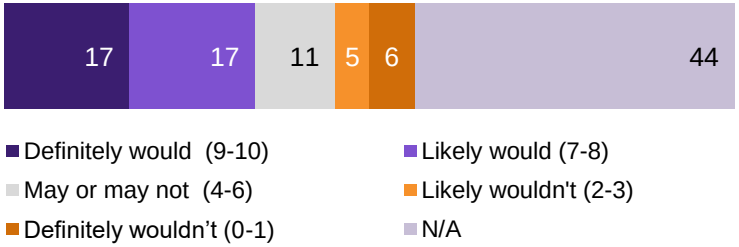
LESS LIKELIHOOD TO PARTICIPATE IN SOLAR SCHEMES ALTHOUGH THEY ARE STILL APPEALING

- SME customers were also interested in solar schemes, offering in-principle support for the idea. We found, however that SME owners or managers evaluated the program rationally, weighing up capital outlay, return on investment, and length of time for returns to occur and will ultimately make their decisions in this structured way. Environmental benefits still important to many were less of a consideration that the potential financial return.
- The energy efficiency programs presented at the deliberative forums involve subsidising the upfront cost for installing solar panels.
- Of those who felt the program was applicable to them, around one in five thought they would definitely participate if asked by Ausgrid.
- While SME customers appreciated the benefits of solar programs, they noted pragmatic barriers which inhibited participation including:
  - Leasing their business premises,
  - Not having a roof (e.g. being located inside shopping centres); and
  - Concerns about financial outcomes related to uncertainty about future Government solar policies.

Level of appeal: Solar (%)



Likelihood to participate: Solar (%)



Q10. How appealing is the solar rebate proposal to you? Base: All participants who responded (n=64)

Q11. How likely would you be to participate in the program if asked to by Ausgrid? Base: All participants who responded (n=64)

Responses to the engagement and final advice to Ausgrid

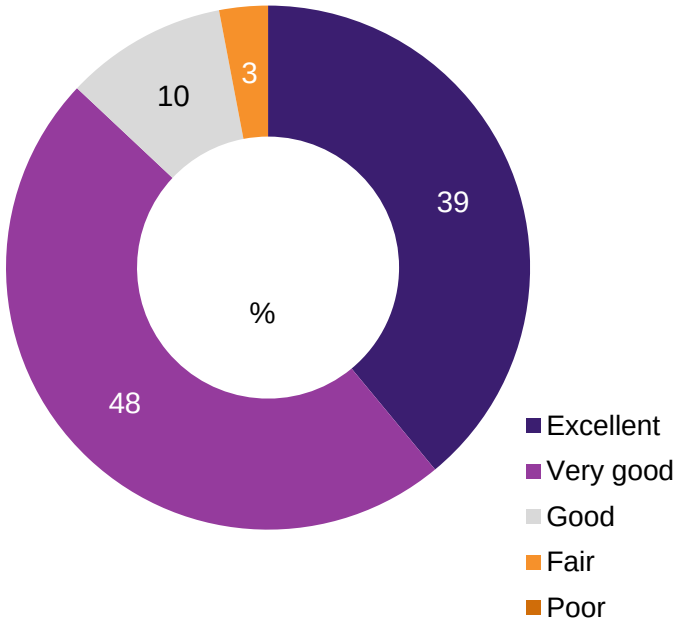
PERCEIVED QUALITY OF ENGAGEMENT AND ATTITUDES TO AUSGRID

CUSTOMERS WERE VERY POSITIVE ABOUT THE ENGAGEMENT PROCESS AND THEIR ATTITUDES TOWARDS AUSGRID IMPROVED DURING THE FORUM

At the end of the forums we asked participants to anonymously rate the forum.

- Results showed that participants had a positive opinion of the engagement events overall with 87% rating them as being “excellent” or “very good”.
- The forums also had a beneficial flow-on effect regarding knowledge of and attitudes towards Ausgrid, which were measured at the beginning and end of the forum. For example, as detailed in the next slide:
  - Customers’ overall attitudes towards Ausgrid became more positive (ratings increased from 4.9 to 7.3);
  - They were more likely to rate Ausgrid as customer focussed (ratings increased from 4.6 to 7.1); and
  - They felt Ausgrid was listening to its customers (ratings increased from 4.8 to 6.9).

Perceived quality of the engagement

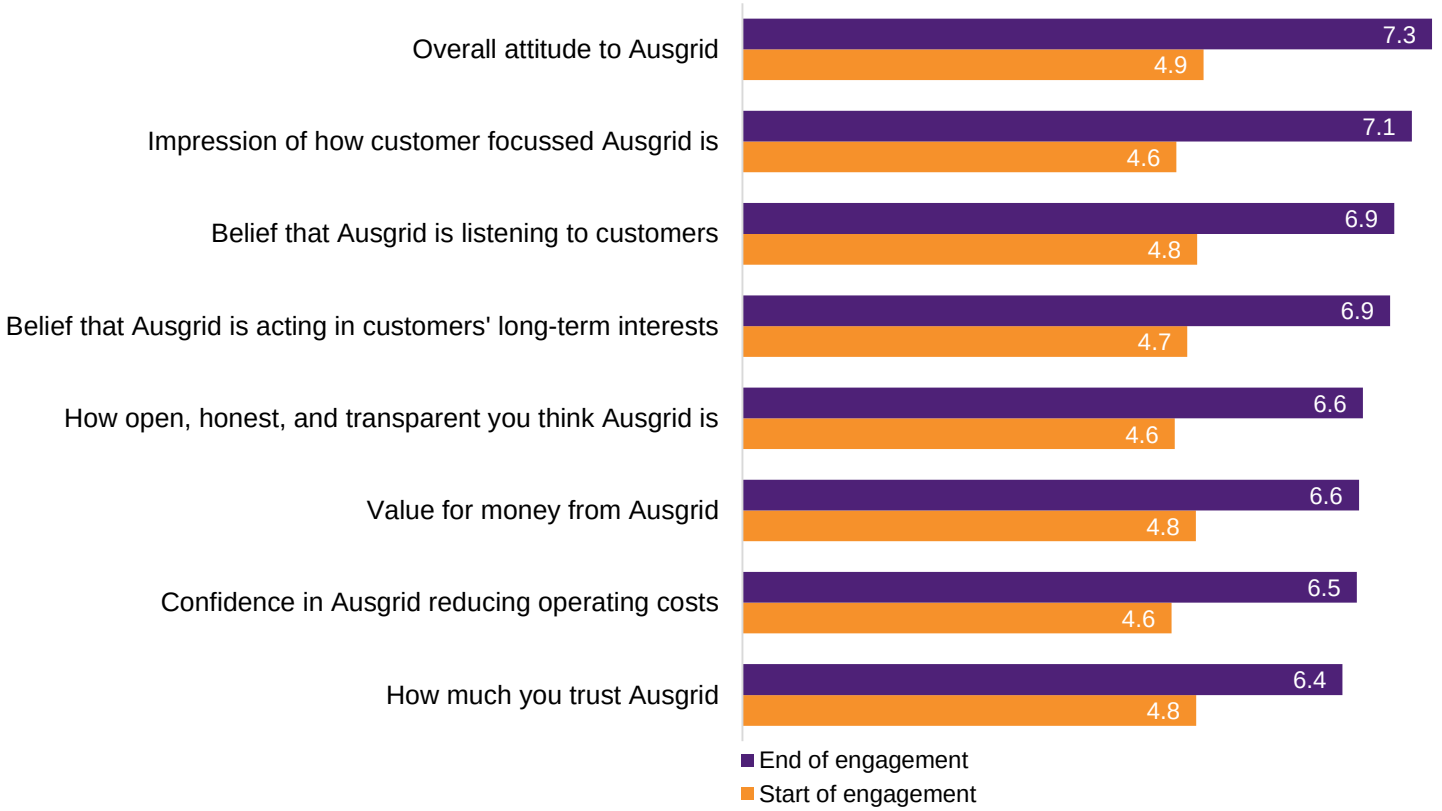


Q12. Overall how would you rate tonight's forum? Base: All participants who responded (n=69)

CHANGE IN ATTITUDES TOWARDS AUSGRID FROM THE START TO THE END OF THE FORUM

THE ENGAGEMENT RESULTED IN ATTITUDES BECOMING SIGNIFICANTLY MORE POSITIVE AT THE END OF THE FORUM

Average attitudes towards Ausgrid, 10 = high, 0 = low (exc. don't know)



Q13. Once again, please rate your attitudes to Ausgrid.

Base: All participants (n=70)

FINAL SUGGESTIONS FOR AUSGRID

IN THEIR WORDS

Focus on transparency and the delivery of a simple message to get customer buy-in.

Sydney, SME.

Don't let the strugglers continue to struggle. Electricity prices should not be going up… Pensioners are dying because they use candles. Ausgrid can do better.

Sydney, vulnerable group.

Focus on helping customers change their habits and reduce energy usage. Off-peak is still a good system. Be fair to pensioners.

Newcastle, low-mid SES.

Invest in energy storage (e.g. batteries) to offset peak demand in small communities (e.g. schools, hospitals etc.)

Sydney, early adopter.

Think about real hours for customers. Peak hours do vary, but 2-4pm against 6-8pm makes a huge difference when choosing the best option.

Sydney, younger customer.

Provide better education programs to consumers about how electricity prices are determined and how sustainability can be achieved in both supply and price over the long term.

Sydney, older customer.

APPENDICES

NEWGATE RESEARCH

APPENDIX A: DISCUSSION GUIDE

NEWGATE RESEARCH

Ausgrid Customers at the Centre Project: Phase One
Guide for Customer Deliberative Forums (NGR 1705004)
Friday, 30 June 2017

Forum Introduction **5.45pm (10 mins)**

Who?

- Welcome everyone and thank you all very much for attending this research forum tonight. My name is David from Newgate Research and I am the facilitator for this evening.
- Newgate Research is an independent market and social research firm and we do a lot of work exploring people's attitudes to issues such as energy, water, transport and education.
    - I would like to introduce my colleagues [names] who are helping out tonight.
- Our client is an electricity company called Ausgrid and by the end of the session you will be an expert in who they are and what they do.
    - We also have some Ausgrid people here – some who will be doing presentations and answering your questions and others who are just observing.

What & Why?

- In forming this group we have brought together a representative sample of the community including a mix of people of different life-stages as well as a mix of residential electricity customers and business owners and managers.
- The broad purpose of tonight is to help Ausgrid develop plans for the future that are consistent with what their customers expect of them. This will involve getting your thoughts on:
    1. The energy issues you are interested in and what you expect of Ausgrid;
    2. What you think about some different pricing structures for electricity they are considering for their customers; as well as
    3. Your thoughts about new energy technology and some programs they are considering rolling out.
- Your feedback, and the feedback from similar sessions, will have a direct influence on the decisions that Ausgrid makes and this includes the pricing for your electricity bill so this session is very important in helping them make good decisions for the future.

How?

- There will be a mix of activities tonight and this will include:
    - Presentations from Ausgrid about themselves and the options they want your feedback on;
    - Opportunities for you to ask Ausgrid representatives questions and get answers from them;
    - Guided discussions at your tables and at different stations around the room; and
    - Voting on different options using the hand-held voting pads to get your preferences.

Housekeeping

- There are no right or wrong answers and it doesn't matter how much you know about the issues we will be talking about today.
- There are probably only two ways that you could muck things up. You could not contribute at all and that would make our job quite hard, or you could speak so much that you don't give others an opportunity to say what they might want to say.
- We do have a lot to get through so sometimes we will need to stop conversation at a certain point and move on so we apologise in advance if we cut you off. I also have a bell to help me get your attention when we need to move along.
- Everything you say is completely confidential and we are not trying to change your views or sell you anything.
- [Sydney] We are videoing the sessions to create a short video of highlights that will be part of our reporting to Ausgrid but it will not be used for any external purposes.
- Please help yourselves to food and refreshments as we go. We'll also have a quick 10-minute break where we'll bring out some fruit and cakes at about 8.00 but otherwise we'll work through.
- Location of toilets / exits / Mobile phones off or on silent please - we need your full attention! Please duck out if you do need to make a call.

Forum Voting Exercise **6.55pm (10 mins)**

To kick things off tonight we're going to ask you some questions using the hand-held voting pads. You should all have a handset in front of you. Please pick it up and we'll show you how to use it. You will use this handset a few times during this forum and we'll tell you when we need you to vote. You answer by entering a number. Please remain quiet when you do this and don't say the answer out loud. Sometimes we'll show you the results on the screen but we won't have time to do that for every question.

1. Gender?
2. Age?
3. Are you a business owner or manager?
4. Do you have solar at home?
5. Interest in electricity and energy issues?
6. Awareness and knowledge of Ausgrid?
7. Overall attitudes towards Ausgrid?
8. Perceptions of Ausgrid as a customer-focussed organisation?

Thank you for that. We'll now break into table discussions to introduce ourselves and start talking about the things you are interested in when it comes to electricity. To make it easy we have put the things we'd like you to cover on screen:

APPENDIX A: DISCUSSION GUIDE

Table Introductions **6.05pm (10 mins)**

- Let's start by going around the table and introducing ourselves.
  - **Residential customers**: Please share your first name, where you live, how long you've lived there, whether you rent or own your home, whether you live with other people, and what you do during the day. If you're retired, tell us what sort of work you used to do. Please also tell us whether you would describe yourself as a low, medium or high energy user and what your quarterly bill is if you are happy to share that.
  - **SME customers**: If you're here as a business owner or manager, tell us a bit about your business including its location, type of business, number of employees, how long you've been operating, whether you lease or own the premises, your role in the business. … Please also tell us whether you would describe yourself as a low, medium or high energy business user and what your quarterly bill is if you are happy to share that. Please keep your business hat on for tonight.
- Now, please turn to your workbook and complete pages 2-4.
- What are the issues related to electricity that you are most interested in or concerned about?
- And before today, who had heard of Ausgrid? What do you know about them?

Ausgrid Presentation #1 – Introduction to Ausgrid **6.15pm (10 mins)**

I will now introduce Catherine from Ausgrid who heads up their regulatory team and she will give you an overview of Ausgrid. We will also have some time for questions at the end of her session so if you could please hold them until then.

Ausgrid presentation on:

- *Who Ausgrid is including its ownership and recent history.*
- *What Ausgrid does (including its place in the supply chain and customer touchpoints).*
- *The challenges facing Ausgrid – both the organisation and the industry.*
- *The regulatory review process and the role of the regulator.*
- *The importance of customer engagement and where we are in the process.*
- *The topics to be consulted on this evening.*
- *How feedback will contribute to the decision making process.*
- *Q&A (5 mins).*

We will now spend some time at your tables getting your feedback on that presentation and your ideas on what Ausgrid should be focussing on in the future.

Table discussion – Expectations for Long-term Customer Planning **6.25pm (10 mins)**

- What were your reactions to that presentation?
  - Was anything interesting, concerning or surprising about what you have heard?
- What do you think Ausgrid should focus on most to best meet the long-term interests of customers and plan for the future?
  - When you think about "long-term" plans what timeframe do you think is appropriate?
  - What is long-term from the perspective of your household?

Ausgrid Pres. #2 Intro to Pricing and Having a Higher Fixed Proportion of Bills **6.35pm (15mins)**

Catherine is now going to present some more information on the factors that contribute to your electricity bills and some changes they are considering to their pricing structure.

Ausgrid presentation on:

- *How your electricity bill is divided up along the supply chain.*
- *The main factors driving Ausgrid's costs including:*
  1. *The need to build and maintain a network that connects everyone; and*
  2. *The need to ensure there is a safe and reliable electricity supply at peak times.*
- *The need for a pricing structure that reflects the cost of Ausgrid providing the electricity network*
- *The need for customers to have more modern 'smart' meters to be able to measure electricity usage and accurately charge for use*
- *Introduction to having a higher fixed proportions of bills.*
- *Options for protecting low energy use vulnerable customers from big price increases.*
- *Note that the options are revenue neutral and designed to keep costs down by having a pricing structure more closely aligned with Ausgrid's cost structure.*

We will be discussing these issues in detail at your tables but we do have a few minutes if anyone has any questions of Catherine.

- *Q&A (5 mins).*

Deliberation and Voting on Having a Higher Fixed Proportion of Bills (Proposal #1) **6.50pm (15 mins)**

We will now spend some time at your tables getting your feedback on that presentation and thoughts on having a higher fixed proportion for the network part of your bill.

- What were your reactions to that presentation?

Table moderator to briefly recap on the rationale for having a higher fixed proportion of the network part of your bill:

At the moment the distribution or network component of your electricity bill is divided into a "fixed daily access fee" and a "variable usage fee". You don't always see this fee structure as what you see on your bill is determined by how your retailer chooses to charge, but the way it works now is that the access fee is relatively small (around 15-30%) and the usage fee makes up the bulk of the cost (at around 70-85%).

However, a large part of Ausgrid's ongoing costs actually relate to past infrastructure investment, including maintaining the network, and replacing aged assets and are not actually affected by the consumption levels of customers.

What Ausgrid would like to do is change the mix of these fees so that a higher proportion of your bill is a fixed access fee and the usage component is a smaller proportion of your bill. This would be similar to many internet plans where there is a fixed monthly fee and unlimited usage and also water services where the fixed component of a water bill is typically around 65% of the bill.

- Do you have any questions on the idea of having a higher fixed proportion of your bills?

APPENDIX A: DISCUSSION GUIDE

- How do you feel about this idea (*discuss positives and negatives*)
- Is this something that is important to you or you care about? *(vote in workbook page 5)*
- Is this acceptable to you or not? *(vote in workbook page 5)*
- What if there were measures in place to ensure there were no significant cost increases for vulnerable customers – i.e. those who are eligible for a health benefits card? (costing other customers on average $2.55 and $10).

Floor Facilitator

- Let's vote on these options now and see how everyone in the room feels about them.
  - How important is this issue is to you?
  - Acceptability of having a higher fixed proportion of electricity bills?
  - Acceptability of having a higher fixed access fee with various rebates in place?
- Does anyone have any comments on these results or final questions before we move on?

Ausgrid Presentation #3 Peak Pricing Options **7.05 pm (20 mins)**

Catherine is now going to present some more ideas on how electricity prices could potentially be structured in the future. Some of them are quite complex and we will be giving you all enough time after the presentation to properly think about them and ask any questions.

Ausgrid presentation on:

- *The need for demand management to keep costs down for customers and then options for:*
  1. *Time of Day Pricing*
  2. *Seasonal Time of Day Pricing*
  3. *Capacity Pricing*
- *Note that the options are revenue neutral and designed to keep costs down by having a pricing structure more closely aligned with Ausgrid's cost structure.*

We will be discussing these issues in detail shortly but we do have a few minutes if anyone has any questions of Catherine.

BREAK (IF OVERTIME, HOLD BEFORE PEAK PRICING PRESENTATION) **7.25pm (10 mins)**

We will now have a 10 minute break.

Rotating Station Discussions **7.35pm (35 mins)**

For the next session you will have the opportunity to reflect on each of those three pricing structures and ask some further questions of Ausgrid's representatives.

You will see we have three stations set up in the room and each of them has information on one of the pricing options. We are going to spend 10 minutes considering each one before you then rotate to the next station. I'll ring the bell to let you know when we would like you to move to the next one.

Instructions

- Three stations to be set up in the room – each with one of the potential pricing options.
- Each station to have a poster (most likely a repeat or amalgam of slides from the presentation) outlining the proposed pricing structure including customer case studies for each pricing structure comprising:
  - The rationale for each pricing proposal.
  - Cost implications for low/medium/high usage customers, SME's and solar customers.
  - Cost implications for customers who do, or do not modify their usage behaviour.
- Each station will have a Newgate facilitator as well as an Ausgrid representative to answer questions.
- The Newgate facilitator will start each session by recapping the pricing structure and what Ausgrid is proposing and will then lead a discussion, building up a list of positives, negatives and questions on butchers' paper based on your feedback, taking care to explore issues related to fairness in particular – do you think what is being proposed is fair?. They will direct questions to the Ausgrid representative as appropriate.

[Explanatory text to be used by the facilitator for each pricing structure follows]

Pricing Proposal #2 Narrowing the peak in time-of-day pricing: Around a third of Ausgrid's customers currently have a type of meter called a "smart meter" that allows different usage prices at different times of the day. These customers can opt-in to 'time of use' pricing which has different rates at peak, off-peak and shoulder times. It encourages people to use less electricity at peak times of the day and thereby avoid the need to build more infrastructure - *refer to pricing current demand curves.*

What this means is that people who use more electricity at peak times would pay a little more, while those who can shift their usage to other times would pay a little less.

- The current peak period in Summer is between 2pm and 8pm on weekdays.
- How do you feel about a 6 hour daily peak window?
- How would you feel if the peak was only between 5-7pm but that the cost of electricity in this peak period went from 19c/kW to 46c/kW?
- **Which is your preference (moderators to get a tally)**

Pricing Proposal #3 Seasonal time-of-day pricing combined with a narrow peak:

Around a third of Ausgrid's customers currently have a type of meter called a "smart meter" that allows different usage prices at different times of the day. These customers are on 'time of use' pricing which has different rates at peak, off-peak and shoulder times. It encourages people to use less electricity at peak times of the day and thereby avoid the need to build more infrastructure - *refer to pricing current demand curves.*

What this means is that people who use more electricity at peak times would pay a little more, while those who can shift their usage to other times would pay a little less.

As we heard, peak demand days occur on a few really hot days during summer or very cold nights during winter due to an increased use of cooling or heating appliances. How would you feel if a narrow time-of-day peak period was only applied seasonally? This means that a higher peak price would happen for 2 hours in the summer and winter seasons, and no peak rates would apply in autumn and spring.

- Summer and Winter would have peak, off peak and shoulder rates. The peak would be narrower than the current 6 hour peak, instead being only 2 hours (2-4pm in summer, 5-7pm in winter).
- Autumn and Spring would only have off peak and shoulder rates.

This would reflect the times of the year when peak demand occurs and so more closely reflect the cost of supplying electricity.

In this scenario, customers who could shift their usage to outside the 2 hour peaks in summer and winter would have more usage billed at a shoulder or off-peak rate. This would result in less variable quarterly bills. Bills in summer and winter would be lower than they currently are, and bills in autumn and spring would be slightly higher.

APPENDIX A: DISCUSSION GUIDE

Pricing Proposal #3 Capacity/ demand pricing: Another option that Ausgrid is considering is whether to introduce a capacity charge for residential customers similar to what it already charges for medium to large businesses.

This would mean that customers are charged based on the maximum demand they place on the system at any one time.

- How would you feel if customer usage fees are based on their maximum electricity demand in a single day over each 3-month billing period?
- What about if customer usage fees are based on an average of their electricity demand over the highest 5 days in a year?

Facilitator: At this stage I'd like each station facilitator to provide an overview of the feedback they have received on each pricing option at their station.

If required we could also invite Ausgrid staff to have a mic and to directly talk to or ask questions of participants at this point. (15 - 20 mins)

Table Review and voting on Possible Pricing Structures **8.10pm (20 mins)**

As we heard, Ausgrid needs to make their pricing structure more reflective of the costs of providing the electricity network and they would like your help in doing this in the way that is the fairest and most acceptable to you. In your table groups I'd like you to ask your table moderator if you have any further questions on these possible pricing structures and then we will ask you for your individual thoughts on them.

Table facilitator: To very briefly recap the three pricing structures and then ask participants to turn to pages 5-6 of their workbooks to record their preferences on them.

Room facilitator

What we will do now is to ask you to provide your opinions on these pricing structures using the hand-held voting pads. Before we do this I'd just like to mention again that each of these pricing structures are revenue neutral and will not result in any change to the overall amount of money that Ausgrid earns from electricity customers.

Participants to vote on the acceptability of:

- Daily time of use pricing
- Seasonal daily time of use pricing
- Capacity pricing (1 peak every 3 months and average of 5 peaks a year)

Lead facilitator leads forum-wide discussion on the results.

Ausgrid Presentation New Technology and Other Options **8.30pm (35 mins)**

In this session Ausgrid will present an overview of some other programs it is considering. After each one you will have an opportunity to ask question about them at your table and then we will vote on them.

Ausgrid to present on the following topics:

- Whether solar customers should pay more to access the grid
- Coolsaver program
- SMS notification demand scheme

Each specific topic will include a presentation from Ausgrid, followed by a short table discussion to evaluate reactions and then forum-wide voting on their appeal.

Table facilitator to probe on:

- Overall reaction
- Positives and Negatives
- Questions that they raise
- Whether Ausgrid should do it
- Likelihood to participate
- Applicability (e.g. whether they have an air conditioner)

Do you have any other ideas on how Ausgrid could encourage people to reduce demand on the network at peak times?

Final Forum Voting Exercise **9.05pm (10 mins)**

At your tables we will now give you a few minutes to complete a final survey question on page 8 and 9 of your workbook.

We are now going to ask you a final few of these questions using the wireless voting pads. These will involve re-asking some of the questions from the beginning of the session to see if your opinion has shifted, if at all. We'll show you how the results have changed and in some cases will ask you to comment on why you think that is.

[Note that we will show before and after results on the screen and ask for commentary from the floor on reasons for any significant shifts]

- Overall attitude towards Ausgrid
- Perceptions of Ausgrid as a customer-focussed organisation
- Your views on today / quality of engagement

Final Advice and Conclusion **9.15pm (15 mins)**

- Moderator to thank people for attending and remind them that the information presented is in draft form and subject to change as a result of consultation.
- Moderator to let people know that there is a 'postcard to Ausgrid' on Page 10 of their workbook and we'd encourage them to write down any final pieces of advice they have to Ausgrid either in relation to the five year plan or ways it could improve the way these sessions are run in future.
- Ausgrid representative to also thank people and reiterate how the findings will be used and how they can access more information and reports.
- Incentives handed out by table facilitators once participants have completed their postcards.

APPENDIX B: PARTICIPANT WORKBOOK

NEWGATE RESEARCH

Workbook

Name: _____

1

Male	Female	
		Mark with an X

Q2. What is your age?

Age	Mark with an X
18-24	
25-34	
35-49	
50-64	
65+	

Q3. Do any of the following apply to you?

	Yes	No	
I am a business owner or manager			Mark with an X
I have solar electricity at home			Mark with an X
I have an air-conditioner at home			Mark with an X

2

Q4a). Would you say your household is a low, moderate or high user of electricity?

Low (Quarterly bill of $300 or less)	Moderate (Quarterly bill $301-$649)	High (Quarterly bill around $650 or more)		What is your quarterly electricity bill?
			Mark with an X	$

Q4 b). (*For business owners and managers only*). Would you say your business is a low, moderate or high user of electricity?

Low (Quarterly bill of $3000 or less Monthly bill $1000 or less)	Moderate (Monthly bill $1001-$3000)	High (Monthly bill $3001 or more)		What is your quarterly/monthly electricity bill? (please specify)
			Mark with an X	$

Q5. Please complete the following table, circling the number which best reflects your opinions

Please rate each the following by circling the relevant number ...	Low										High	
Your general level of interest in issues to do with electricity (0 = not at all interested, 10 = extremely interested)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of knowledge and understanding of what Ausgrid does (0 = know nothing at all, 10 = know a great deal)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your overall attitude towards Ausgrid (0 = strongly negative, 10 = strongly positive)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of interest in new energy technologies (0 = not at all interested, 10 = extremely interested)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of concern about the cost of electricity (0 = not at all concerned 10 = extremely concerned)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your impression of how customer focused Ausgrid is (0=not at all, 10=extremely customer focused)	0	1	2	3	4	5	6	7	8	9	10	Don't know
The value for money you receive from Ausgrid for electricity services (0=very poor, 10=excellent)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your belief that Ausgrid is acting in the long term interests of customers (0=not at all, 10=always acting in their long term interests)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How much you trust Ausgrid (0=do not trust them at all, 10=trust them completely)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How confident are you that Ausgrid is doing everything it can to reduce its operating costs to minimise network charges for customers (0=not at all confident, 10=extremely confident)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How open, honest, and transparent you think Ausgrid is (0=not at all, 10=extremely open, honest and transparent)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your belief that Ausgrid is really listening to its customers and stakeholders (0=not at all, 10=definitely listening)	0	1	2	3	4	5	6	7	8	9	10	Don't know

APPENDIX B: PARTICIPANT WORKBOOK

Q6. How important to you is the idea of changing the structure of the network part of your electricity bill so the fixed access component is higher and the usage fee is lower? (*Please circle*)

Note that there would be no change in the overall amount of revenue that Ausgrid collects from customers

This is not important at all to me									This is extremely important to me	
0	1	2	3	4	5	6	7	8	9	10

Q7. How acceptable are the following pricing proposals to you? (*Please circle for each one*)

Note that there would be no change in the overall amount of revenue that Ausgrid collects from customers

Pricing Structure	Completely Unacceptable				Neither acceptable or unacceptable					Completely Acceptable	
Changing the structure of the network part of your electricity bill so the fixed access fee is increased to 50% and the usage fee is reduced to 50%	0	1	2	3	4	5	6	7	8	9	10
Changing the structure of the network part of your electricity bill so the fixed access fee is increased to 85% and the usage fee is reduced to 38%	0	1	2	3	4	5	6	7	8	9	10
Changing the cost structure of your bill to 50:50 (as above) + support for vulnerable low-usage customers so the impacts on them are minimised (paid for by a $2 yearly levy on other customers)	0	1	2	3	4	5	6	7	8	9	10
Changing the cost structure of your bill to 50:50 (as above) + support for vulnerable low-usage customers so the impacts on them are minimised (paid for by a $5 yearly levy on other customers)	0	1	2	3	4	5	6	7	8	9	10
Changing the cost structure of your bill to 50:50 (as above) + support for vulnerable low-usage customers so the impacts on them are minimised (paid for by a $10 yearly levy on other customers)	0	1	2	3	4	5	6	7	8	9	10

Q8. How acceptable are the following pricing proposals to you? (*Please circle for each one*)

Note that there would be no change in the overall amount of revenue that Ausgrid collects from customers from any option

Pricing Structure	Completely Unacceptable				Neither acceptable or unacceptable					Completely Acceptable	
Daily time of use pricing: (peak, off-peak & shoulder) 8 hour daily peak period.	0	1	2	3	4	5	6	7	8	9	10
Daily time of use pricing: (peak, off-peak & shoulder) Narrowing peak to 2 hours but increasing its price.	0	1	2	3	4	5	6	7	8	9	10
Seasonal time of use pricing with narrow peak: 2 hour peak in summer and winter, no peak in autumn and spring.	0	1	2	3	4	5	6	7	8	9	10
Capacity pricing (1 peak in 3 months): usage fee based on maximum demand at a single time in a 3-month period.	0	1	2	3	4	5	6	7	8	9	10
Capacity pricing (3 peaks in 12 months): usage fee based on an average of the 5 highest demand peaks in a 12-month period.	0	1	2	3	4	5	6	7	8	9	10

Q9. Solar electricity customers typically pay lower network charges than they otherwise would because their electricity usage from the network is lower. Which of the following best represents your views about how solar customers should be charged for the network part of their electricity bills?

	Mark with an X
Solar customers should pay more for their network fixed charge than they do now because they benefit from the network and it is unfair for other customers (who may not be able to install solar) to pay more to maintain it.	
Solar customers should pay the same for their network fixed charge as they do now and should continue to be treated like other customers. It is acceptable they have lower network charges as this provides an incentive for more people to get solar.	

Q10. How appealing are the following proposals to you? (*Please circle for each one*)

	Not appealing at all									Extremely appealing	
"CoolSaver" program (air-conditioner appliance control)	0	1	2	3	4	5	6	7	8	9	10
Peak-time rebate (SMS notification to save)	0	1	2	3	4	5	6	7	8	9	10
Upfront rebate for replacing an old air conditioner	0	1	2	3	4	5	6	7	8	9	10
Business subsidies for solar installation	0	1	2	3	4	5	6	7	8	9	10
Business subsidies for energy efficiency programs	0	1	2	3	4	5	6	7	8	9	10

Q11. How likely would you be to participate in the following programs if asked to by Ausgrid? (*Please circle for each one*)

	I definitely would not				I may or may not					I definitely would	Not applicable to me
"CoolSaver" program (air-conditioner appliance control)	0	1	2	3	4	5	6	7	8	9	10	NA
Peak-time rebate (SMS notification to save)	0	1	2	3	4	5	6	7	8	9	10	NA
Upfront rebate for replacing an old air conditioner	0	1	2	3	4	5	6	7	8	9	10	NA
Business subsidies for solar installation	0	1	2	3	4	5	6	7	8	9	10	NA
Business subsidies for energy efficiency programs	0	1	2	3	4	5	6	7	8	9	10	NA

Q12. Overall, how would you rate tonight's forum?

	Mark with an X
Excellent	
Very good	
Good	
Fair	
Poor	

APPENDIX B: PARTICIPANT WORKBOOK

Q13. Once again, please complete the following table.

Please rate each the following by circling the relevant number …	Low										High	
Your general level of **interest in issues to do with electricity** (0 = not at all interested, 10 = extremely interested)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of **knowledge and understanding of what Ausgrid does** (0 = know nothing at all, 10 = know a great deal)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your **overall attitude towards Ausgrid** (0 = strongly negative, 10 = strongly positive)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of **interest in new energy technologies** (0 = not at all interested, 10 = extremely interested)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your level of **concern about the cost of electricity** (0 = not at all concerned 10 = extremely concerned)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your impression of how **customer focused** Ausgrid is (0=not at all, 10=extremely customer focused)	0	1	2	3	4	5	6	7	8	9	10	Don't know
The value for money you receive from Ausgrid for electricity services (0=very poor, 10=excellent)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your **belief that Ausgrid is acting in the long term interests of customers** (0=not at all, 10=always acting in their long term interest)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How much you **trust** Ausgrid (0=do not trust them at all, 10=trust them completely)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How confident are you that Ausgrid is doing everything it can to **reduce its operating costs** to minimise network charges for customers (0=not at all confident, 10=extremely confident)	0	1	2	3	4	5	6	7	8	9	10	Don't know
How **open, honest, and transparent** you think Ausgrid is (0=not at all, 10=extremely open, honest and transparent)	0	1	2	3	4	5	6	7	8	9	10	Don't know
Your belief that Ausgrid is really **listening to its customers and stakeholders** (0=not at all, 10=definitely listening)	0	1	2	3	4	5	6	7	8	9	10	Don't know

My final advice for Ausgrid's senior managers as they work on their 5-year plan is……..

THANK YOU

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