CUSTOMERS AT THE CENTRE PHASES THREE & FOUR

Customer Survey & Advanced Analytics Research Report

September 22nd 2017

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 AMSRO ISO20252 MARKET, OPINION & SOCIAL RESEARCH

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Executive Summary

Key findings and strategic recommendations

KEY FINDINGS

ELECTRICITY ISSUES, AWARENESS, KNOWLEDGE AND PERCEPTIONS OF AUSGRID

This report presents the findings from the main quantitative phase of the "Customer at the Centre" research program. The results are based on a representative online survey of n=2,362 customers across Ausgrid's network area conducted between the 18th of August and 5th of September, 2017.

Electricity issues in context of other issues and concerns.

An initial contextual question identified "the cost of electricity" as customers' most concerning issue with 69% of participants "extremely" or "very concerned" with it. This level of concern was higher than all other issues including health services, housing affordability and traffic congestion. The reliability of the electricity network was a mid-tier concern (similar to climate change) although, from the qualitative research, it is clear that both of these issues are becoming increasingly salient. The community is very supportive of "the clean energy future" agenda, and has picked up on concerns about "security of supply", even though most Ausgrid customers rarely experience outages.

Awareness, knowledge and perceptions of Ausgrid

Although most (93%) have heard of Ausgrid, knowledge levels are relatively low with only around a third (31%) claiming to know at least a moderate amount about the company. When prompted, 57% believe Ausgrid distributes energy to houses and businesses, although 31% believe it is a generator and 30% a retailer.

None of the businesses in the sector are particularly well known although retailers like AGL and EnergyAustralia have the highest profile. Few customers properly understand the electricity supply chain and how the electricity market works.

Opinions of Ausgrid are mostly neutral and reflect a lack of knowledge and direct interaction with the company. Amongst those aware of Ausgrid, 24% have a positive opinion of it, 63% are neither positive nor negative while 13% have a negative opinion of it. Those more likely to be positive include those living in the Lower Hunter, business owners, those with solar panels and those who speak another language at home. Vulnerable customers are amongst those more likely to be negative about Ausgrid.

Unprompted reasons for positive opinions of Ausgrid relate to instances of good customer service, a belief that Ausgrid is a trustworthy and reputable company, and its performance in responding to outages and providing a reliable electricity service. Around three quarter of customers (76%) rated the reliability of their electricity supply as "good" or better while 57% rated responsiveness at the same level.

Reasons for negative opinions focus mostly on a belief that Ausgrid is responsible for high and increasing prices, while some also noted poor customer service, a lack of trust and perceived arrogance. This is reflected in quantitative results which, for example, show that only 37% believe they received good value for money from their electricity providers.

KEY FINDINGS

DRIVERS OF REPUTATION AND EVALUATION OF TARIFF PROPOSALS

Key driver analysis of Ausgrid's reputation.

We undertook a Driver Analysis, via regression modelling, to identify the relative importance of a range of specific factors in driving Ausgrid's reputation. Insights from this analysis can be used to prioritise action to most effectively strengthen Ausgrid's reputation.

Results indicate that being "open, honest and transparent" is the strongest driver of Ausgrid's reputation. This even ranks above "providing good value for its services", which is clearly next most important. It is also consistent with the Stakeholder Perceptions' Survey where "open and transparent" was also number one reputational driver".

Other secondarily important reputational drivers included:

- Providing information that is clear and easy to understand;
- Operating as efficiently as possible to keep costs down;
- Doing a good job of providing information to customers about electricity interruptions;
- Acting in the long-term interests of customers;
- Being customer-focussed in its delivery of services; and
- Helping customers make good decisions about electricity use.

Interestingly, other key aspects of service delivery such as safety, reliability, responsiveness, and maintenance /construction disruption are currently relatively weak reputational drivers.

This results is consistent with the Kano Model of customer satisfaction which shows that basic customer requirements that are consistently delivered (such as providing a reliable electricity supply) become increasingly taken for granted through time and no longer drive customer satisfaction.

However, this does not mean they should be neglected since reduced performance on these aspects, would at some point, lead to them becoming important reputational drivers in the future.

Ausgrid needs to ensure a reliable supply, always safe, with minimum disruption when work needs to be carried out, but it is factors such as pricing, transparency, and better public accountability that are currently driving Ausgrid's overall reputation.

Evaluation of tariff proposals

Within the survey we also evaluated some specific tariff proposals (as described below) while noting that tariff options were evaluated more comprehensively in the deliberative phase of the research program.

Shifting Ausgrid's network charge from 25:75 to a 50:50 fixed to variable network charge:

Customers are most likely to be ambivalent to this proposal although, importantly, fewer than 1 in 3 (31%) find it unacceptable (rating it 0-3). Fewer than half (42%) of those most affected (with lower bills) – also found it unacceptable.

KEY FINDINGS

USAGE FEE PREFERENCES AND EVALUATION OF CUSTOMER'S LONG-TERM INTERESTS

When customers had the opportunity to take part in the deliberative forums, with access to more information, explanation and the opportunity to decide on the trustworthiness of those presenting the information, the level of opposition to the tariff structure reform proposals hardly changed but the level of support doubled, a clear shift from a neutral position to saying the proposals were acceptable.

Support for the proposal to increase the proportion of fixed network charges was related to a belief that it seems reasonable and fair and could reduce costs to customers overall. Concerns focussed most strongly on impacts on pensioners and low-electricity users as well as a belief that it wouldn't incentivise energy efficiency. Results from the choice modelling exercise confirmed that a move to a 50:50 fixed: variable ratio was considered reasonable but that a 65:35 ratio was considered too extreme – for reasons just noted.

Declining, flat and inclining usage charges: Customers clearly preferred an inclining usage fee (38%) with 26% preferring a flat fee, 13% preferring a declining fee and 23% unsure. Support was consistent across segments with the exception of high bill customers who were more likely to prefer a flat usage fee.

The support for an inclining tariff is consistent with the broad community view in support of energy efficiency and sustainability, and customers wanting an incentive to save money by using less energy.

Other tariff-related results from the choice modelling indicated:

- **A preference for lower network tariffs for solar customers** – reflecting a belief that they should be incentivised for the investment they have made in renewable energy; and
- **Support for the broad concept of time-based usage fees** (reinforcing results from the previous deliberative phase).

Defining customers' long-term interests and their expectations for Ausgrid

Survey results indicate significant opportunities for Ausgrid to become a more customer-centric organisation. For example, only around a third agree that "Ausgrid 'is customer focused in its day-to-day delivery of services" (37% of customers, consistent with the 34% of stakeholders in the Stakeholder Perceptions' Study, and in contrast to the 70% of Ausgrid employees in a separate survey conducted by BCG). And, only one in three customers agree that Ausgrid "is a company you can trust".

When asked how Ausgrid should plan to meet the long term interests of customers, participants primarily spoke of keeping costs down, encouraging renewables, maintaining reliability, and providing information on how customers can be more efficient and save.

The choice modelling we undertook provided further insight into the subconscious drivers of long-term customer interests within the context of Ausgrid's long-term plan. The simulation model, delivered as part of this project, also provides an interactive way of exploring the impact of a wide range of service levels and options.

KEY FINDINGS

CHOICE MODELLING RESULTS AND SERVICE EXPECTATIONS FOR TREE TRIMMING

The relative importance of broad long-term plan factors in driving perceived customer interests (indicated as a %) were, in descending order of importance:

- **Overall bill size (27%);**
- **Access charges for solar customers (15%);**
- Frequency of unplanned outages (12%);
- Outage length (10%)
- Fixed to variable network fee ratios (8%);
- Usage fees structures (6%);
- Support for vulnerable customers (6%);
- Neighbourhood services (6%); and
- Specific communications initiatives.

We expected overall bill size to emerge as the main driver, but it was interesting to see network access charges for solar customers being second most important. This is consistent with the focus groups and deliberative forums where most customers were very supportive of solar and thought Ausgrid (and other key players in the market) should be providing encouragement and incentives to encourage solar uptake".

Other significant findings from the choice modelling showed that perceived fairness and long-term customer interests were maximised by:

- Minimising outages and their length - although the research program also found that most customers rarely experience outages and it is not a hot button issue;
- Implementing "time-of-use" and "inclining block tarrifs" as preferred options for usage tariff structures;
- Ausgrid taking responsibility for reducing bills for vulnerable customers; and
- Proactive communication of outages via SMS.

The fixed vs variable split of network charges was not particularly important compared to other factors in driving long-term customer interests. A 50% fixed fee had little impact on perceived fairness or long-term customers interests although 65% led to a sharp drop in these ratings.

"Neighbourhood services" as a category was relatively unimportant although, within the category, undergrounding was most important and more work needs to be done on its costs and customers' preparedness to pay for them.

Service expectations for tree trimming

Overall, tree trimming is a relatively unimportant unprompted concern within the context of people's other day-to-day issues and it is also a relatively weak driver of Ausgrid's current reputation. However, it is a specific performance metric that Ausgrid performs relatively poorly on as well as a significant concern to a small proportion of customers.

KEY FINDINGS

STREET LIGHT MAINTENANCE, AND NEW TECHNOLOGY UPTAKE AND BARRIERS

Ausgrid informed us that it receives a lot of complaints from customers in certain neighbourhoods about tree trimming (usually that it is not frequent gentle lopping but infrequent and "brutal" or "butchering our trees") and that it has been a consistently high source of dissatisfaction in the Ausgrid Customer Satisfaction Survey. Apparently it is a complex issue that needs calm and careful analysis, end-to-end solutions (from tree planting policies to mature tree maintenance), and a long-term plan to address the underlying issues rather than a "quick fix solution".

This research shows that, across the network, tree maintenance is not as much of an issue as street lighting standards and maintenance. It also highlights suburbs or LGAs, such as Ashfield, where tree trimming is more concerning as well as the customer segments, such as older, retired homeowners in detached homes, who are most likely to raise concerns.

Service expectations for street light maintenance

Compared to tree trimming, street lighting and maintenance is something that Ausgrid performs relatively well on and it is also a relatively unimportant reputational driver or unprompted concern. Seven in ten customers (70%) expect broken street lights to be fixed within 3 days – even higher amongst vulnerable customers (77%), women and older customers (both 75%). Around half (56%) actually think within 2 days is an appropriate standard.

These results show that customer expectation is well in excess of the current standard in NSW of 8 days and, as such, Ausgrid may wish to consider improving its performance in this area.

Uptake of new technologies and barriers to solar

Consistent with the qualitative findings we found strong interest in a range of new energy technologies.

Business customers were the segment most interested in new technologies and this included: solar panels for their business (56% have or are considering this); technology for their business that enables monitoring of usage and costs in real time (58%); and electric cars for business or fleet use (50%).

The main barriers for businesses considering solar included: upfront costs being too expensive; having a property unsuitable for solar; being a leasee; and the recent reduction in solar feed-in tariffs.

Residential customer were also interested in new energy technologies including: solar panels (41% have or are considering this); solar hot water systems (33%); in-home technology that allows monitoring of electricity usage and costs in real time (32%); home battery storage (30%); home energy management systems (25%); and electric cars (22%).

The main barriers for residential customers considering solar are costs (upfront costs and time to recover costs) and housing circumstances (renting, so needing a landlord to invest, or living in an apartment where they can't have rooftop solar).

KEY FINDINGS AND STRATEGIC ACTION PRIORITIES

COMMUNICATIONS EXPECTATIONS AND STRATEGIC RECOMMENDATIONS

Communications expectations

When asked about the role that Ausgrid should take with customer communication only around one in five (22%) felt that Ausgrid should stick to providing basic information about the services it provides. Most want proactive communication around Ausgrid's services (41%) or even broader proactive communication on topics such as energy efficiency and new technologies (38%).

STRATEGIC ACTION PRIORITIES

The following outline the most important specific actions that we recommend Ausgrid consider in building its reputation and meeting the long-term interests of customers.

Tariffs and bills

1. Focus on reducing overall network charges for customers and, where possible, communicating and promoting progress in this area.
2. Proceed with planned tariff reforms comprising:
    a. An increase in fixed network fees (e.g. 50% coupled with support for vulnerable customers); and
    b. Time of use pricing (potentially involving an inclining block usage fee during the transition to TOU).
3. Consider expanding and promoting demand management programs in view of strong customer support and interest in participating in them..

Vulnerable customers

4. Carefully consider the impact of tariff reform on low-usage vulnerable customers to mitigate and manage what could potentially become a significant issue both for customers and Ausgrid's reputation. This should include specific research to better understand the needs of this segment (as described below).

Renewables

5. Position Ausgrid as an advocate for the transition to renewables rather than being agnostic about energy generation.
6. Consider measures, within Ausgrid's remit, that encourage the uptake of renewables (e.g. via tariff structures).

Customer communication

7. Increase customer communication overall – noting that there is an expectation amongst customers for Ausgrid to be more proactive in communicating with them and that those with higher knowledge are also more likely to have a positive opinion of Ausgrid.
8. Take the opportunity to become a trusted source of information and advice where there is currently a gap in the market. Ausgrid needs to continue developing as an "open, honest and transparent" organisation, being more publicly accountable, so it can credibly take on this trusted source role in the eyes of customers and stakeholders.

STRATEGIC ACTION PRIORITIES

RECOMMENDATIONS AND CONSIDERATIONS FOR FUTURE RESEARCH

9. Consider specific communications initiatives which:
    a. Enable customers to better understand electricity prices, be more efficient in their usage and save (e.g. via better understanding of time-of use pricing);
    b. Provide real-time information about outages (potentially via SMS, social media or an updated app); and
    c. Educate and provide unbiased information on solar and other new technologies.

Service standards

10. Maintain current reliability and responsiveness standards.
11. Address tree trimming issues and review street light repairs & maintenance standards as well as performance against those standards. Note that these are secondary concerns for customers and not key drivers of Ausgrid's reputation. However, tree trimming generates pockets of dissatisfaction which need to be pacified and current street light repair standards fall well short of customers' expectations.

FURTHER RESEARCH

We were asked by Ausgrid to provide ideas for future research and the following are the studies that we believe would be most useful.

Vulnerable Customer Deep Dive: We strongly recommend further research to explore the needs of vulnerable customers (across the spectrum – e.g. including vulnerable SME owners and life-support customers) to better understand their needs and the programs that would be most appropriate in supporting them and helping them make better energy decisions. This would likely initially involve a qualitative ethnographic study comprising a series of interviews in people's homes.

Energy Literacy Research: We understand that Ausgrid is currently focussing on the issue of energy literacy with a particular focus on vulnerable customers. To support this we recommend a research project properly identifies knowledge gaps and explores the reasons for them. Following this, we suggest evaluating a range of potential programs and communications approaches to build energy literacy amongst customers. This would likely initially involve a qualitative research program (potentially a mix of in-depth interviews and focus groups).

Ongoing Attitudinal, Knowledge and Behavioural Tracking: Ausgrid should continue to track and monitor these three important dimensions amongst customers and key stakeholders. This would also include measuring Ausgrid's reputation, its progress in becoming a customer-centric organisation as well as its brand and services standards. It would be accomplished via a mix of an ongoing quantitative surveys and qualitative studies (e.g. for senior stakeholders).

STRATEGIC ACTION PRIORITIES

CONSIDERATIONS FOR FUTURE RESEARCH

Brand Positioning Research: To support future communications, and in light of some relatively negative current brand associations, Ausgrid may wish to undertake strategic brand positioning research. This would assist in bringing consistency to communications and maximising their effectiveness by:

a. Better defining the things that Ausgrid should stand for as a customer-focussed organisation; and

b. Better understanding the specific facts and proof-points that are most effective in building Ausgrid's reputation.

If Ausgrid does want to rise to the challenge of being more proactive with its communications, becoming a trusted source of information & advice or a "thought leader" then the development of a distinct and motivating brand positioning will be invaluable. This would be undertaken via a qualitative research project with the potential for subsequent quantitative confirmation.

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 presents results from phases three and four of the project comprising the quantitative survey and advanced analytics.

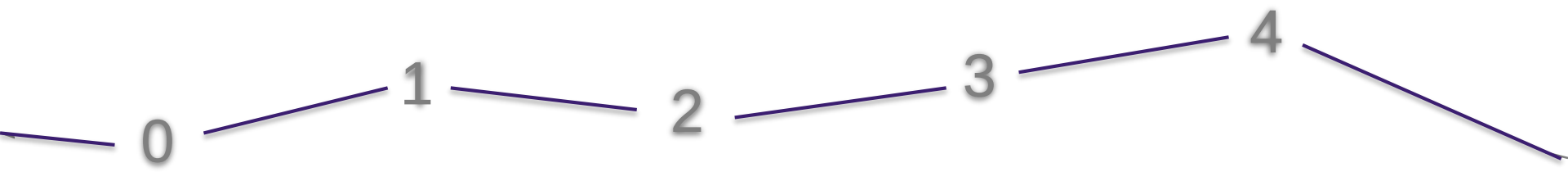
Objectives

The main objectives of the quantitative survey and advanced analytics phases were to understand:

- Attitudes to electricity in the context of other community issues;
- Awareness, knowledge and perceptions of Ausgrid;
- Ausgrid's performance on core services: reliable supply, restoring power after storm blackouts, tree trimming, street light maintenance.
- Ausgrid's role and performance in providing relevant information and advice to customers when they need or want it.
- Attitudes and preferences to potential tariff options;
- Attitudes towards solar and new technologies including barriers to their uptake;
- Expectations for Ausgrid's long-term plan; and
- Input into Ausgrid's long-term plans, with a focus on the 2019-2024 Regulatory Reset.
- Subconscious drivers of long-term customer interests and perceived fairness of pricing structure options.

PHASES OF THE CUSTOMERS AT THE CENTRE PROJECT

THIS REPORT PRESENTS RESULTS FROM PHASES THREE AND FOUR



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INCEPTION WORKSHOP	**FOCUS GROUPS**	**DELIBERATIVE FORUMS**	**QUANTITATIVE SURVEY**	**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, Hurstville, 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	Online survey among a representative sample of Ausgrid's customer base (n=2362) including a sample of SMEs (n=224) and a sample of vulnerable customers (n=464)	Regression modelling to identify underlying drivers of opinion towards Ausgrid Choice modelling to identify subconscious drivers of long-term customer interests and fairness of pricing options.
Completed	*Completed*	*Completed*	***Completed & presented in this report***	***Completed & presented in this report***

METHODOLOGY

The results presented in this report are based on a quantitative survey of n=2,362 Ausgrid customers designed, executed and analysed as follows:

- The sample was representative of Ausgrid's customers, across its service area, who are responsible for household energy-related decisions (i.e. paying bills or choosing electricity providers).
- Quotas were set to ensure the sample was representative in regards to age, gender and location with data weighting applied to ensure an accurate representation.
- The sample size of n=2,362 has a maximum error margin of +/- 2 percentage points at the 95% confidence level. Higher error margins may apply to sub-samples, with the common breakdowns outlined below.
- Fieldwork was conducted online by professional panel provider CanvasU between 18th August and 5th September 2017.
- Results are presented as percentages, these may not total 100% due to rounding, if the question allowed for multiple choices, or where the chart / table displays the main responses rather than all answer categories. The questionnaire is presented as an appendix to this report.

SUB-GROUP	SAMPLE SIZE (n)	% OF SAMPLE
Business customers	224	9.5
Residential customers	2,138	90.5
High bill size	369	15.6
Moderate bill size	949	40.2
Low bill size	807	34.2
Have solar panels	394	16.7
Vulnerable customers	464	19.6
Total	**2,362**	**100**

SUB-GROUP	SAMPLE SIZE (n)	% OF SAMPLE
Sydney South	1,174	49.7
Sydney North	688	29.1
Central Coast	156	6.6
Upper Hunter	126	5.3
Lower Hunter	218	9.2
Central Coast & Hunter	500	21.2
Sydney	1,862	78.8
Total	**2,362**	**100**

DEFINITION OF VULNERABLE AND OTHER CUSTOMER SEGMENTS

VULNERABLE CUSTOMERS

To define vulnerable customers we used several variables that take into account self-reported financial hardship, objective metrics of financial vulnerability, and potential risk factors. One in five of the sample (20%) qualified for our definition of 'vulnerable customers' (464 respondents) based on participants:

Either

- Indicating they had "a lot of difficulty paying bills and covering basic living expenses"

Or

- Indicating they were any of the following:
  - 'doing ok and making ends meet'
  - 'Having difficulty but making ends meet'
  - 'Had a lot of difficulty paying bills & covering basic living expenses" **and**
- Having less than 3 months savings; **and**
- Identifying as meeting any of the following vulnerability risk factors:
  - Single parent of a child <18
  - Receive a disability pension or aged pension
  - Missed or late in paying electricity bills <12 months
  - Born in a country where English was not the main language or speak a language other than English at home
  - Identify as Aboriginal or Torres Strait Islander.

BUSINESS CUSTOMERS

- Were defined as either owners or directors of businesses with <20 employees or owners, directors or senior managers of businesses with 20-199 employees who are responsible for business-related energy decisions.

LOW, MEDIUM, HIGH ENERGY USERS

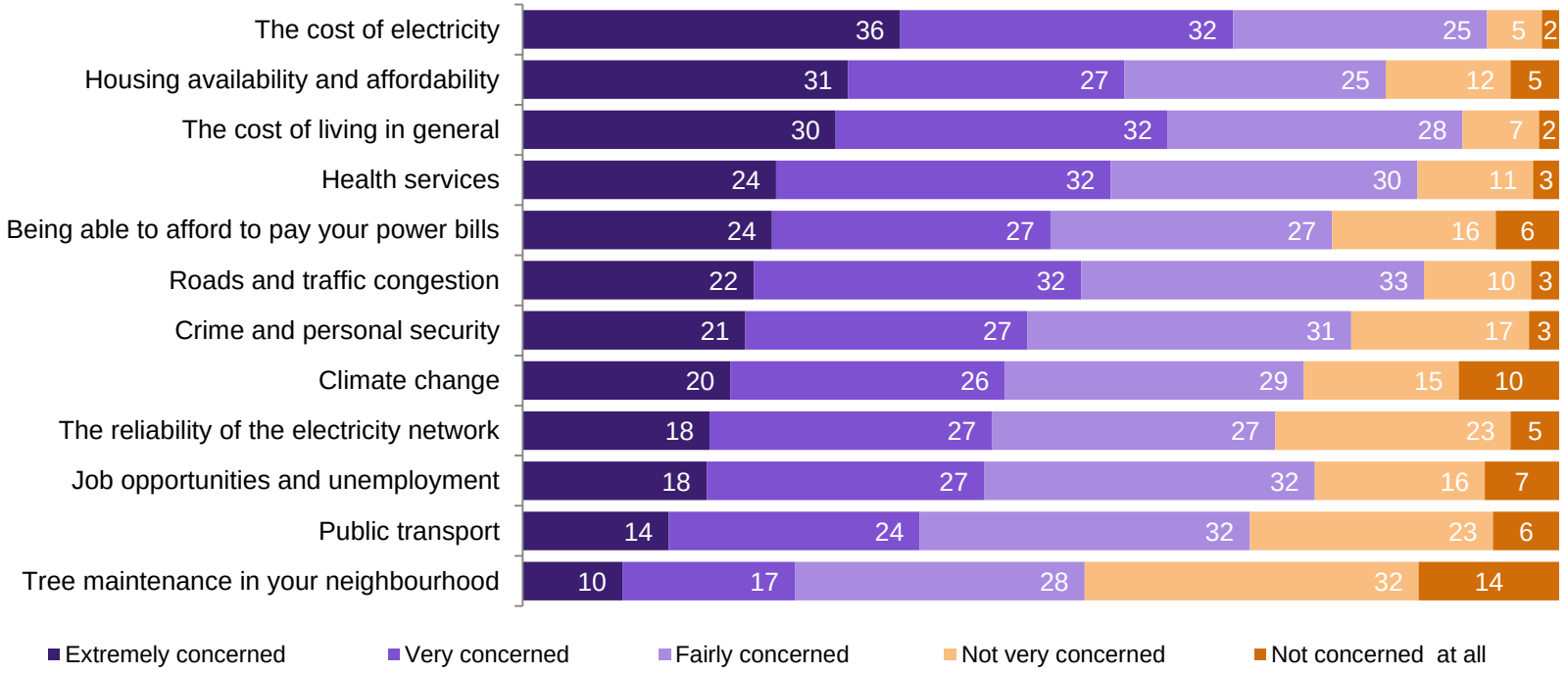
- Were defined by the amount of their most recent quarterly bill: Low = < $299, Medium = $300-$599, High = $600+.

Issues context, awareness and interaction with Ausgrid

ELECTRICITY IN THE CONTEXT OF OTHER COMMUNITY ISSUES

THE COST OF ELECTRICITY IS THE MOST CONCERNING ISSUE, RATING HIGHER THAN HOUSING AFFORDABILITY AND HEALTH SERVICES, WITH ABILITY TO PAY POWER BILLS ALSO A TOP 5 ISSUE

Concern with topical issues (%)



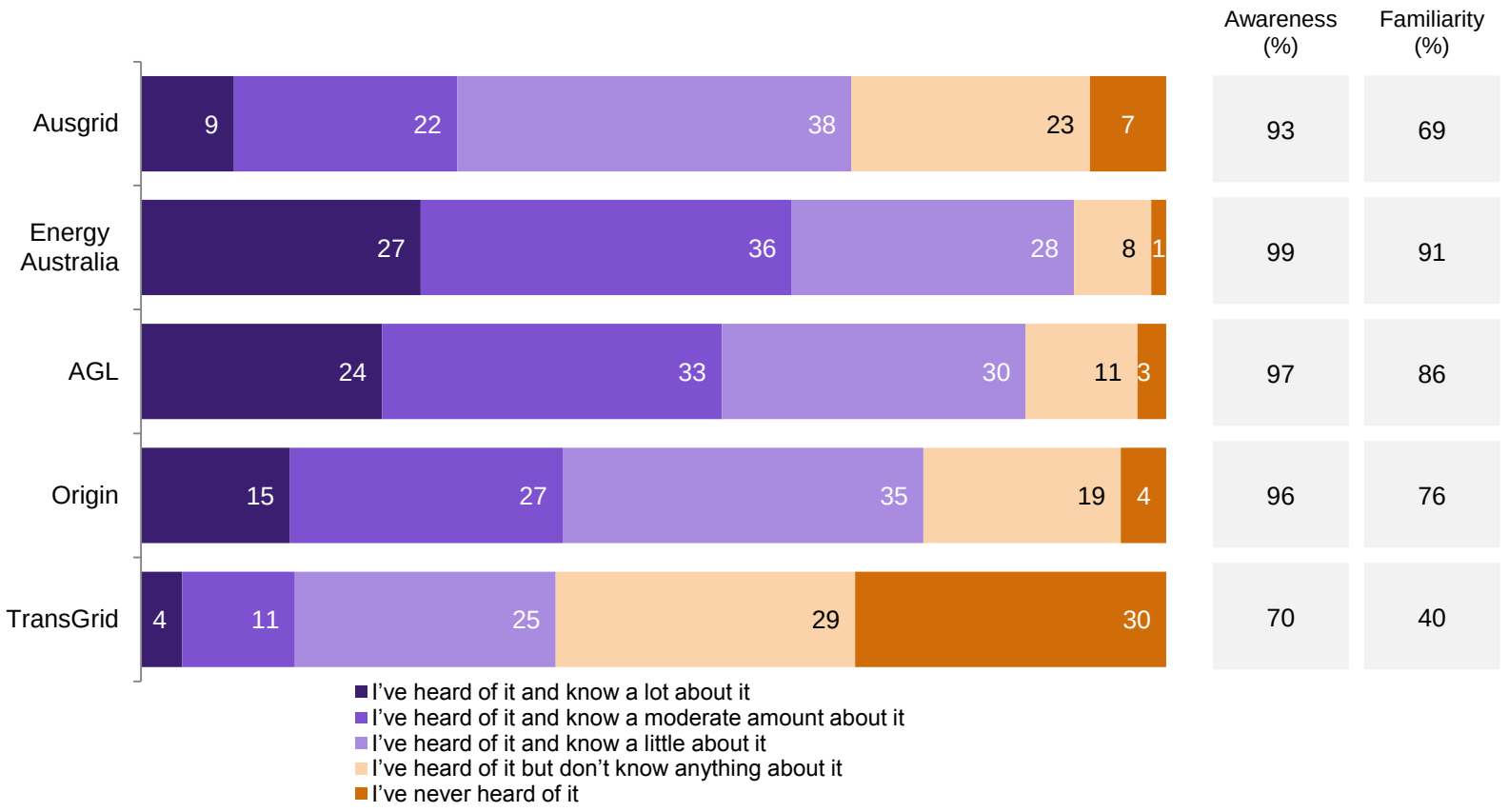
Reliability of supply is less of a concern, partly because outages are still rare for most.

Q1. How concerned are you about the following issues? Base: All participants (n = 2,362)

AWARENESS AND KNOWLEDGE OF ENERGY ORGANISATIONS

AS EXPECTED, CUSTOMERS ARE MORE FAMILIAR WITH THEIR RETAILER THAN THEIR DISTRIBUTOR. MORE THAN HALF AUSGRID'S ULTIMATE CUSTOMERS SAY THEY KNOW LITTLE OR NOTHING ABOUT IT

Awareness and knowledge of energy organisations (%)



Q2. How much do you know about the following organisations?. Base: Participants who have heard of each organisation (n = 2,362)

Note: Awareness: All excluding those who have never heard of it. – Familiarity: Have heard of it and know at least a little or more.

KNOWLEDGE OF AUSGRID AMONGST CUSTOMER SEGMENTS

MEN, HOME-OWNERS, AND THOSE WITH SOLAR PANELS ARE AMONGST THOSE WHO KNOW MORE ABOUT AUSGRID

CUSTOMERS LESS KNOWLEDGEABLE ABOUT AUSGRID (% FAMILIAR)

- Live in Sydney South (66%)
- No solar panels (68%)
- CALD background (speak a language other than English at home) (64%)
- Vulnerable customers (63%)
- Women (64%)
- Low annual income (<40k) (61%)
- Renters (61%)
- Apartment dwellers (64%)

CUSTOMERS MORE KNOWLEDGEABLE ABOUT AUSGRID (% FAMILIAR)

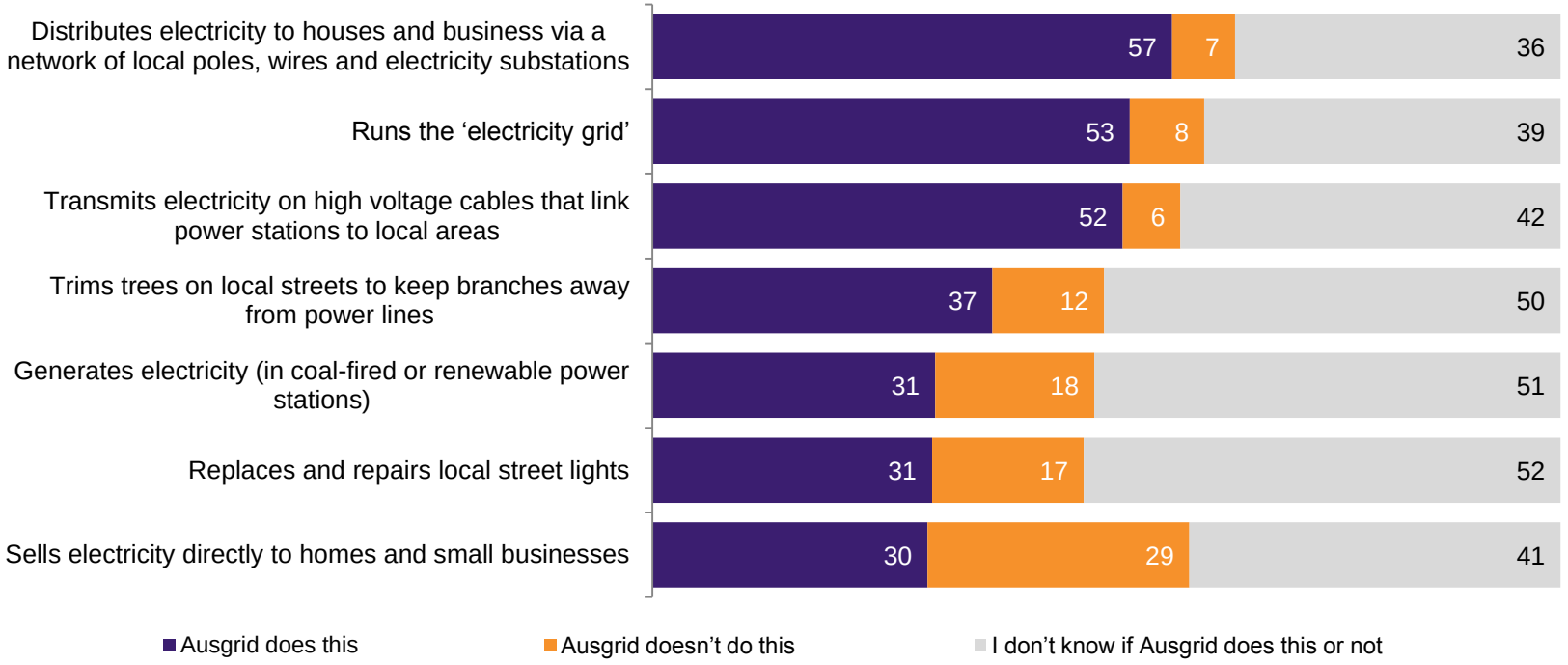
- Only speak English at home (71%)
- Not vulnerable customers (71%)
- Home owners (74%)
- Live in detached dwellings (72%)
- Have solar panels (78%)
- Live in the Upper Hunter (83%)
- Men (75%)

Q2. How much do you know about the following organisations? Base: All participants (n= 2,362)

UNDERSTANDING OF AUSGRID'S ROLE IN THE SUPPLY CHAIN

OVER HALF (57%) IDENTIFIED AUSGRID AS A DISTRIBUTOR ALTHOUGH AROUND A THIRD ALSO BELIEVED IT IS RESPONSIBLE FOR GENERATION AND RETAIL SERVICES

Perceived responsibilities of Ausgrid (%)



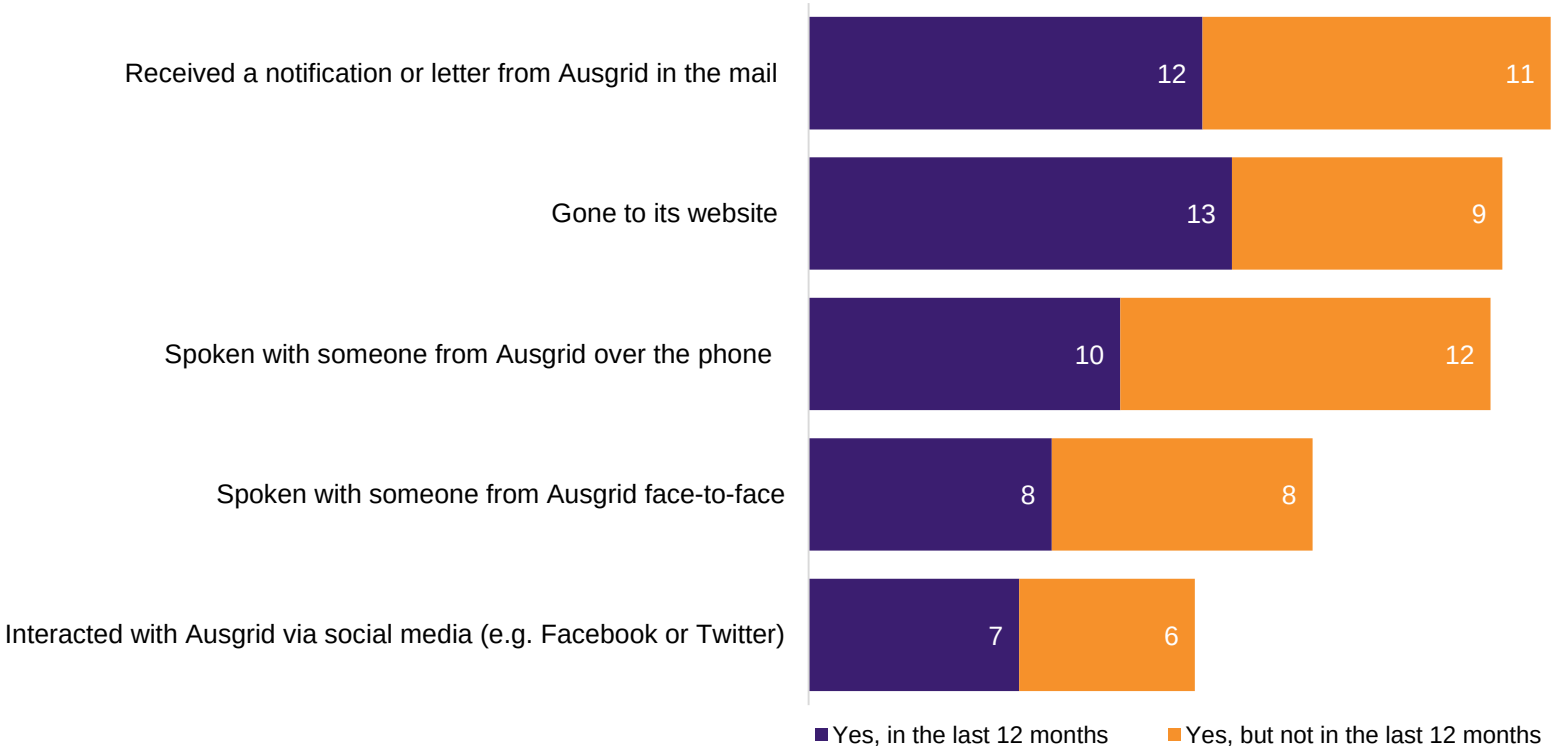
44% of business customers also believed that Ausgrid was both a generator and a retailer.

Q6. Which of the following things do you think Ausgrid does? Base: All participants (n = 2,362)

HOW CUSTOMERS ARE INTERACTING WITH AUSGRID

19% OF CUSTOMERS HAVE INTERACTED WITH AUSGRID IN THE LAST 12 MONTHS IN ANY WAY, WITH MAIL AND THE WEBSITE THE MOST COMMON INFORMATION CHANNELS

Interactions with Ausgrid (%)



Q10. Have you interacted with Ausgrid in any of the following ways? Base: All participants (n = 2,362)

CUSTOMER SEGMENTS INTERACTING VIA EACH CHANNEL

BUSINESS CUSTOMERS, THOSE WITH SOLAR PANELS, YOUNGER CUSTOMERS AND THOSE WITH HIGH BILLS ARE MOST LIKELY TO HAVE INTERACTED WITH AUSGRID VIA A RANGE OF CHANNELS

WEBSITE

- Business customers (51%)
- Have solar panels (41%)
- Aged 18-34 (38%)

TELEPHONE (CALL)

- Business customers (47%)
- Have solar panels (41%)
- High bill size customers (36%)

SOCIAL MEDIA

- Business customers (42%)
- Have solar panels (28%)
- Aged 18-34 (27%)

FACE TO FACE

- Business customers (45%)
- Have solar panels (33%)
- Aged 18-34 (28%)

MAIL

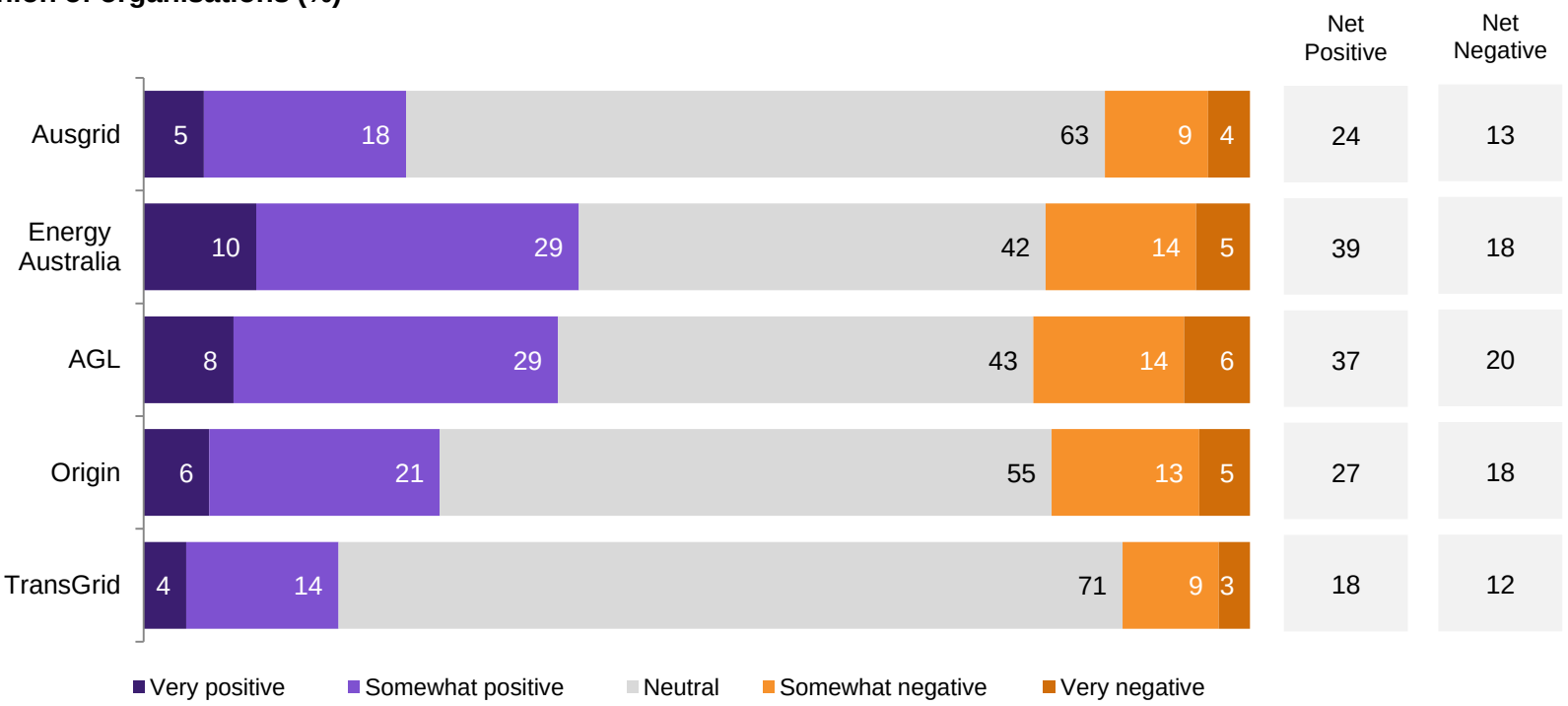
- Business customers (48%)
- Have solar panels (40%)
- High bill size customers (35%)

Q10. Have you interacted with Ausgrid in any of the following ways? Base: All participants (n= 2,362)
Statistic show the % of participants who have interacted with Ausgrid via each channel

OVERALL OPINION OF AUSGRID

MOST CUSTOMERS (63%) HAVE A NEUTRAL OVERALL OPINION OF AUSGRID WITH 24% HAVING A POSITIVE OPINION AND 13% HAVING A NEGATIVE OPINION OF IT

Opinion of organisations (%)



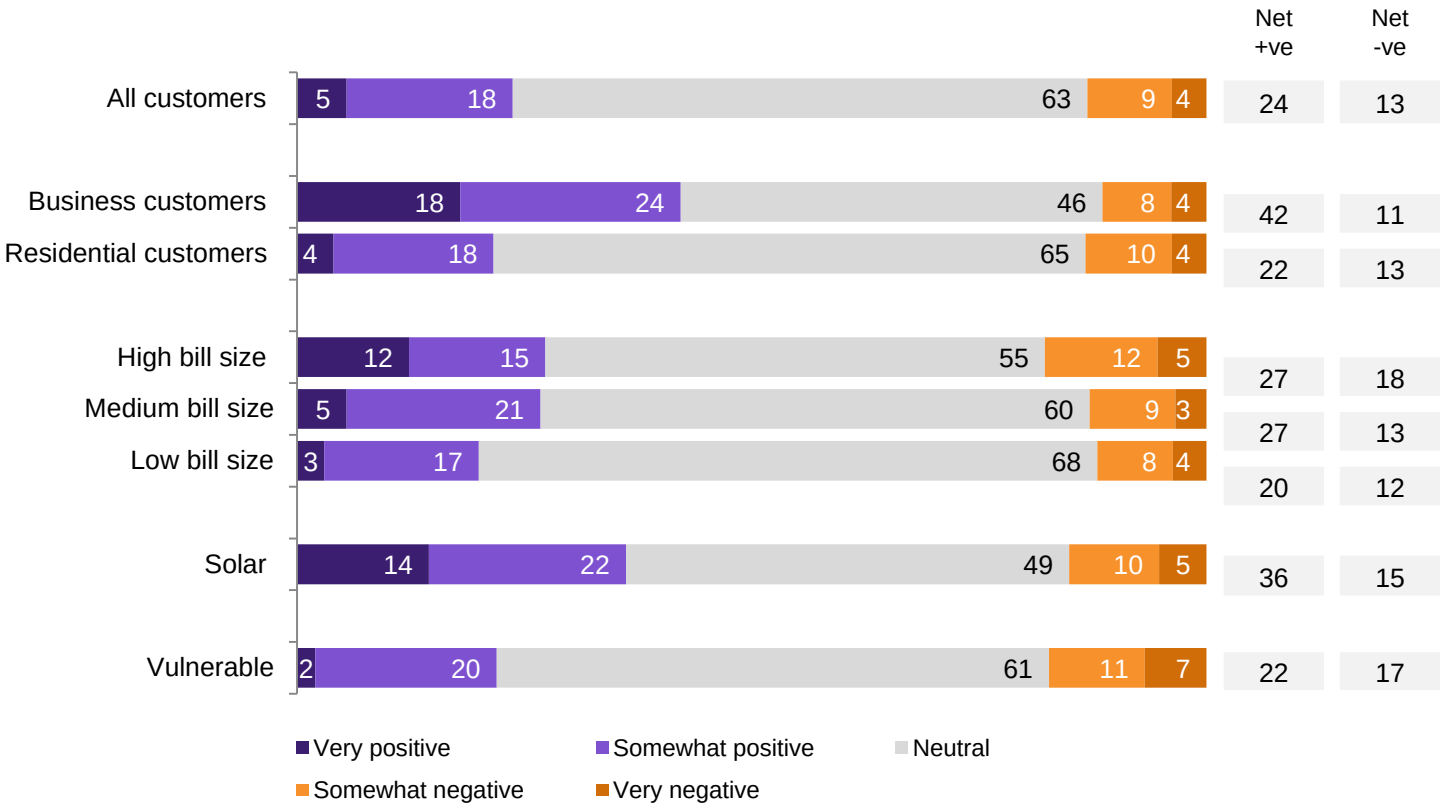
Lack of knowledge is a key reason for the relatively high proportion who have a neutral view of Ausgrid. The more familiar retailers AGL and Energy Australia are more favourably rated.

Q3. What is your overall opinion of the following organisations?. Base: Participants who have heard of each organisation (n = 2,329)

OPINION OF AUSGRID AMONGST KEY CUSTOMER SEGMENTS

THE TWO SEGMENTS MOST LIKELY TO BE FAMILIAR WITH AUSGRID ARE THE TWO MOST LIKELY TO HAVE A POSITIVE OPINION – BUSINESS CUSTOMERS AND SOLAR CUSTOMERS

Overall opinion of Ausgrid (%)



Q3. What is your overall opinion of Ausgrid?. Base: Participants who have heard of Ausgrid (n= 2,197)

OPINION OF AUSGRID AMONGST OTHER SEGMENTS

THOSE IN THE LOWER HUNTER AND CALD CUSTOMERS ARE OTHER SEGMENTS WITH A MORE POSITIVE OPINION OF AUSGRID

TYPES OF CUSTOMERS MORE LIKELY TO BE NEGATIVE ABOUT AUSGRID (%)

- Men (16% negative: 24% positive)
- Aged 55 + (17% negative: 16% positive)
- Vulnerable (17% negative: 22% positive)
- High bill size customers (18% negative: 27% positive)

TYPES OF CUSTOMERS MORE LIKELY TO BE POSITIVE ABOUT AUSGRID (%)

- Aged 18-34 (8% negative: 37% positive)
- Lower Hunter customers (14% negative: 34% positive)
- Business customers (11% negative: 42% positive)
- A lot/moderate knowledge of Ausgrid (17% negative: 41% positive)
- Interacted with Ausgrid <12 months (17% negative: 46% positive)
- Have solar panels (15% negative: 36% positive)
- Have children <18 living at home (10% negative: 30% positive)
- CALD (10% negative – 29% positive)

Q3. What is your overall opinion of the following organisations? Base: Participants who have heard of Ausgrid (n= 2,197)

REASONS FOR OPINIONS OF AUSGRID

CUSTOMER SERVICE WAS A KEY STATED REASON FOR POSITIVE OPINION WHILST PERCEIVED HIGH PRICES AND PRICE INCREASES WERE THE MAIN STATED NEGATIVES

Survey participants were asked the reasons for their opinion of Ausgrid and the findings below present their responses coded into themes.

REASONS FOR POSITIVE OPINIONS OF AUSGRID

- Had good dealings with them / good customer service (17%)
- They are trustworthy / reputable / good / a well known company (15%)
- They respond to outages / provide maintenance / repairs (8%)
- They are the electricity supplier / distributor / network company (7%)
- The electricity service is reliable (6%)

REASONS FOR NEGATIVE OPINIONS OF AUSGRID

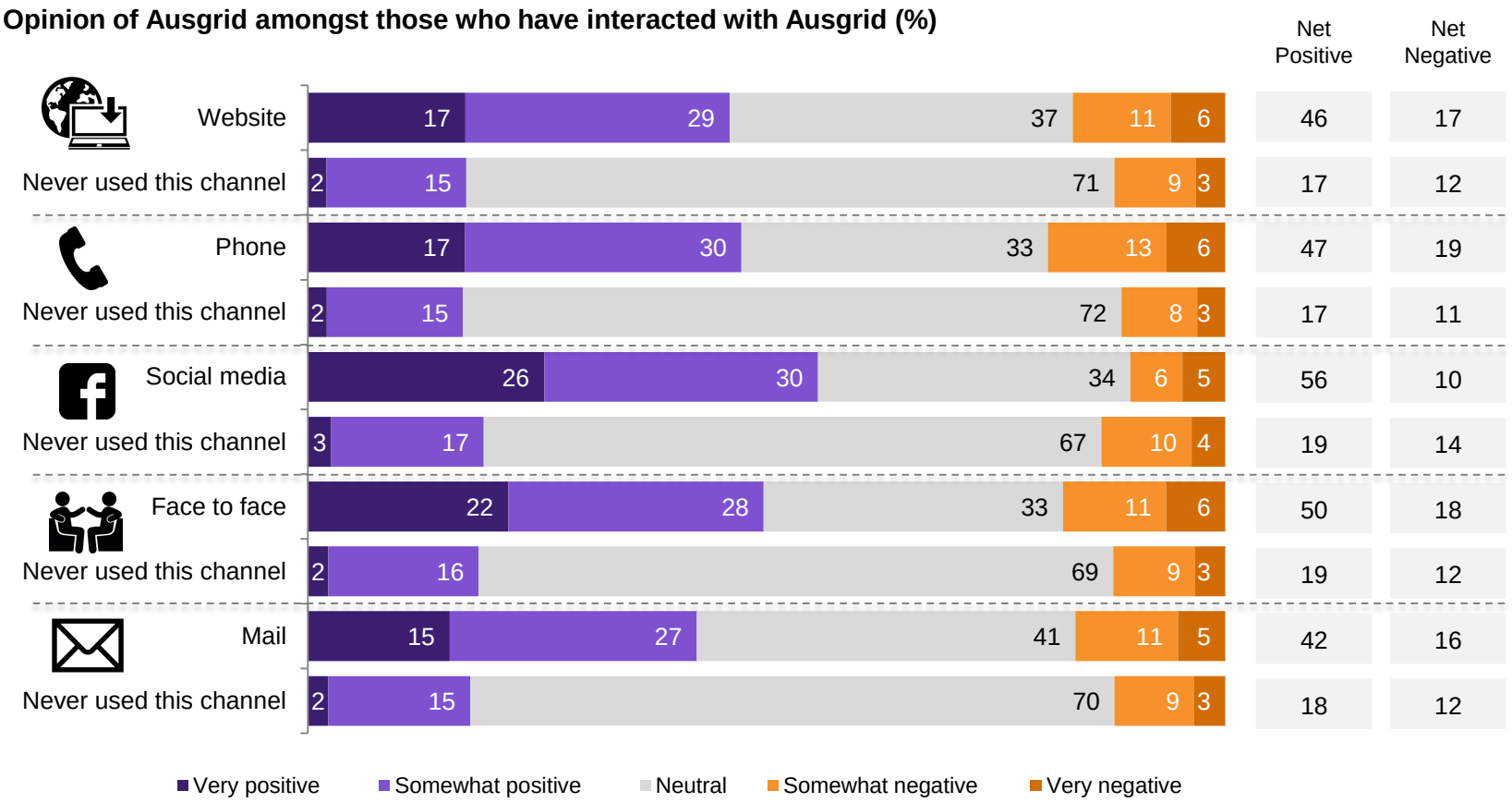
- They charge too much / are expensive / are responsible for price increases (38%)
- They provide bad customer service / I have had bad experiences (11%)
- They make too much profit / greedy (8%)
- They are not a good company / untrustworthy / arrogant (8%)
- I have heard bad news / reports (6%)

Q4. And what makes you feel … about Ausgrid? Base: Participants who have heard of Ausgrid (n= 2,197)

RELATING INTERACTION WITH AND OPINION OF AUSGRID

CUSTOMERS WHO HAVE INTERACTED WITH AUSGRID, BY ANY CHANNEL, ARE SIGNIFICANTLY MORE LIKELY TO HAVE A POSITIVE OPINION OF AUSGRID THAN THOSE WHO HAVE NOT

Opinion of Ausgrid amongst those who have interacted with Ausgrid (%)



Q3. What is your overall opinion of Ausgrid? Base: All participants (n = 2,362)

ATTITUDES TO AUSGRID

IN THEIR WORDS

"They provide us with the energy that the other companies then charge us for! They are the ones who do the actual work!"

"I have been hearing negative things about electricity services in general lately and in particular about 'the Grid' so I assume that this company has something to do with whatever problems there are."

"They always work quickly to restore power and communicate well when this happens."

"Any time we have a blackout they are very quick to get power back on and are very communicative about any problems via Facebook."

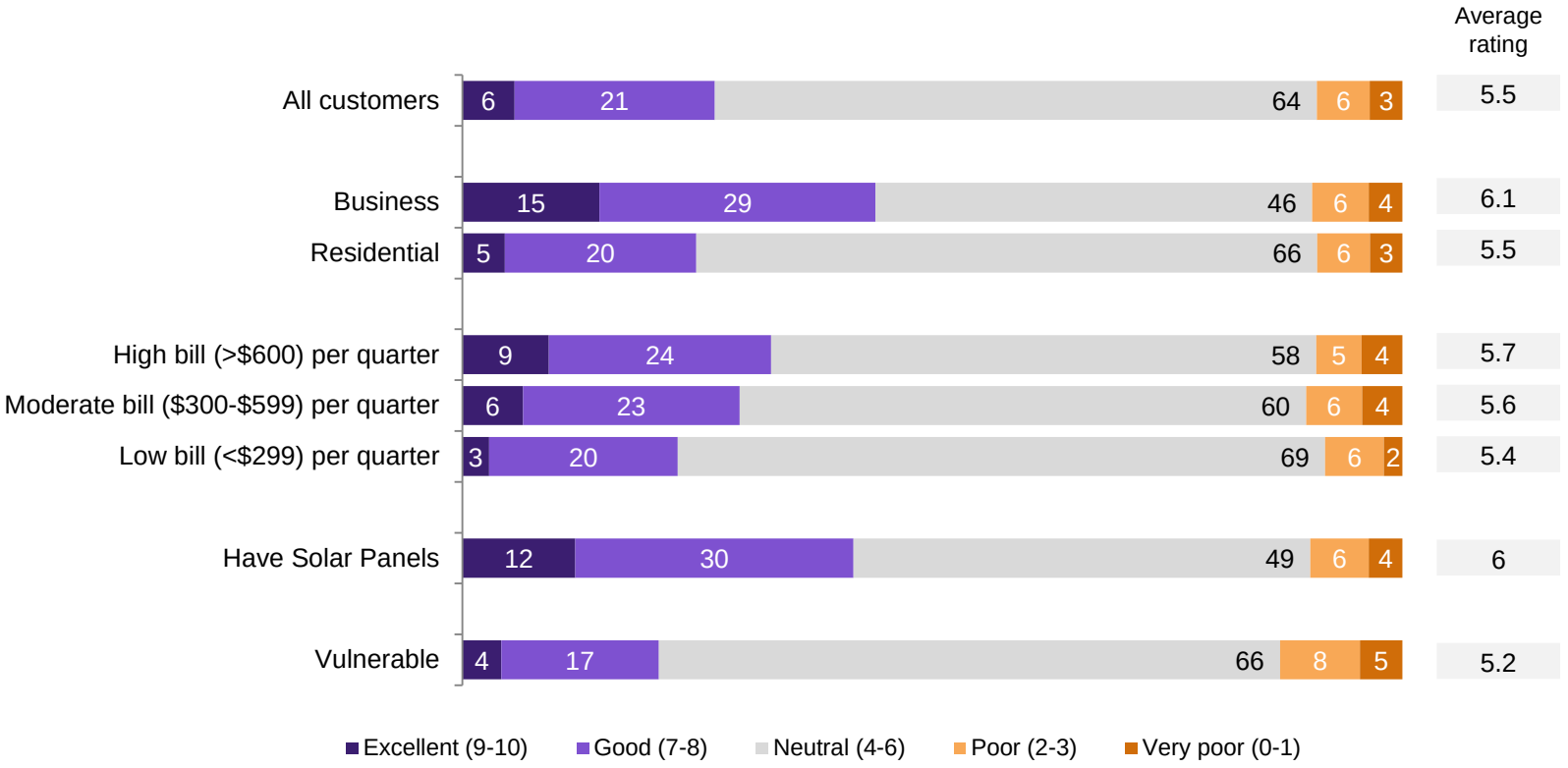
"They look after our network quite well, and we have had less blackouts in the last decade than previously."

"They are a reliable electricity supplier and are safe and trustworthy"

AUSGRID'S REPUTATION AMONG KEY CUSTOMER GROUPS

ONCE AGAIN, THE TWO CUSTOMER SEGMENTS MOST FAMILIAR WITH AUSGRID – BUSINESS AND SOLAR – ARE MOST LIKELY TO HAVE A POSITIVE OPINION, ALTHOUGH EVEN AROUND HALF OF THESE TWO SEGMENTS ARE NEUTRAL.

Overall reputation of Ausgrid (%)



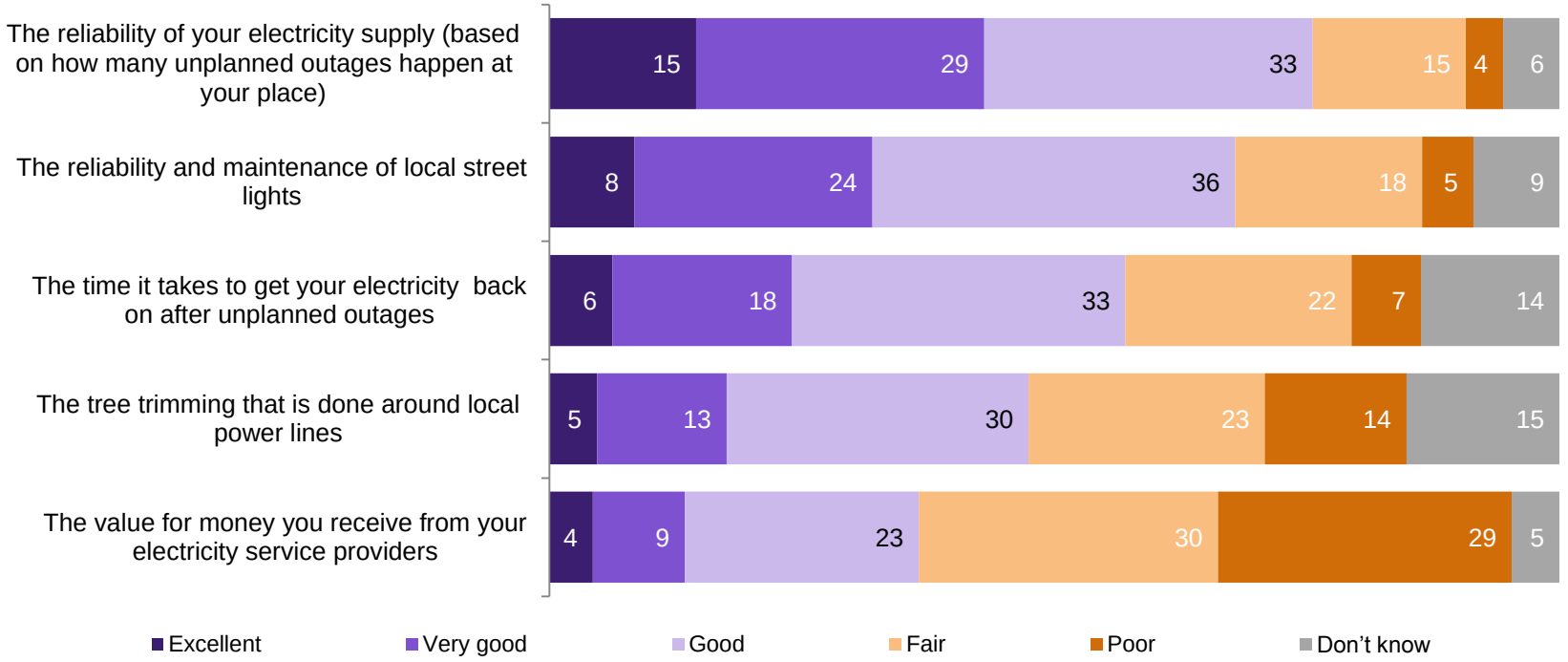
Results above show an additional measure of overall opinion using Newgate's standard New*REP*© rating.

Q5. How would you rate the overall reputation of Ausgrid based on your experiences you've had with Ausgrid and anything else you've seen, heard or read about it? Base: Participants who have heard of Ausgrid (n = 2,197)

PERCEIVED QUALITY OF ELECTRICITY SERVICES

RELIABILITY AND STREET LIGHT MAINTENANCE RATE HIGHLY WHILE PERFORMANCE ON TREE TRIMMING AND VALUE FOR MONEY ARE LOWER

Electricity service rating (%)

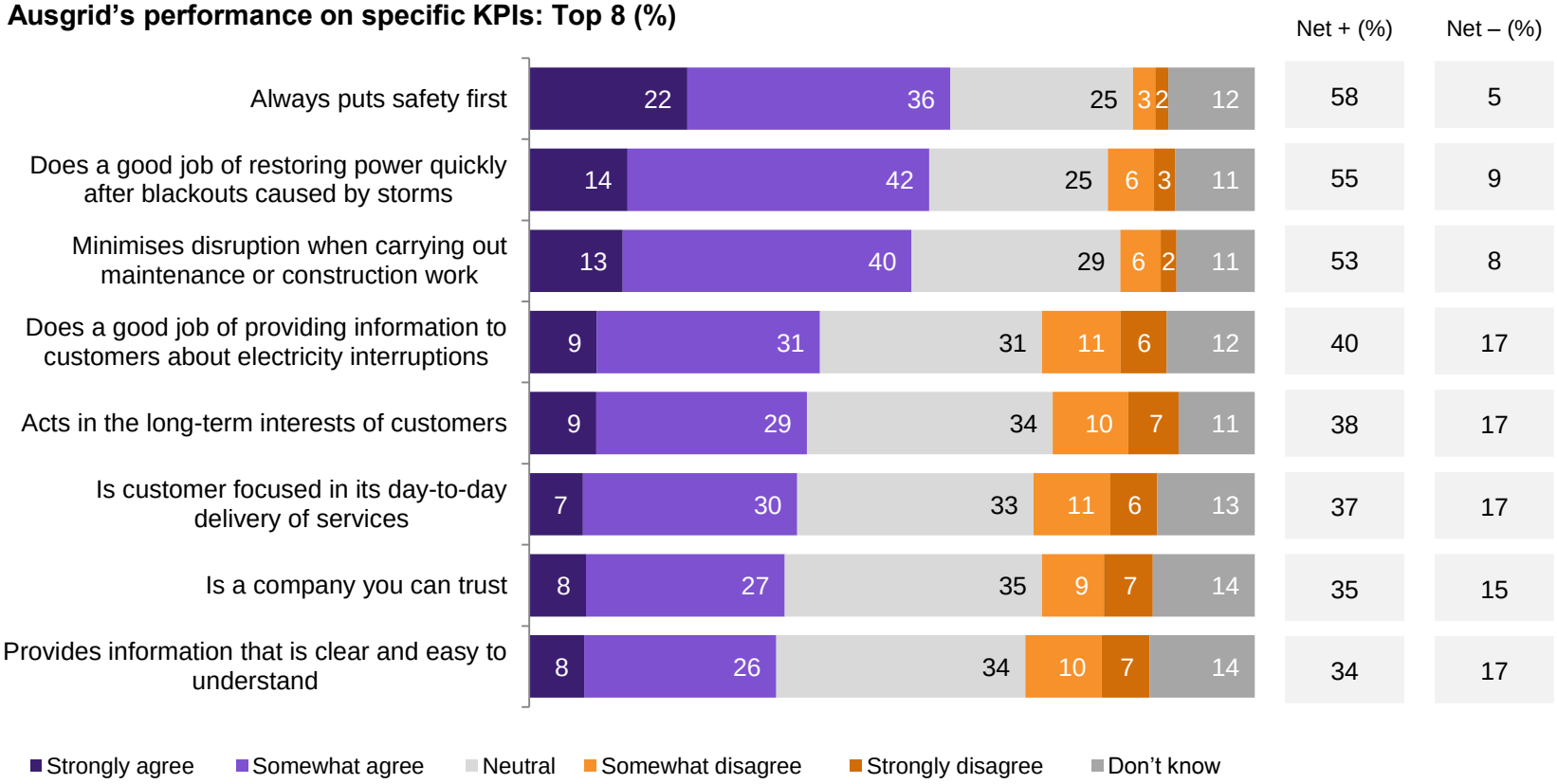


Q7. How would you rate the following aspects of your electricity service? Base: All participants (n = 2,362)

AUSGRID'S PERFORMANCE ON KEY METRICS

AUSGRID PERFORMED BEST AT SAFETY, RESPONSIVENESS, AND MINIMISING DISRUPTION FROM MAINTENANCE OR CONSTRUCTION. 38% AGREE IT ACTS IN THE LONG-TERM INTERESTS OF CUSTOMERS WHILE 17% DISAGREE

Ausgrid's performance on specific KPIs: Top 8 (%)



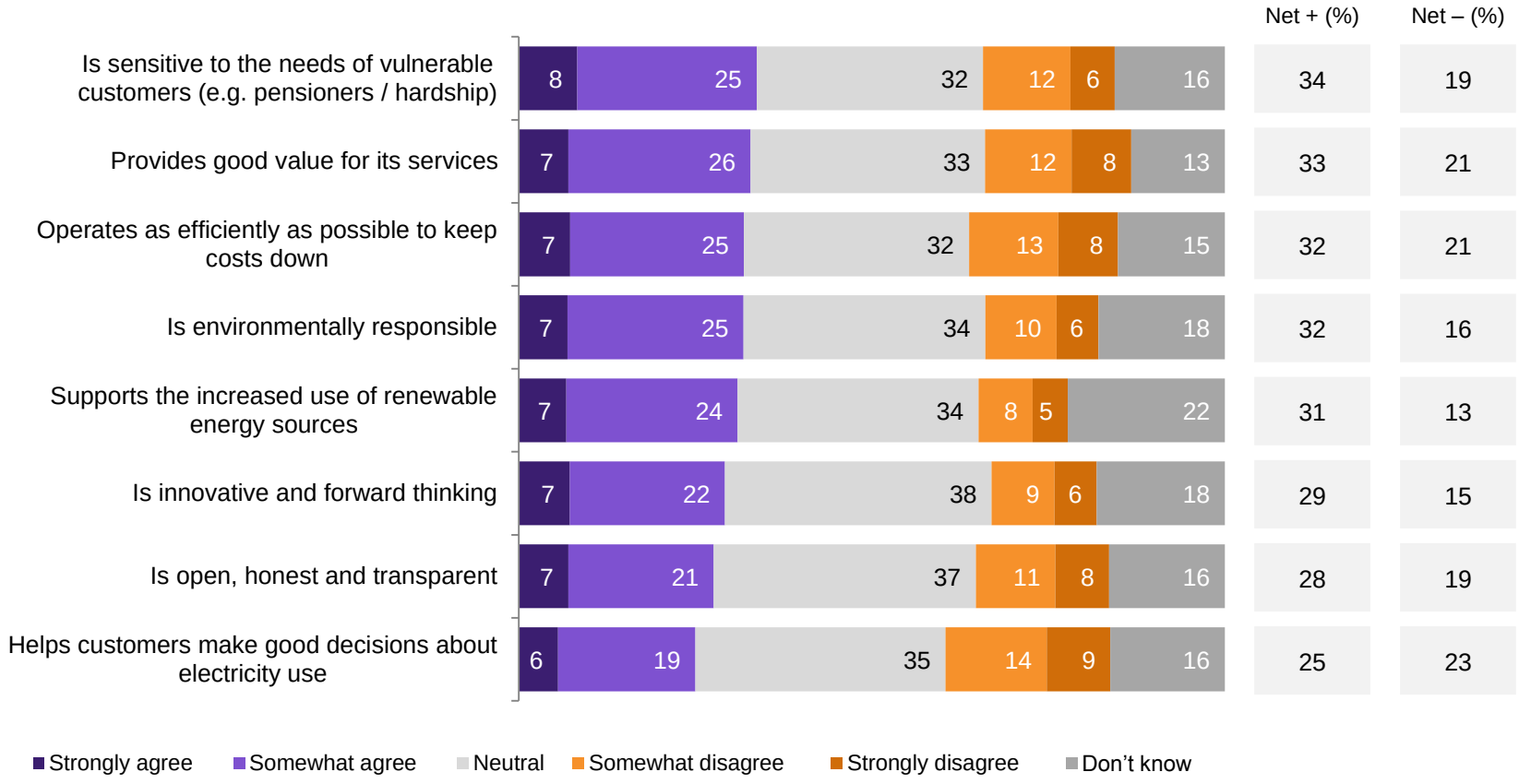
37% of customers believed that Ausgrid is customer focused, compared to 70% of Ausgrid's employees.

Q9. Do you agree or disagree that Ausgrid... Base: All participants (n = 2,362)

AUSGRID'S PERFORMANCE ON KEY METRICS *CONT.*

AUSGRID PERFORMS LESS WELL WHEN IT COMES TO INNOVATION, HELPING CUSTOMERS MAKE GOOD DECISIONS ABOUT ELECTRICITY AND BEING OPEN, HONEST AND TRANSPARENT

Ausgrid's performance on specific KPIs: Bottom 8 (%)



Q9. Do you agree or disagree that Ausgrid... Base: All participants (n = 2,362)

Drivers of customer opinion: Regression modelling

KEY DRIVER ANALYSIS

OVERVIEW OF THE MODELLING APPROACH

This section presents the results of regression modelling to explore the relative importance of specific factors in driving overall opinion towards Ausgrid.

The regression modelling was undertaken on those who know at least a moderate amount about Ausgrid to account for relatively high levels of misunderstanding about Ausgrid's role.

The model we developed had a good ability to explain overall sentiment with a model fit (adjusted r^2) of 0.52.

To help prioritise action to strengthen Ausgrid's reputation we also examined the relationship between:

- The impact of each factor in driving Ausgrid's reputation; and
- Ausgrid's current performance on each factor (amongst all customers).

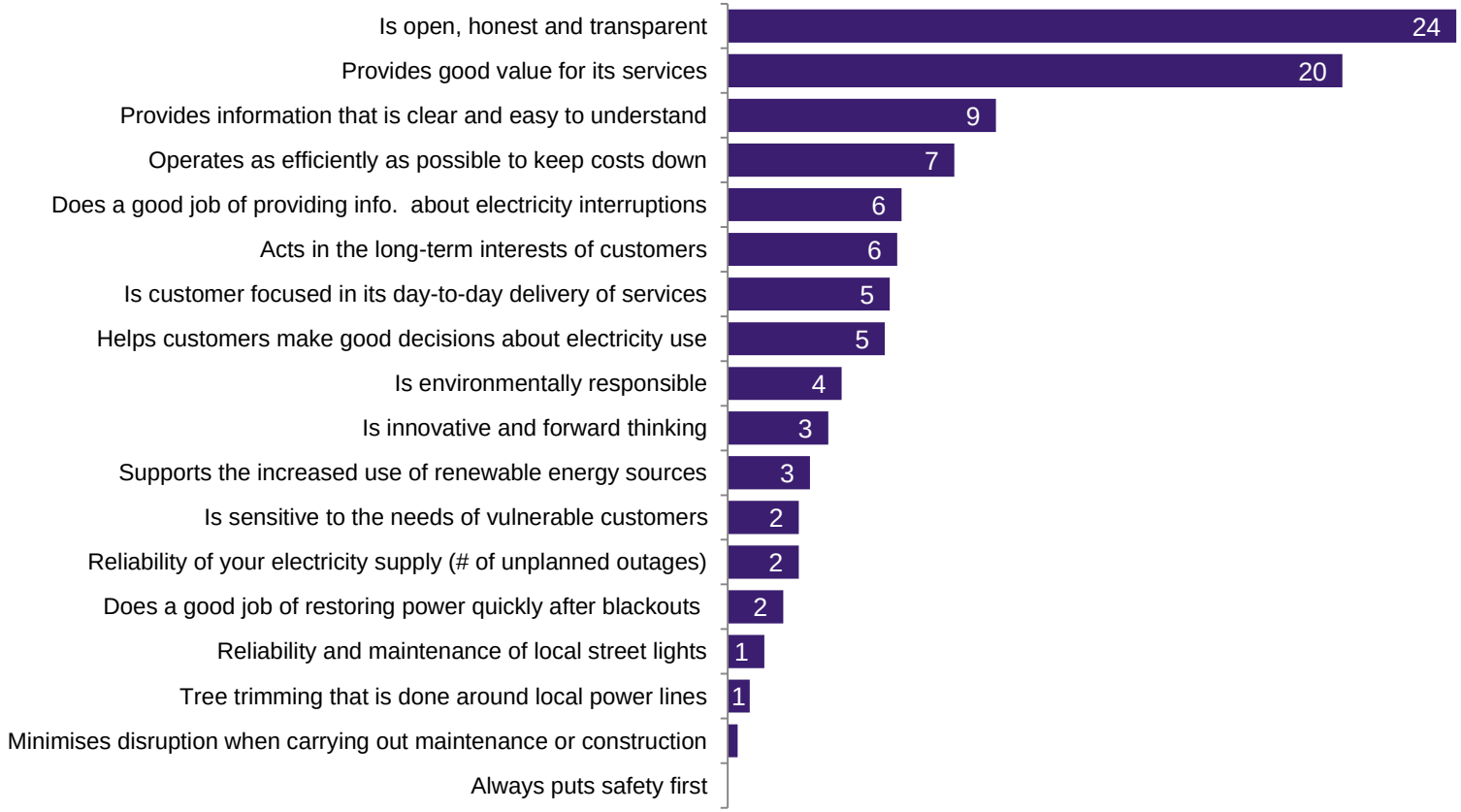
Depending on the survey question the performance scores for specific aspects were defined as either:

- Net agree (i.e. % who agree with KPI statements minus those who disagree); or
- Net rated electricity service performance (i.e. % who rated these "excellent" or "very good" minus those who rated it "fair" or "poor").

OPINION DRIVERS OF AUSGRID

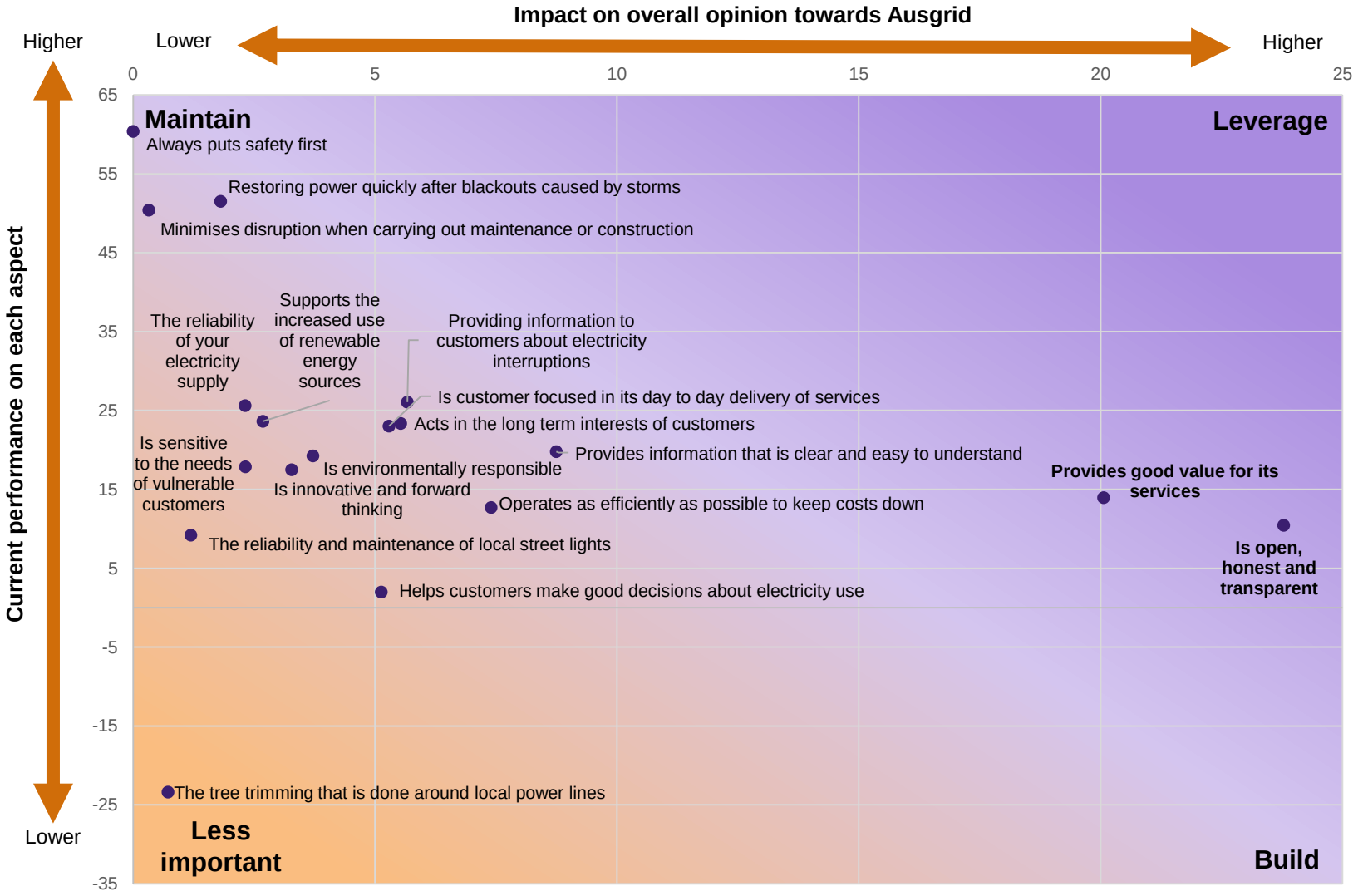
BEING OPEN, HONEST, AND TRANSPARENT AND PROVIDING GOOD VALUE FOR ITS SERVICES ARE THE DOMINANT DRIVERS OF OVERALL OPINION TOWARDS AUSGRID

Relative importance in driving opinion of Ausgrid (%)



Base: n=710. Reputation Driver Analysis Questions: Dependent Variable – Q3. What is your overall opinion of Ausgrid?, Independent variables Q7 and Q9. **Adjusted R-squared:** 0.52, indicating a strong fit of explanatory variables.

RELATING AUSGRID'S PERFORMANCE ON SPECIFIC ASPECTS WITH THEIR IMPORTANCE IN DRIVING OVERALL OPINION



Expectations for long-term planning and preferences for tariff structures

UNPROMPTED EXPECTATIONS FOR AUSGRID'S PLANNING

REDUCING COSTS, ENCOURAGING RENEWABLES, AND PROVIDING A RELIABLE ENERGY SUPPLY WERE THE MAIN EXPECTATIONS FOR AUSGRID TO MEET THE LONG-TERM INTERESTS OF CUSTOMERS

- **Reduce costs / increase affordability / reduce prices for customers (41%)**
- Provide information on how to save on bills (4%)

- **Encourage renewable / sustainable energy development (16%)**
- Tree lopping process needs reviewing (1%)

- **Maintain / provide a reliable and efficient energy supply / reduce outages (14%)**
- Invest in maintenance and building of infrastructure (2%)
- Improve street light maintenance and tree trimming (2%)
- Put cables underground (2%)

- Focus on the customer / provide high quality service (6%)
- Involve customers to get feedback and consult on future plans (2%)
- Offer loyalty / pensioner discounts (2%)

Q11. Ausgrid is currently developing a plan for its business to meet the 'long term interests of customers'. What do you think this plan should focus on if it is to truly be in customer's long-term interests? Base: All participants (n=2,362)

PRIORITIES FOR AUSGRID'S LONG-TERM PLANNING

IN THEIR WORDS

"They should focus on the safe, efficient and economical running of the grid."

"Price, price, price!"

"A shift to more renewable energy sources with a meaningful long-term investment in the appropriate infrastructure."

"In the long-term I believe there will be an increasing demand for sustainable, reliable low-cost energy. I would also expect Ausgrid to be highly visible in its support of community-based events (sports, arts, and charities) and in proactively improving the environment as part of how it does business."

"Ausgrid should make sure customers are made aware of what Ausgrid does and how it can help customers."

"Cost effectiveness, honesty and the promise to deliver."

"Minimising costs to end users while ensuring the reliability of the network."

"Sourcing renewables; getting rid of "gold plating"; trimming trees more sensitively & working with Councils to avoid tree planting under power lines."

OVERVIEW OF THE PRICING PROPOSALS TESTED ACROSS ALL PHASES OF THE RESEARCH PROGRAM

The table below provides a summary of the broad tariffs that were tested as part of the "Customers at the Centre" research program and the methodologies used to evaluate each one. The following slides present an overview of previous results and this is followed by a more detailed analysis of the survey results.

	Focus Groups (Phase One)	Deliberative Forums (Phase Two)	Quantitative Survey (Phase Three)	Advanced Analytics (Phase Four)
Locational pricing (rural vs metro, apartment vs houses)	✓			
Capacity pricing	✓	✓		
Seasonal time of use	✓			
Seasonal time of use + narrow peak		✓		
Time of use		✓		✓
50:50 fixed / variable with vulnerable customer support		✓	✓	✓
50:50 fixed / variable without vulnerable customer support	✓			✓
65:35 fixed / variable		✓		✓
Inclining / flat / declining usage			✓	✓

OVERVIEW OF RESULTS FROM PREVIOUS RESEARCH PHASES

	Focus Groups (Phase One)	Deliberative Forums (Phase Two)
Locational pricing (rural vs metro, apartment vs houses)	• Strong opposition to charging more for rural areas and apartments • Considered unfair and "un-Australian" • Not tested in subsequent phases	• Not tested
Capacity pricing	• Unpopular – 'unfair' • Concerned about bill shock • Difficult to justify	• 1 peak in 3 months, 5 in 12 months tested • Education provided through presentations • Greater understanding, still unpopular • Seen as punishing for atypical use, unfair • Customers found it hard to understand how to reduce bills with a capacity charge suggesting that it would need to be introduced (if ever) with substantial educational materials • Not tested in subsequent phases
Seasonal time of use	• Worried about bill shock • Worried about greater seasonal bill variations	• Tested again with narrow peak to reduce seasonal bill variation • Most acceptable tariff option • Increased certainty and greater opportunity to save by avoiding the 2 hr. peak
Time of use	• Not tested	• Mostly acceptable to customers • 2-3 hr. peak periods were preferred to 6 hr peaks - greater opportunity to shift behaviour to avoid peaks
50:50 fixed / variable	• Generally acceptable but concerned about impacts on vulnerable customers	• Tested with varying levels of support for vulnerable customers ($2, $5, $10 levy on others) • 50:50 fixed/variable acceptable with $2 support option most popular
65:35 fixed / variable	• Not tested	• Less acceptable than a 50:50 ratio – seen by most as going too far

CHANGING NETWORK FEES TO 50% ACCESS 50% USAGE

INFORMATION PROVIDED TO SURVEY PARTICIPANTS

This section of the survey will ask your opinions on some potential options for how electricity customers could be charged for the services that Ausgrid provides (see diagram above).

Please give these questions your careful consideration because the results from this survey (in combination with other information) will inform how Ausgrid charges customers like you for its services in the future.

Before we get started there are three things that are important for you to know:

1. The following pricing options will have no impact on the total amount of money that Ausgrid receives from customers or its profits (since these are set by a Government regulator).
2. However, the options mean some customers would be charged more, some would be charged less and some would be charged about the same.
3. The following pricing options only relate to the "Distribution" part of your electricity bill that covers Ausgrid's 'poles and wires' services – i.e. around 33% of the average electricity bill.

Pricing proposal #1

At the moment the distribution component of your electricity bill is divided into two parts:

1. a **"fixed access fee"** which covers connection and access to the network; and
2. a **"variable usage fee"** which is based on how much energy you use and when you use it.

The fixed access fee is currently small for residential customers and most small-to-medium-sized businesses (around 25% of Ausgrid's charges) while the usage fee is relatively large (around 75% of Ausgrid's charges).

However, most of Ausgrid's ongoing costs actually relate to infrastructure investment, maintenance and upgrades and are less related to how much electricity customers actually use (since Ausgrid doesn't generate electricity or sell electricity direct to customers).

Ausgrid is considering changing the mix of these fees so that the fixed access fee is a higher proportion of your bill (50%) and the variable usage component is a smaller proportion of your bill (50%). The purpose of this change is to make the charges fairer and more reflective of the different types of costs involved in delivering electricity services to customers.

The following table shows the likely impact of this proposal on a range of different customers. It may be helpful if you check your **average daily energy usage** on your latest energy bill to see which one of these is closest to you.

CHANGING NETWORK FEES TO 50% ACCESS 50% USAGE

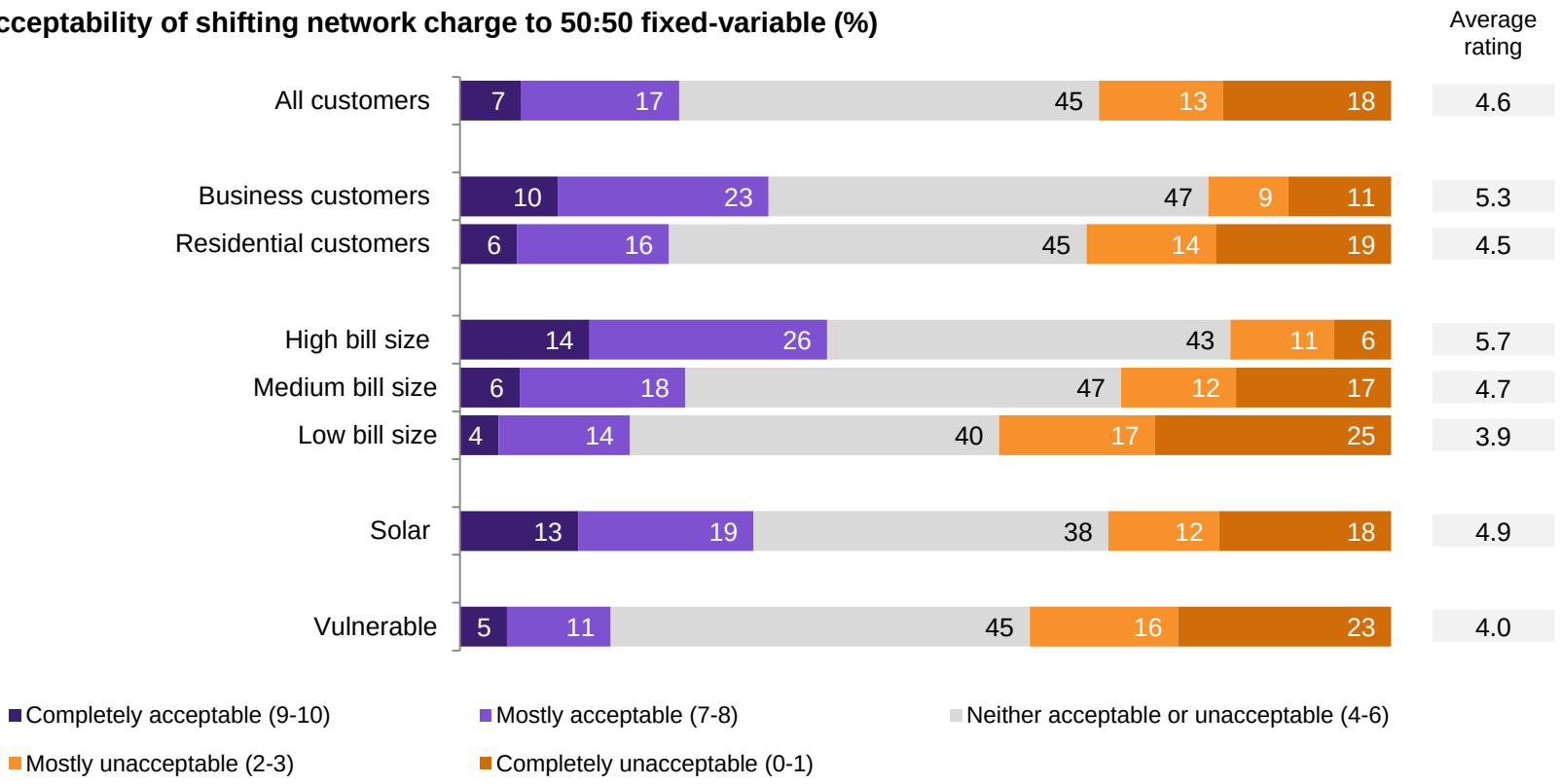
INFORMATION PROVIDED TO SURVEY PARTICIPANTS (*CONT.*)

Customer type and average daily use	Low electricity user (8 kWh per day)	Medium electricity user (14kWh per day)	High electricity user (27 kWh per day)	Typical solar customer (19kWh per day)	Typical small business customer (33 kWh per day)
Current quarterly electricity bill	$289	$428	$766	$565	$912
How much it actually costs to provide electricity to this customer	$464	$488	$513	$512	$710
Current pricing structure	25% fixed access fee 75% variable usage fee				
Proposed pricing structure	50% fixed access fee 50% variable usage fee				
Quarterly bill if the proposed pricing structure was adopted	$324 (bill would be $35 higher)	$428 (no change to bill for these customers)	$726 (bill would be $40 lower)	$561 (bill would be $4 lower)	$854 (bill would be $58 lower)
Vulnerable customer protection	Pensioners and other low-usage vulnerable customers (e.g. those eligible for a healthcare card) protected from potential price increases via a levy on all customers of $2 per bill				

ACCEPTABILITY OF A 50:50 FIXED:USAGE PRICING STRUCTURE WITH MODEST SUPPORT FOR VULNERABLE CUSTOMERS

CUSTOMERS ARE MOST LIKELY TO BE AMBIVALENT TO THIS PROPOSAL AND FEWER THAN 1 IN 3 (31%) FIND IT UNACCEPTABLE - INCLUDING FEWER THAN HALF OF THOSE MOST AFFECTED (42% WITH LOW BILLS).

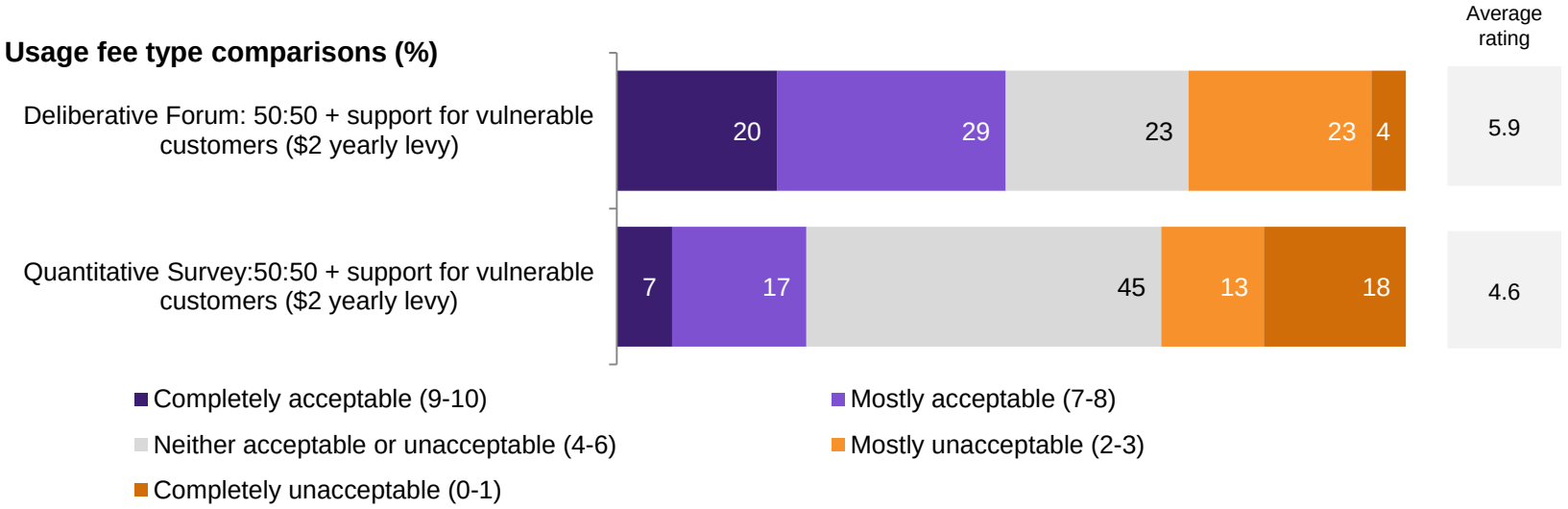
Acceptability of shifting network charge to 50:50 fixed-variable (%)



Q12. How acceptable is it to you if Ausgrid shifts its network charge from 25% fixed/75% variable to 50% fixed/50% variable?
Base = All participants (n = 2,362).

COMPARISON TO QUALITATIVE FINDINGS

ACCEPTABILITY OF CHANGING TO A 50:50 FIXED/VARIABLE NETWORK TARIFF WAS HIGHER IN THE DELIBERATIVE FORUMS WHERE MORE EXPLANATION COULD BE GIVEN



The average rating was higher in the deliberative forums (5.9, compared with 4.6 in the survey). The proportion rating as unacceptable is similar (27%, compared with 31%). Those taking part in the deliberative forums are less likely to be neutral and much more likely to rate as acceptable (49%, compared with 24% in the survey). This difference is likely due to a combination of:

- survey participants having lower levels of understanding of the proposal and its benefits (consistent with the higher level of ambivalence, i.e. ratings of 4-6); and
- lower levels of trust in the motives for the reform (which can be established in a deliberative forum).

Our belief is that the deliberative forum results present a more reliable view of the acceptability of a complex tariff such as this although it is reassuring that the results from each methodology are broadly consistent.

Q. How acceptable are the following pricing structures to you? / Q12. How acceptable is it to you if Ausgrid shifts its network charge from 25% fixed/75% variable to 50% fixed/50% variable? (Base = Deliberative Forum n=70, Online survey n=2,362)

ACCEPTABILITY AMONGST CUSTOMER SEGMENTS

BUSINESS CUSTOMERS AND HIGH ENERGY USERS WERE AMONGST THOSE MORE LIKELY TO FIND HIGHER FIXED FEES ACCEPTABLE

CUSTOMERS LESS LIKELY TO FIND PROPOSAL ONE UNACCEPTABLE (AVERAGE ACCEPTABILITY RATING OUT OF 10)

- Aged over 55 yrs. (4.3)
- Retired (4.2)
- Residential customers (4.5)
- No children under 18 at home (4.4)
- Small households (1-2 residents) (4.3)
- Low energy users (quarterly bill < $299) (3.9)
- Vulnerable customers (4.0)
- No interaction with Ausgrid in past 12 months (4.3)

CUSTOMERS MORE LIKELY TO FIND PROPOSAL ONE ACCEPTABLE (AVERAGE ACCEPTABILITY RATING OUT OF 10)

- Aged 18-34 yrs. (5.2)
- Business customers (5.3)
- Those with a moderate amount or a lot of knowledge about Ausgrid (4.9)
- Have solar panels (4.9)
- Have interacted with Ausgrid in the past 12 months (5.3)
- High energy users (quarterly bill >$600) (5.7)
- Not vulnerable (4.7)

Q12. How acceptable is it to you if Ausgrid shifts its network charge from 25% fixed/75% variable to 50% fixed/50% variable?
Base: All participants (n = 2,362)

REASONS FOR ATTITUDES TO HIGHER FIXED FEES

CONCERNS INCLUDED IMPACTS ON PENSIONERS AND LOW-ELECTRICITY USERS AS WELL AS A BELIEF THAT IT WOULDN'T INCENTIVISE ENERGY EFFICIENCY

REASONS FOR FINDING PRICING PROPOSAL ONE ACCEPTABLE

- It seems reasonable / fair / acceptable (40%)
- It will decrease costs overall (9%)
- I will have pensioner protection / discount (1%)
- My higher bill will allow for better tree trimming and street light maintenance (1%)

REASONS FOR FINDING PRICING PROPOSAL ONE UNACCEPTABLE

- Low users and pensioners will be worse off (38%)
- It will increase costs / I will be charged more (17%)
- It is still too expensive / need lower prices (7%)
- High energy users should pay more (6%)
- Does not encourage reducing electricity usage (6%)

Q13. Why did you give a rating of (insert response from Q12) out of 10 for the acceptability of shifting from 25% fixed/75% variable to 50% fixed/50% variable? Base: Participants who found pricing proposal one acceptable - 7-10 out of 10 (n=535), Participants who found pricing proposal one unacceptable – 0-3 out of 10 (n=797)

REASONS FOR ATTITUDES TO HIGHER FIXED FEES

IN THEIR WORDS

"It seems fair in theory, but it could generate frustration for those who are used to paying less (the low energy consumers)."

"My bill would go up, it doesn't seem fair that the smallest user of electricity should be the one to receive increased bills."

"It should be the other way round and people should be encouraged to decrease their usage instead of being encouraged to use more."

"It's fairer for the majority of customers, those with larger families with higher usage will save."

"Why should those with lower usage have to pay more and those using more pay less?"

"The cost of providing the service is the same for each household whether you are a small user or large user so it is fair to charge a higher proportion to cover this."

"There are both pros and cons to changing the structure for customer pricing. It brings the cost the customer is paying closer to the actual cost of electricity being used which should be deemed fair, but those who use less electricity than others will have their prices go up, for them this is unfair."

INCLINING, FLAT, OR DECLINING (NON-TOU) USAGE FEES

INFORMATION PROVIDED TO PARTICIPANTS

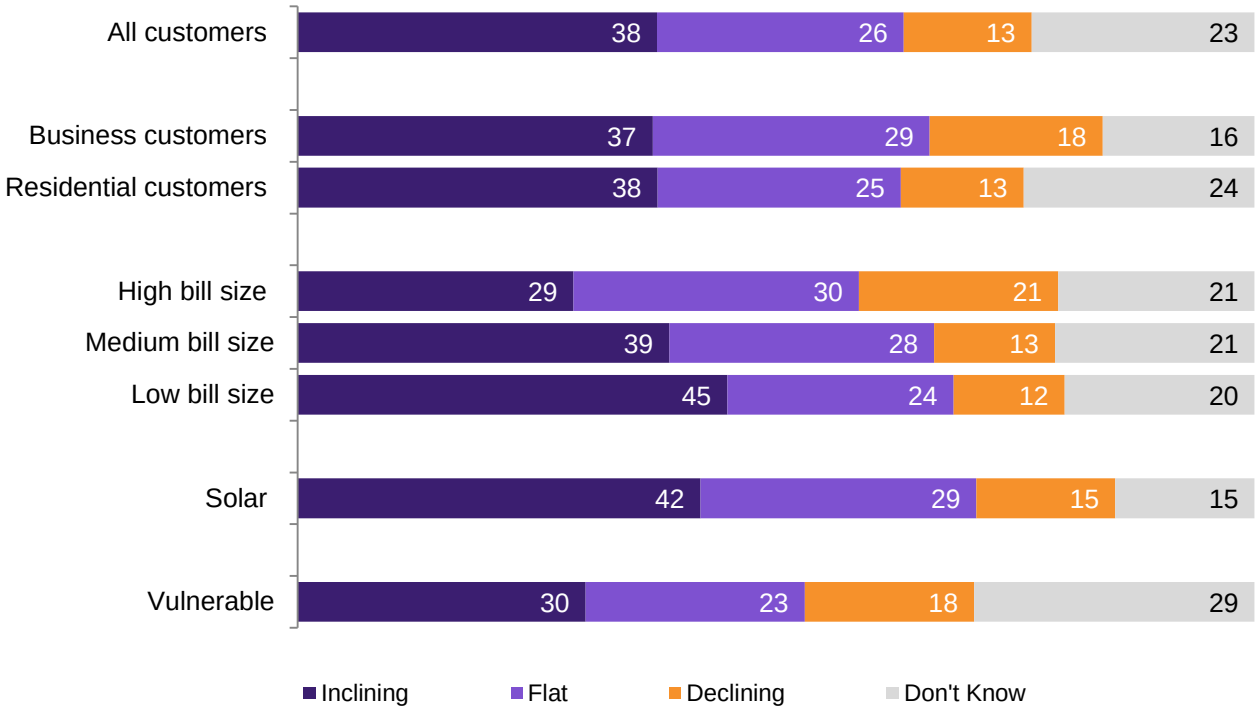
Qu: Next we would like your feedback on some options for the variable usage component of Ausgrid's network charge. These options are outlined below.

Usage fee type	1) Inclining usage fee	2) Flat usage fee	3) Declining usage fee
Explanation of the concept	• The unit price of electricity (i.e. 'kilowatt hours' or kWh) increases slightly as a customer uses more energy	• The unit price of electricity (kWh), stays the same regardless of how much a customer uses	• The unit price of electricity (kWh) decreases slightly as a customer uses more energy
Usage fees (per quarter)	• 9.72c per kWh for the first 1,000 kWh • 10.90c per kWh for usage between 1,000 kWh and 2,000 kWh • 12.60 per kWh for usage over 2,000 kWh	• 10.27c per kWh for usage	• 12.40 per kWh for the first 1,000 kWh • 6.04c per kWh for usage between 1,000 kWh and 2,000 kWh • 4.1c per kWh for usage over 2,000 kWh
Considerations & implications	• Lower rates for lower energy users • Incentivises customers to use less energy and save	• Simplest approach • No specific benefits for high or low users • Doesn't incentivise or disincentivise energy usage behaviour	• Higher rates for higher energy users • Doesn't incentivise customers to use less energy and save

PREFERENCES FOR USAGE FEE TYPES

THE MOST COMMON PREFERENCE WAS FOR AN INCLINING TARIFF – PARTICULARLY SOLAR CUSTOMERS AND THOSE WITH LOWER BILLS

Preferences for usage fee types (%)



Q14. Which of the three usage fee types do you think is most in the long-term interests of Ausgrid's customers?

Base = All participants (n = 2,362)

Choice modelling: Evaluating the subconscious drivers of long-term customer interests and fairness

OVERVIEW OF CHOICE MODELLING APPROACH

CONJOINT ANALYSIS IDENTIFIED THE "SUBCONSCIOUS" DRIVERS OF THE LONG-TERM INTERESTS OF CUSTOMERS AND PERCEIVED FAIRNESS OF PRICING STRUCTURES

We undertook choice modelling (via a conjoint analysis) to better understand the subconscious drivers of long-term customer interests and the perceived fairness of various pricing structures contained in the different plans presented.

Within the survey, participants were provided with a series of 10 hypothetical long-term plans. Each plan comprised 9 broad attributes and a random combination of service levels / options, as shown on the following slides.

After reviewing each hypothetical plan participants rated them on:

- The extent to which they believe it is in the long term interests of customers; and
- The extent to which they believe the proposed pricing structure is fair.

We then conducted a conjoint analysis to determine the relative importance of each attribute and service option in driving perceptions of long-term customer interests and fairness of pricing structures.

We developed an interactive simulation tool to explore the impact of different service options and levels, both overall and for a range of customer segments.

The precise wording of the choice modelling exercise was as follows:

In this section of the survey we will show you a series of 10 different long-term plans that Ausgrid could hypothetically implement in the future.

Each plan we show you will have different combinations of service levels and programs (which would all need to be funded by customers through their electricity bills).

There might be some common factors in the plans you are shown, but please read each one carefully and completely as this is an important part of Ausgrid's engagement with customers.

After you have scanned each plan we will then ask you:

- *If you think this plan is in the long-term interests of Ausgrid's customers*
- *If you think the proposed pricing structure in this plan is fair*

MODEL ATTRIBUTES

NINE VARIABLES WITH UP TO FIVE SERVICE OPTIONS WERE INCLUDED IN THE CONJOINT ANALYSIS MODELLING

Plan attribute	Level / option within each category				
	1	2	3	4	5
Average number of unplanned outages (blackouts) per customer	1 outage every 3 months	1 outage every 6 months	1 outage a year	1 outage every 2 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	30 minute average outage length	60 minute average outage length	2 hour average outage length	4 hour average outage length
Fixed network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 10% less than others for fixed network access charges	Solar customers pay the same as others for fixed network access charges	Solar customers pay 10% more than others for fixed network access charges	Solar customers pay 20% more than others for fixed network access charges
Customer communication initiatives	Impartial online advice on energy efficiency, cost saving & new energy technologies	Mobile phone app providing real-time information on blackouts & service disruptions	Shops where customers can speak face-to-face with Ausgrid about its services and energy efficiency	Advertising and public information campaigns about Ausgrid's services and efficient use of energy	SMS notifications when blackouts & service disruptions occur

MODEL ATTRIBUTES *CONT.*

NINE VARIABLES WITH UP TO FIVE SERVICE OPTIONS WERE INCLUDED IN THE CONJOINT ANALYSIS MODELLING

Plan attribute	Level / option within each category				
	1	2	3	4	5
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid provides a 10% discount on new solar installations for vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid provides free energy audits for vulnerable customers to help them reduce their usage, with a 10 discount for energy efficiency measures	Ausgrid leaves it to the government to consider programs that lower bills for vulnerable customers	Ausgrid leaves it to electricity retailers (who send your bill) to consider programs that lower bills for vulnerable customers
Neighbourhood services	High priority on improving tree trimming around power lines	High priority on reducing the time taken to replace broken / faulty street lights	High priority on improving the look of electricity substations	Significant investment to put more power lines underground	
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	35% fixed access 65% variable usage	50% fixed access 50% variable usage	65% fixed access 35% variable usage	75% fixed access 25% variable usage
Variable usage fee pricing structure	Inclining usage tariff The unit price of electricity increases slightly as a customer uses more energy	Flat usage tariff The unit price of electricity stays the same regardless of how much a customer uses	Declining usage tariff The unit price of electricity decreases slightly as a customer uses more energy	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	
Overall customer bill size	Decrease by 10%	Decrease by 5%	No change	Increase by 5%	Increase by 10%

EXAMPLE SIMULATION

A SIMULATION TOOL WAS DEVELOPED TO EXPLORE HOW SERVICE AND PRICING STRUCTURE PERMUTATIONS AFFECT PERCEPTIONS OF LONG-TERM CUSTOMER INTERESTS AND THE FAIRNESS OF PRICING STRUCTURES

Ausgrid

NEWGATE RESEARCH

Total n = 2362 Save as base scenarios Load base scenarios

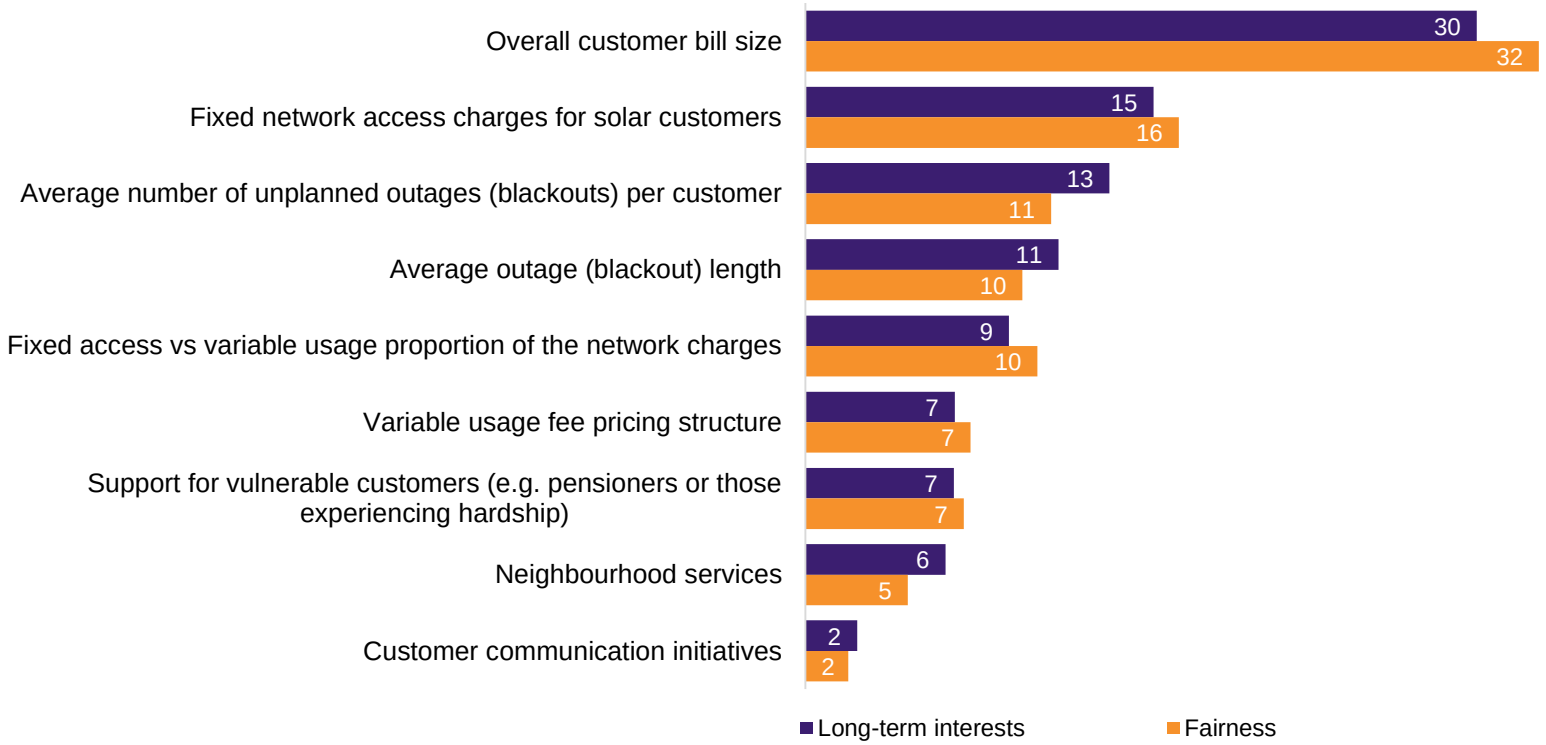
		Scenario 1	Scenario 2	Attribute Importance (Long term	Attribute Importance (Fairness)
1	Average number of unplanned outages (blackouts) per customer	1 outage a year	1 outage every 3 months	12.3%	9.9%
2	Average outage (blackout) length	15 minute average outage length	15 minute average outage length	10.2%	8.8%
3	Fixed Network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 40% less than others for fixed network access charges	22.2%	23.4%
4	Customer communication initiatives	SMS notifications when blackouts & service disruptions occur	Impartial online advice on energy efficiency, cost saving & new energy technologies	2.1%	1.7%
5	Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid provides a 10% discount on new solar installations for vulnerable customers	6.0%	6.4%
6	Neighbourhood services	Significant investment to put more power lines underground	High priority on improving tree trimming around power lines	5.7%	4.1%
7	Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage	8.2%	9.4%
8	Variable usage fee pricing structure	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Inclining usage tariff The unit price of electricity increases slightly as a customer uses more energy	6.1%	6.7%
9	Overall customer bill size	Decrease by 10%	Decrease by 10%	27.2%	29.6%

		Scenario 1 Average Rating	Scenario 2 Average Rating	Absolute Difference (Scenario 2 vs 1)	Relative Difference (Scenario 2 vs 1)
1	Long-term interersts of Ausgrid's customers (0 – Not at all, 10 – Completely)	6.16	5.88	-0.28	-4.6%
2	Proposed pricing structure in this plan is fair (0 – Not at all, 10 – Completely)	6.07	5.86	-0.21	-3.5%

THE IMPORTANCE OF MODEL ATTRIBUTES TO CUSTOMERS

OVERALL BILL SIZE AND FEES FOR SOLAR CUSTOMERS WERE MOST IMPORTANT IN DRIVING PERCEIVED FAIRNESS AND LONG-TERM CUSTOMER INTERESTS

Relative importance of model attributes (%)



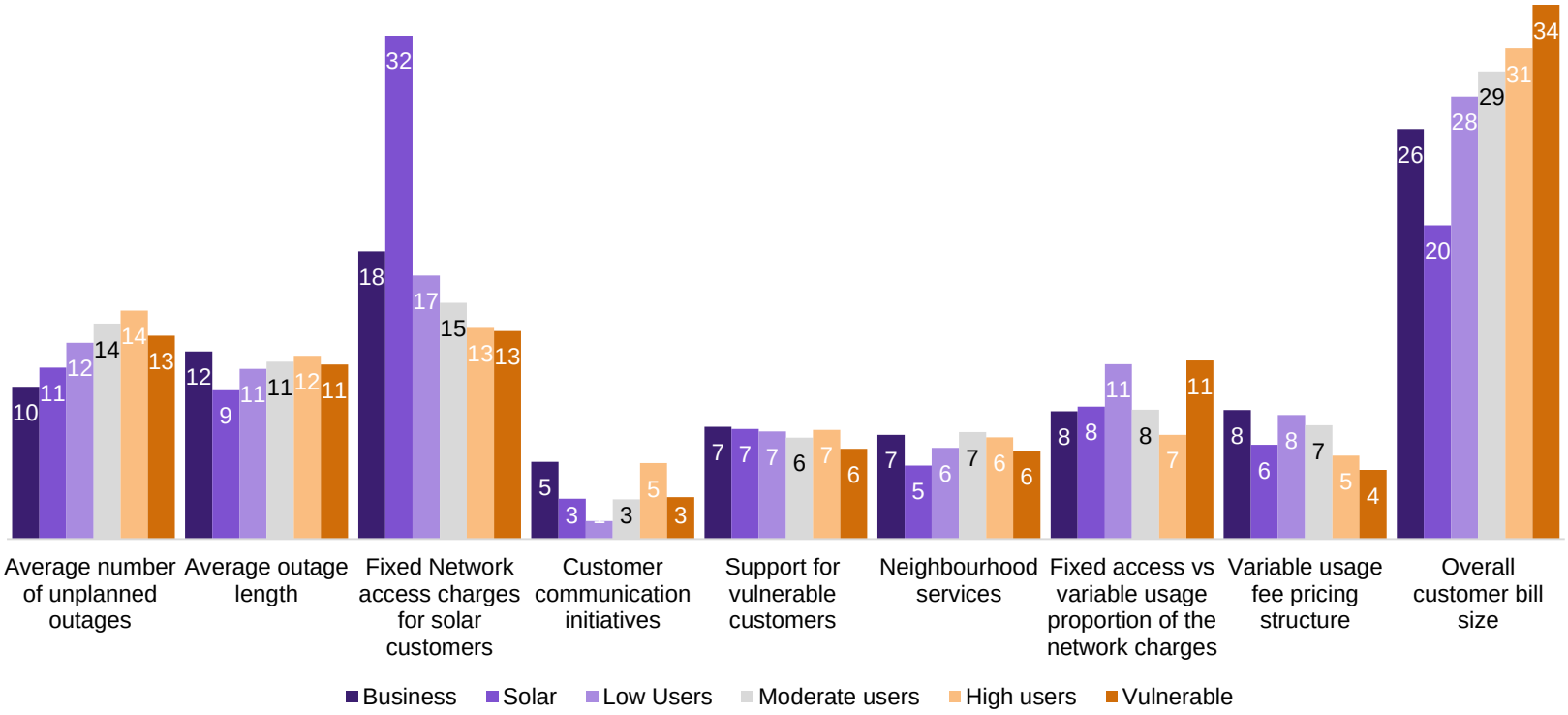
The finer points of tariff structures, such as the fixed/variable split, are less important in determining perceptions of fairness or long-term customer interests.

Q15. To what extent do you think this plan is in the long-term interests of Ausgrid's customers? / Q16. To what extent do you think the proposed pricing structure in this plan is fair?. Base = All participants (n = 2,362)

ATTRIBUTE IMPORTANCE BY SEGMENT – LONG-TERM INTERESTS

OVERALL BILL SIZE WAS MOST IMPORTANT TO ALL SEGMENTS EXCEPT SOLAR CUSTOMERS WHO WERE MORE CONCERNED WITH NETWORK ACCESS FEES THAT RELATE TO THEM

Long-term customer interests - Attribute Importance (%)

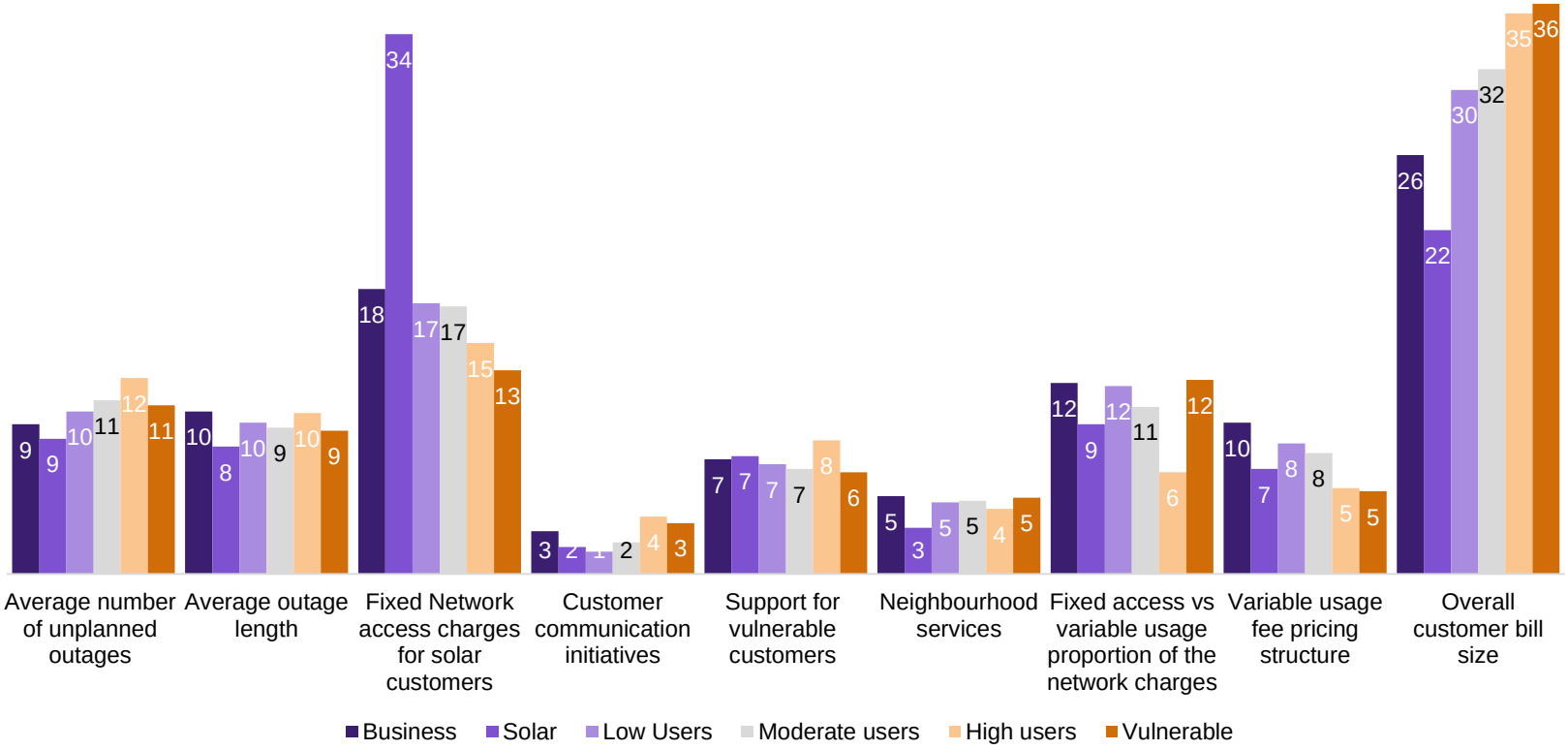


Q15. To what extent do you think this plan is in the long-term interests of Ausgrid's customers?
Base = All participants (n = 2,362)

ATTRIBUTE IMPORTANCE BY SEGMENT – FAIRNESS

DRIVERS OF FAIRNESS WERE ALSO DOMINATED BY PRICE - ALTHOUGH FOR SOLAR CUSTOMER FIXED ACCESS CHARGES WERE EVEN MORE IMPORTANT THAN OVERALL BILL SIZE

Fairness - Attribute Importance (%)



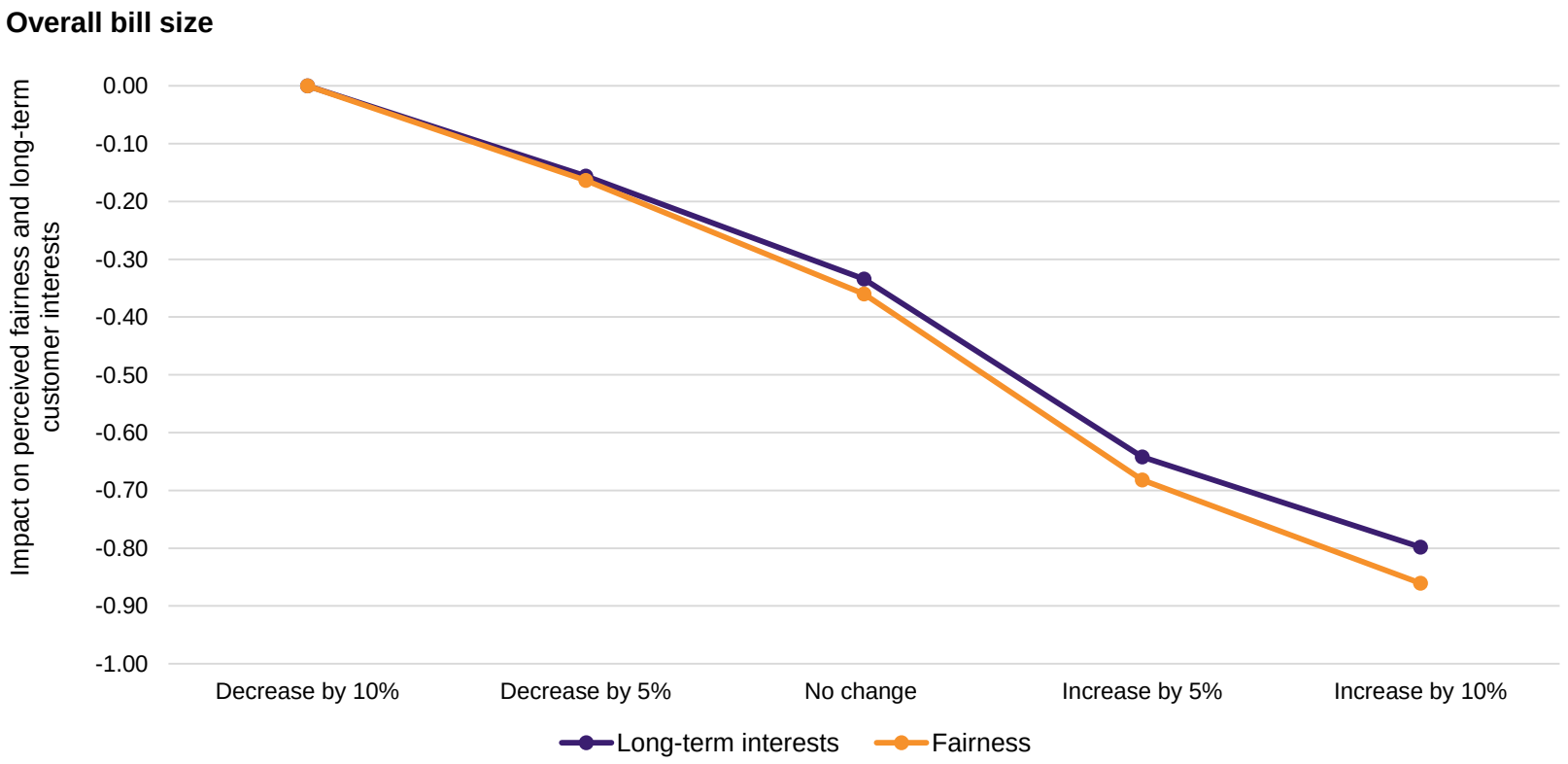
Q16. To what extent do you think the proposed pricing structure in this plan is fair?.
Base = All participants (n = 2,362)

MODELLED SCENARIOS LEADING TO THE HIGHEST RATINGS FOR FAIRNESS AND LONG-TERM CUSTOMER INTERESTS

	Long-term interests of customers (Rated 6.3 out of 10)	Perceived fairness of pricing structure (Rated 6.2 out of 10)
Average number of unplanned outages (blackouts) per customer	1 outage every 3 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	15 minute average outage length
Fixed network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges
Customer communication initiatives	SMS notifications when blackouts & service disruptions occur	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers
Neighbourhood services	Significant investment to put more power lines underground	Significant investment to put more power lines underground
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage
Variable usage fee pricing structure	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year
Overall customer bill size	Decrease by 10%	Decrease by 10%

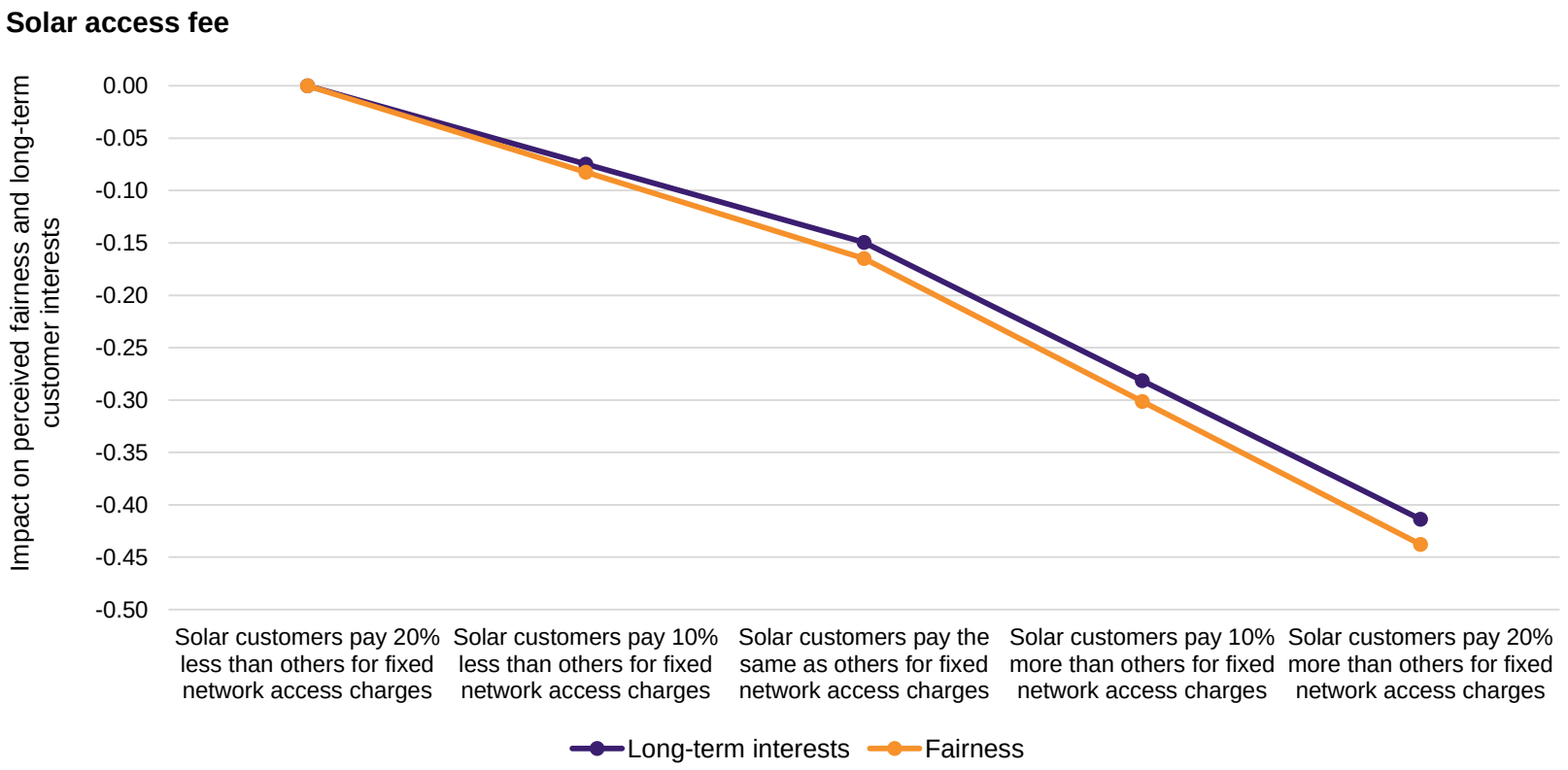
THE IMPACT OF BILL SIZE ON CUSTOMER RATINGS

BILL SIZE IS STILL WHAT MATTERS MOST. NOT SURPRISINGLY THERE IS AN INVERSE RELATIONSHIP BETWEEN OVERALL BILL SIZE AND PERCEIVED LONG-TERM INTERESTS AND FAIRNESS



THE IMPACT OF FIXED NETWORK ACCESS FEES FOR SOLAR CUSTOMERS ON CUSTOMER RATINGS

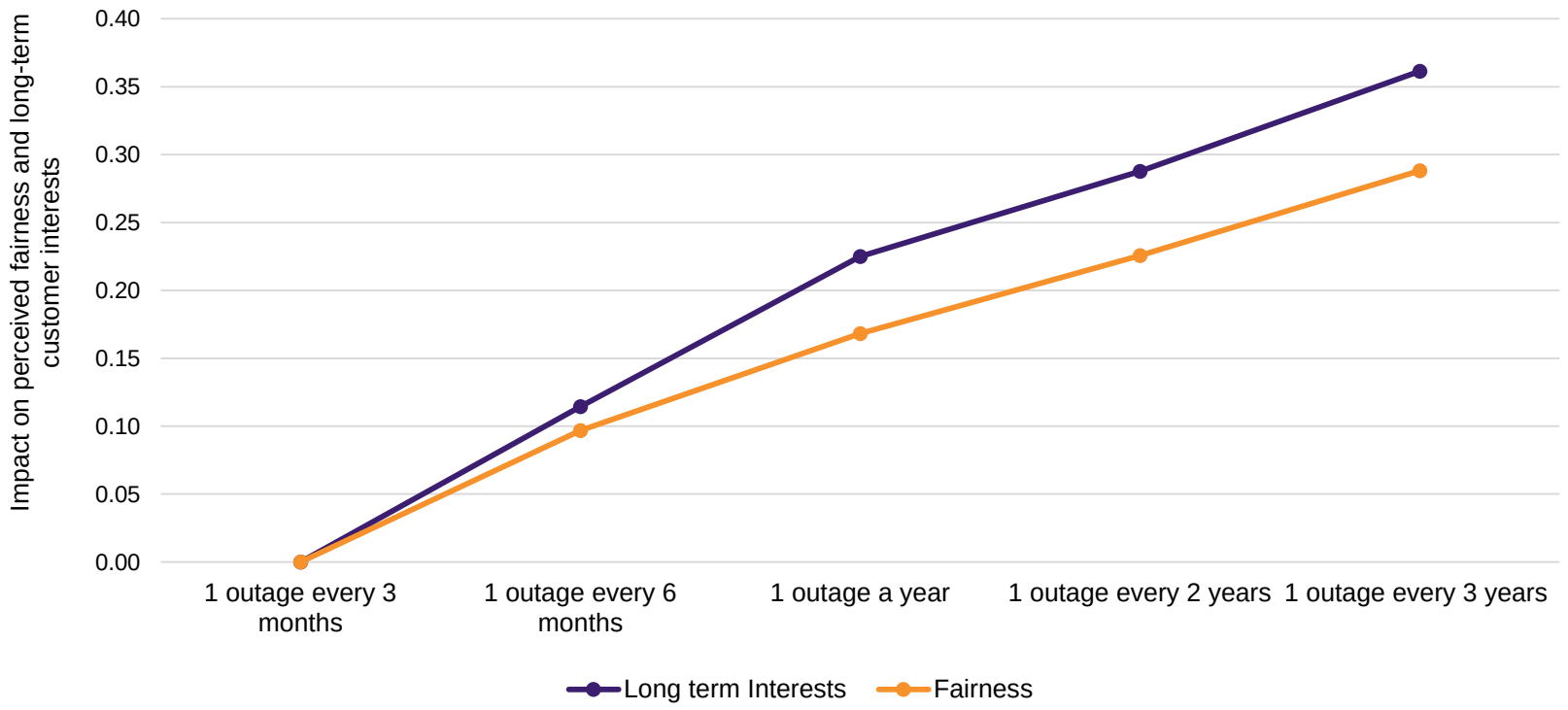
LOWER ACCESS FEES FOR SOLAR CUSTOMERS WERE SEEN AS BEING FAIREST AND MOST IN THE LONG-TERM INTERESTS OF CUSTOMERS



THE IMPACT OF UNPLANNED OUTAGES ON CUSTOMER RATINGS

MINIMISING OUTAGES – 'KEEPING THE LIGHTS ON' – IS ALSO IMPORTANT ALTHOUGH THE RESEARCH PROGRAM ALSO FOUND THAT MOST CUSTOMERS RARELY EXPERIENCE OUTAGES AND IT IS NOT A HOT BUTTON ISSUE

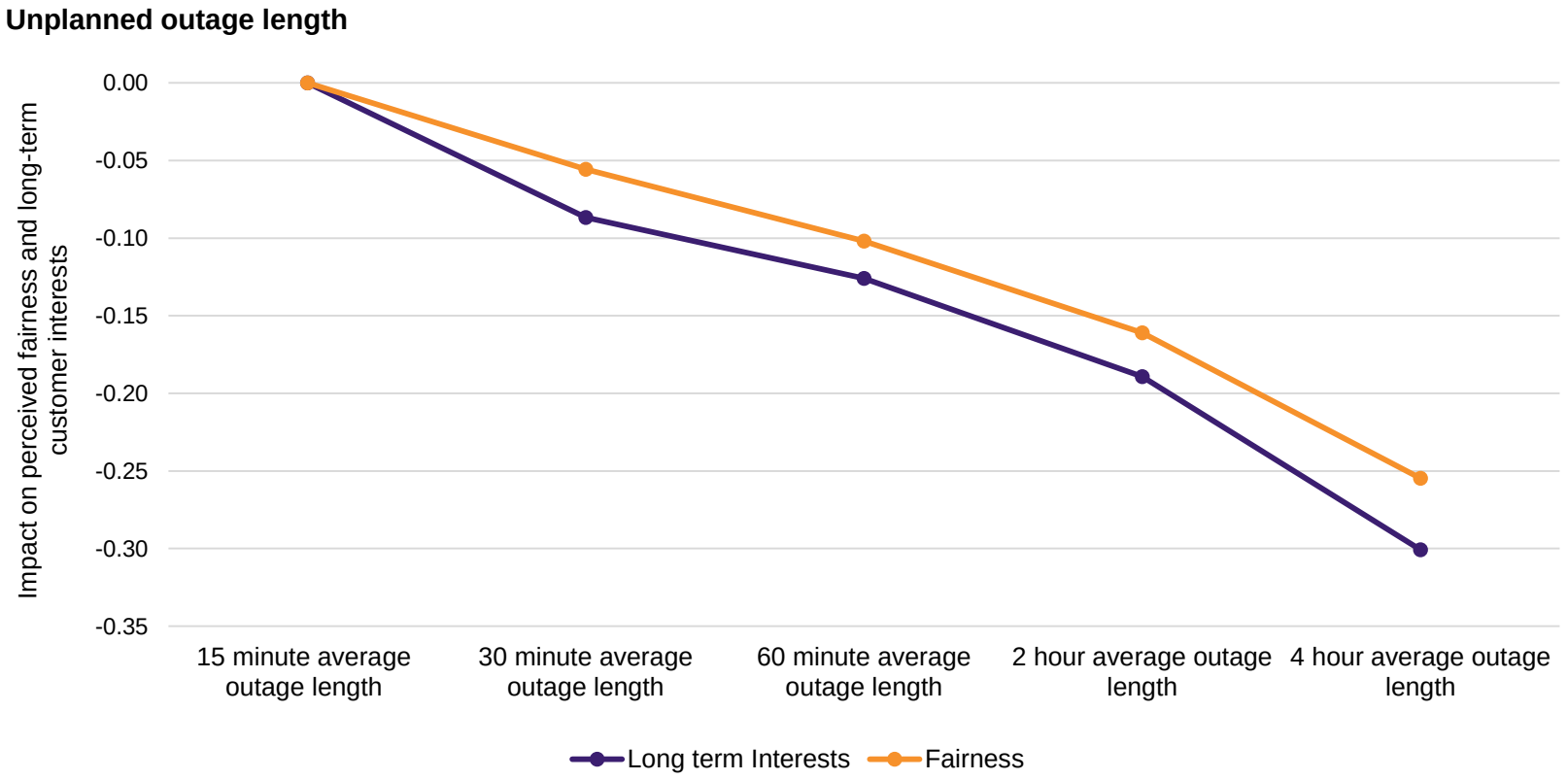
Unplanned outages



Q15. To what extent do you think this plan is in the long-term interests of Ausgrid's customers? / Q16. To what extent do you think the proposed pricing structure in this plan is fair?. Base = All participants (n = 2,362)

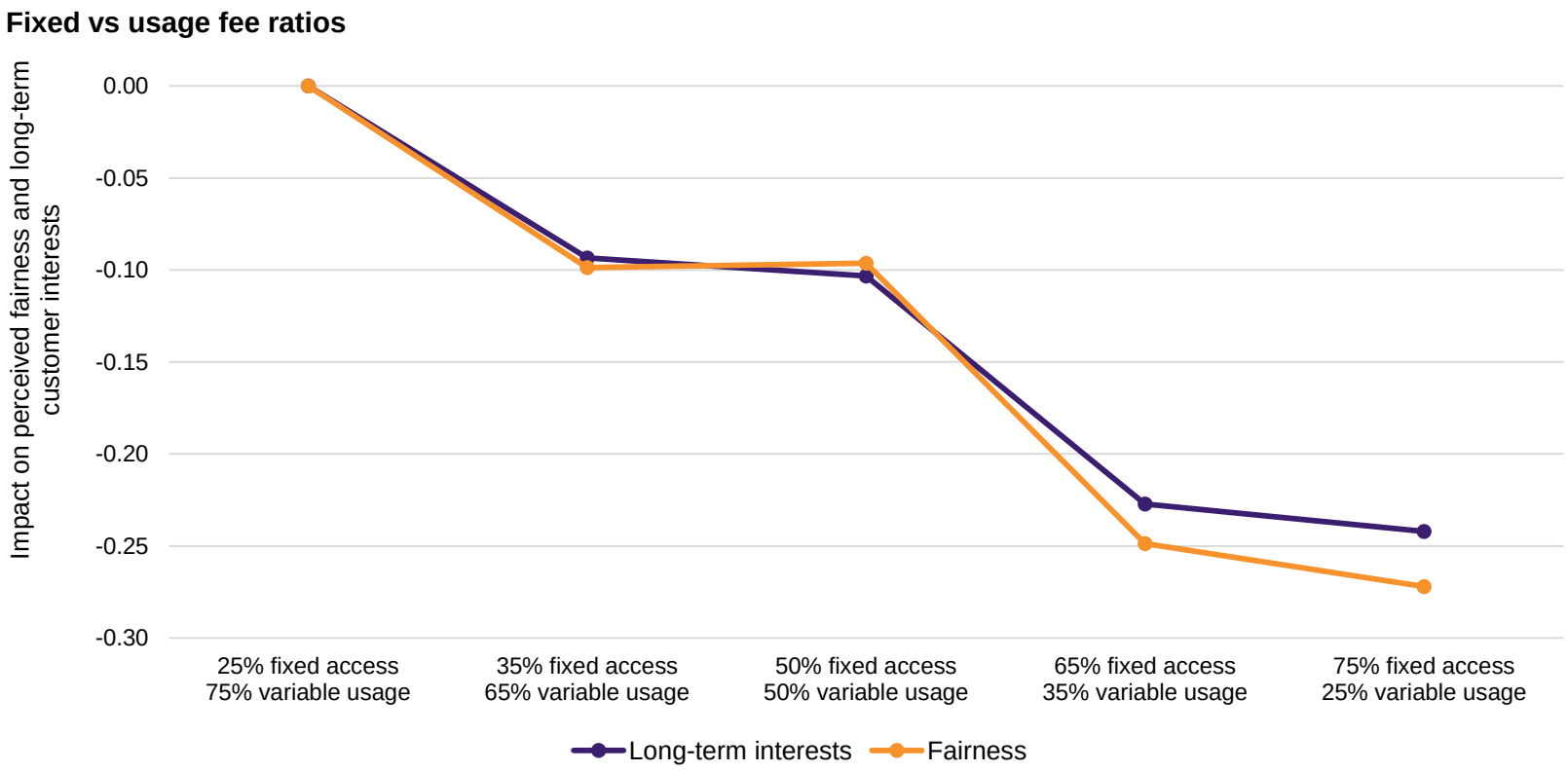
THE IMPACT OF UNPLANNED OUTAGE LENGTH ON CUSTOMER RATINGS

AS WE EXPECTED, IT IS ALSO IMPORTANT TO CUSTOMERS TO HAVE SHORT OUTAGES WHEN THEY OCCUR – ‘KEEPING THE FRIDGE COLD’



THE IMPACT OF THE PROPORTION OF FIXED VS USAGE NETWORK ACCESS FEES ON CUSTOMER RATINGS

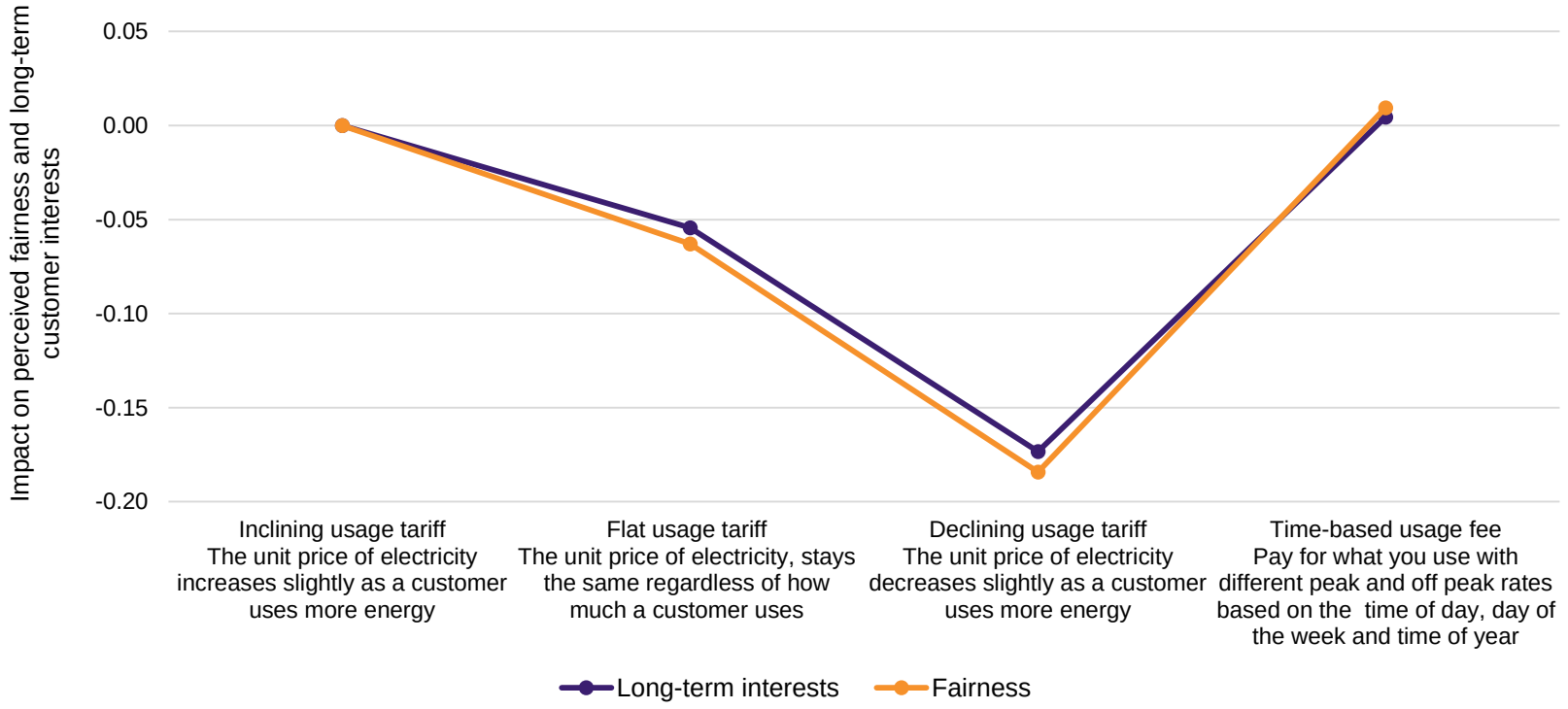
IN THE DELIBERATIVE FORUMS, CUSTOMERS SUPPORTED A 50% FIXED CHARGE (WITH A 'BILL SHOCK PROTECTION LEVY' FOR VULNERABLE CUSTOMERS) BUT PUSHED BACK ON 65%. THE MODELLING CONFIRMS THAT 50% IS REASONABLE



THE IMPACT OF USAGE PRICING STRUCTURE ON CUSTOMER RATINGS

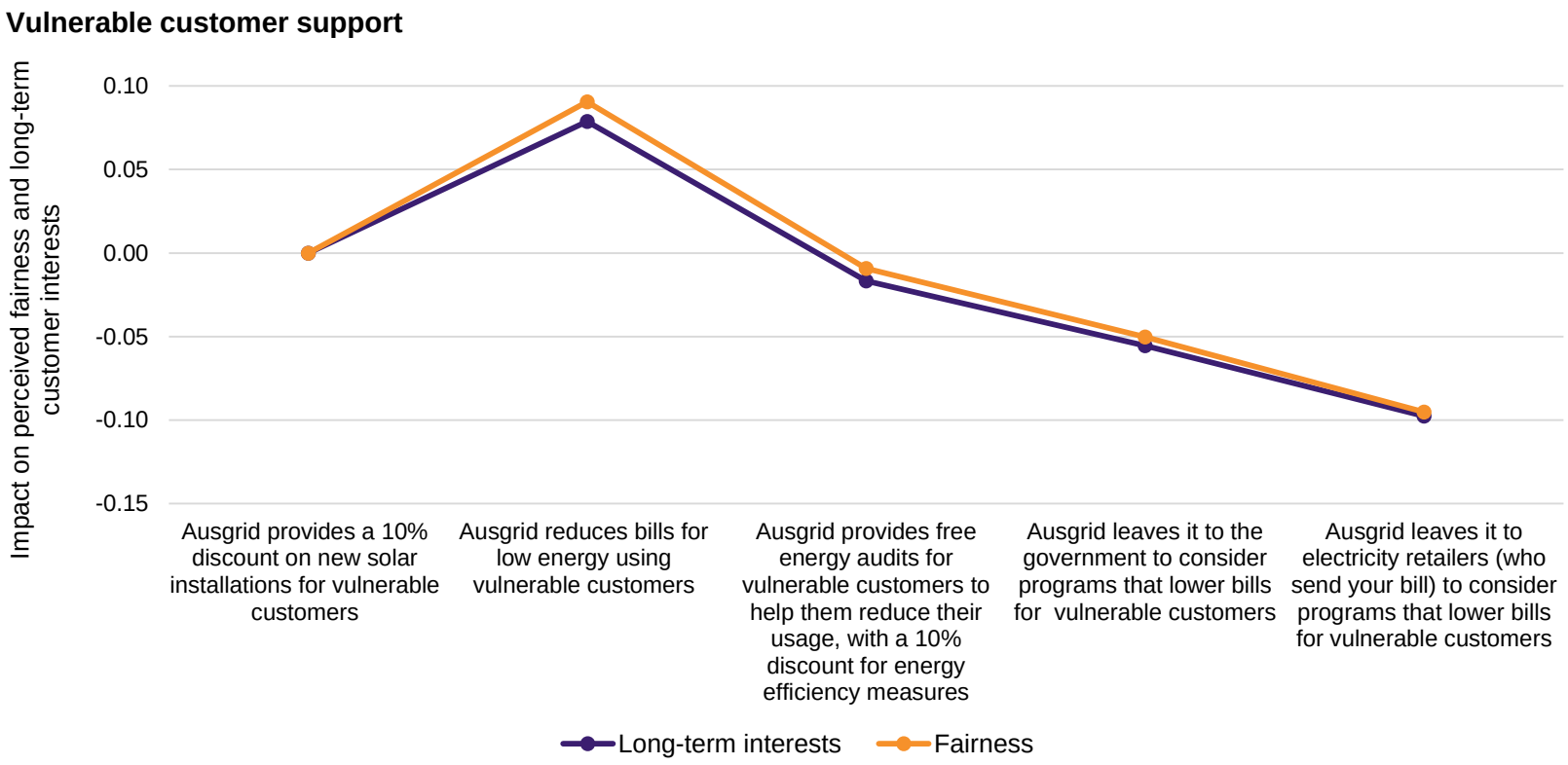
TIME-OF-USE AND INCLINING BLOCK TARIFFS WERE CONSIDERED THE FAIREST PRICING STRUCTURES AND MOST IN THE LONG-TERM INTERESTS OF CUSTOMERS

Variable usage pricing



THE IMPACT OF SUPPORT FOR VULNERABLE CUSTOMERS ON CUSTOMER RATINGS

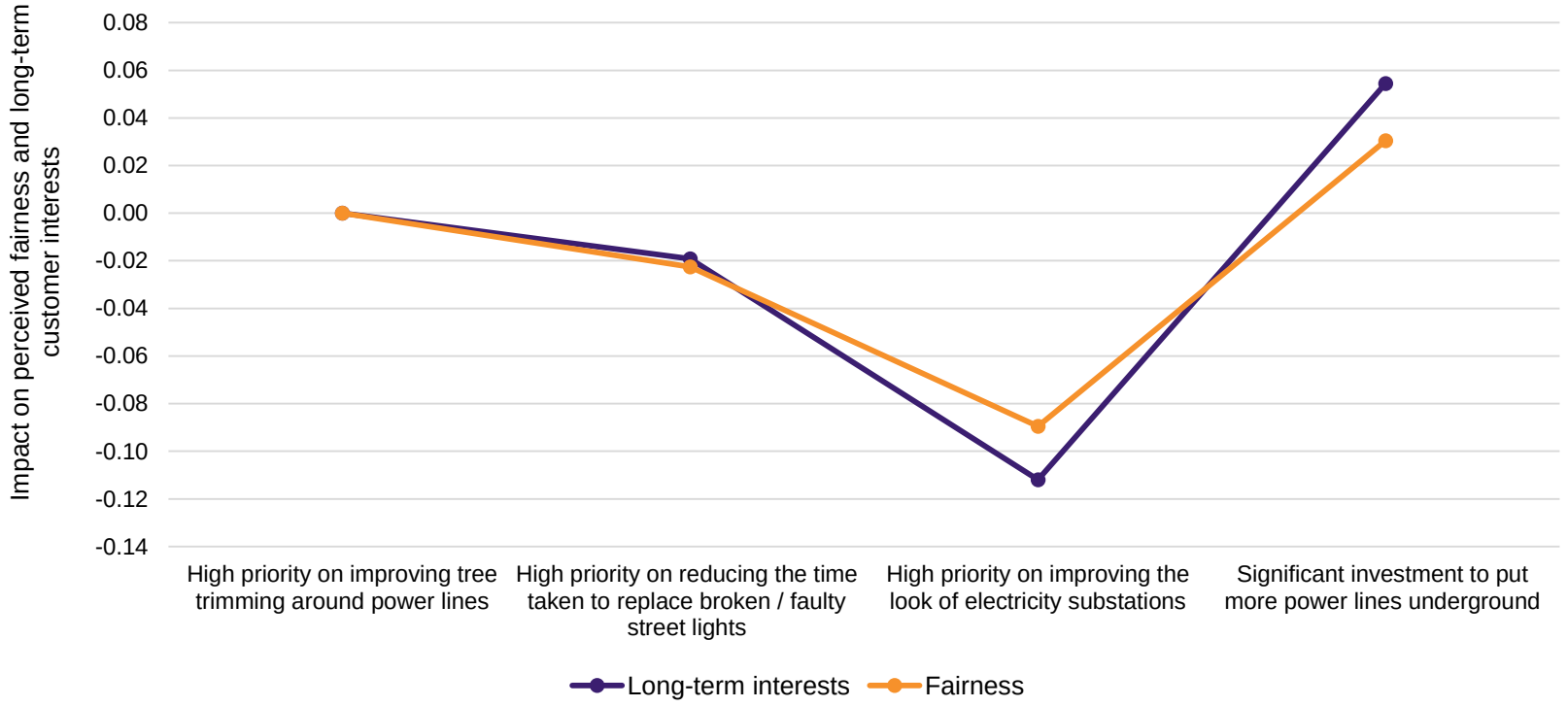
THE PREFERRED OPTION IS FOR AUSGRID TO REDUCE BILLS FOR VULNERABLE CUSTOMERS



THE IMPACT OF NEIGHBOURHOOD SERVICES ON CUSTOMER RATINGS

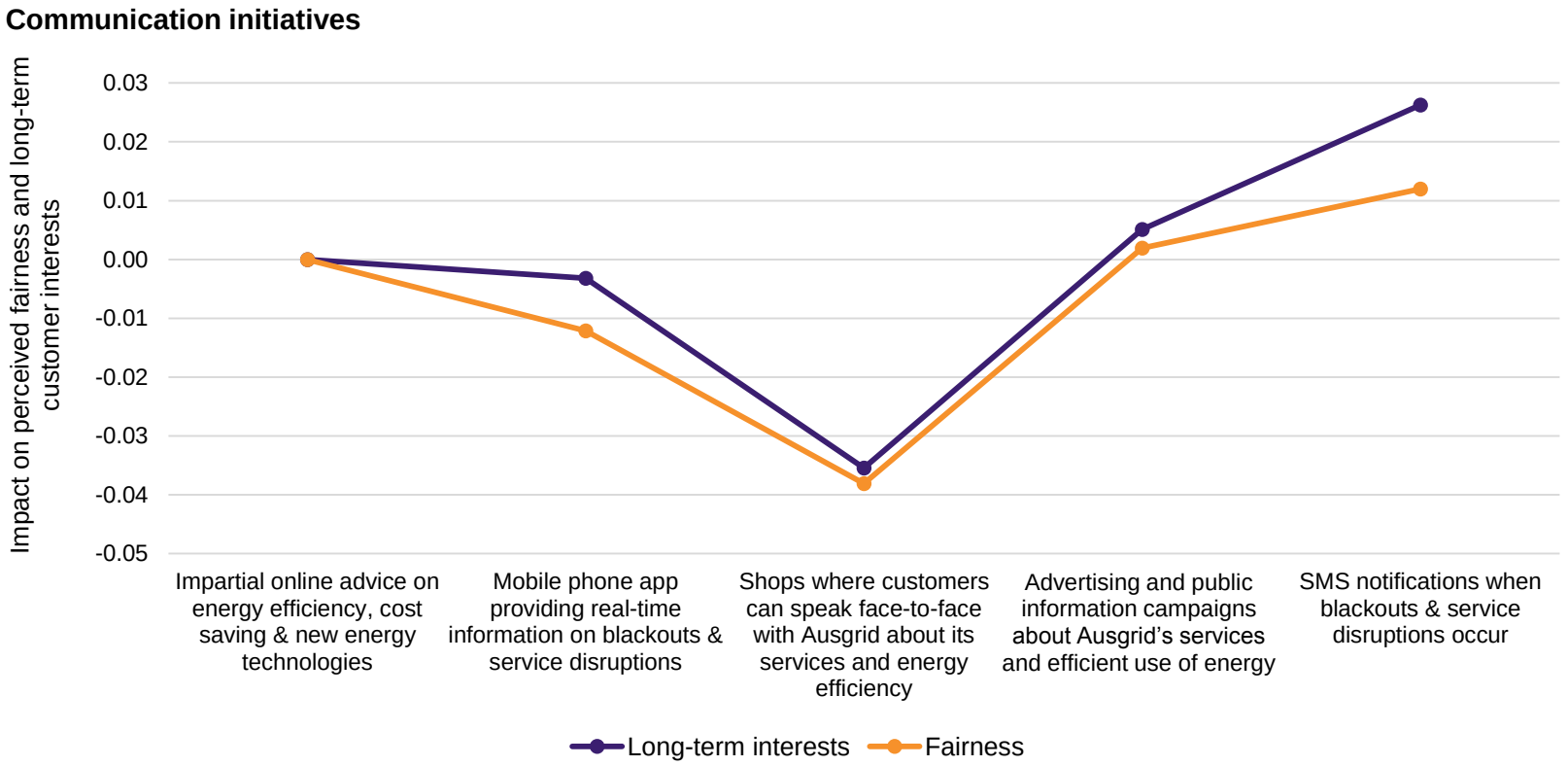
‘NEIGHBOURHOOD SERVICES’, AS A CATEGORY, IS RELATIVELY UNIMPORTANT. WITHIN THE CATEGORY, UNDERGROUNDING IS MOST IMPORTANT AND MORE WORK NEEDS TO BE DONE ON ITS COSTS AND BENEFITS

Neighbourhood services



THE IMPORTANCE OF CUSTOMER COMMUNICATION INITIATIVES ON CUSTOMER RATINGS

SOME OF THE COMMUNICATIONS DIMENSIONS HAVE LOWER SCORES PARTLY BECAUSE MOST CUSTOMERS DO NOT FEEL THEY NEED MORE INFORMATION MOST OF THE TIME BUT SMS NOTIFICATIONS WHEN OUTAGES OCCUR ARE A PRIORITY



Service expectations for tree trimming and street light maintenance

CUSTOMER EXPECTATIONS FOR TREE MAINTENANCE

DESPITE ONE IN FOUR BEING CONCERNED ABOUT TREE MAINTENANCE, IT HAD VERY LITTLE IMPACT ON OVERALL OPINION OF AUSGRID

Level of Concern

46%
Not at all / not very concerned

26%
Extremely / very concerned

Driver of opinion

0.72%
Impact score

Tree trimming / maintenance is one of the least important drivers of overall customer opinion of Ausgrid.

Choice modelling

Overall attribute importance:

Neighbourhood services were relatively unimportant in driving perceived long-term interests of customers and fairness of pricing structures.

Within the 'neighbourhood services' category, putting lines underground has the highest relative importance, but there is no evidence that customers would be prepared to cover the cost of 'undergrounding'.

Q12. How concerned are you about the following issues - Tree maintenance in your neighbourhood

Base: All participants (n=2,362)

TREE MAINTENANCE RATINGS

RETIRED OWNERS OF DETACHED HOMES WERE MORE LIKELY TO RATE TREE TRIMMING POORLY

CUSTOMERS MORE LIKELY TO RATE TREE MAINTENANCE POORLY (% FAIR OR POOR)

- Aged 55+ (47%)
- Retired (46%)
- Living in a detached house (40%)
- Home owners (42%)
- Recent interaction with Ausgird (43%)

CUSTOMER MORE LIKELY TO RATE TREE MAINTENANCE WELL (% GOOD OR BETTER)

- Aged 18-34 (58%)
- Living in the Lower Hunter (65%)
- Business customers (55%)
- Solar customers (55%)
- Recent interaction with Ausgrid (63%)

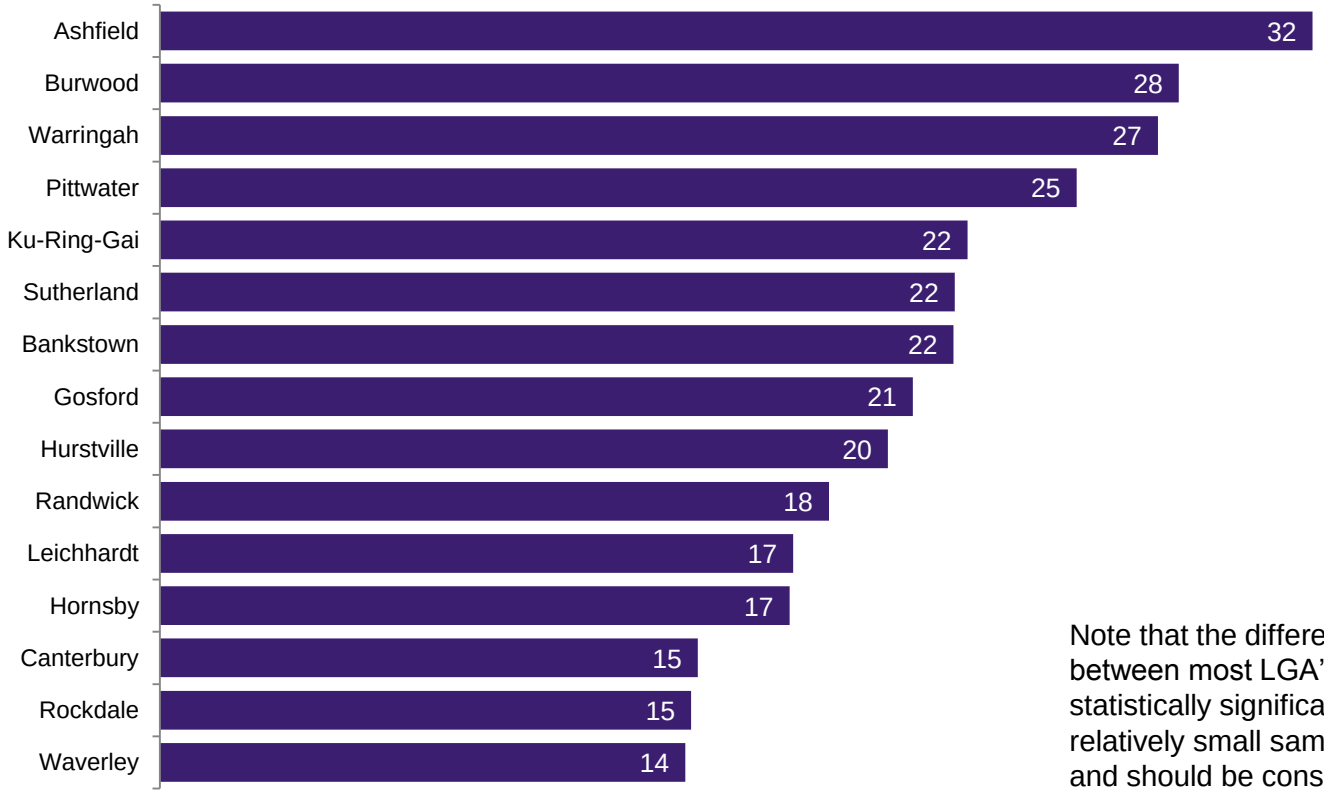
Q7. How would you rate the following aspects of your electricity service? - The tree trimming that is done around local power lines

Base: All participants (n=2,362)

TREE MAINTENANCE BY LOCATION

THOSE IN ASHFIELD, BURWOOD AND WARRINGAH WERE MOST LIKELY TO RATE TREE MAINTENANCE POORLY

LGA's most likely to rate tree maintenance as "poor" – Top 15 (%)



Note that the differences between most LGA's are not statistically significant (due to relatively small sample sizes) and should be considered indicative.

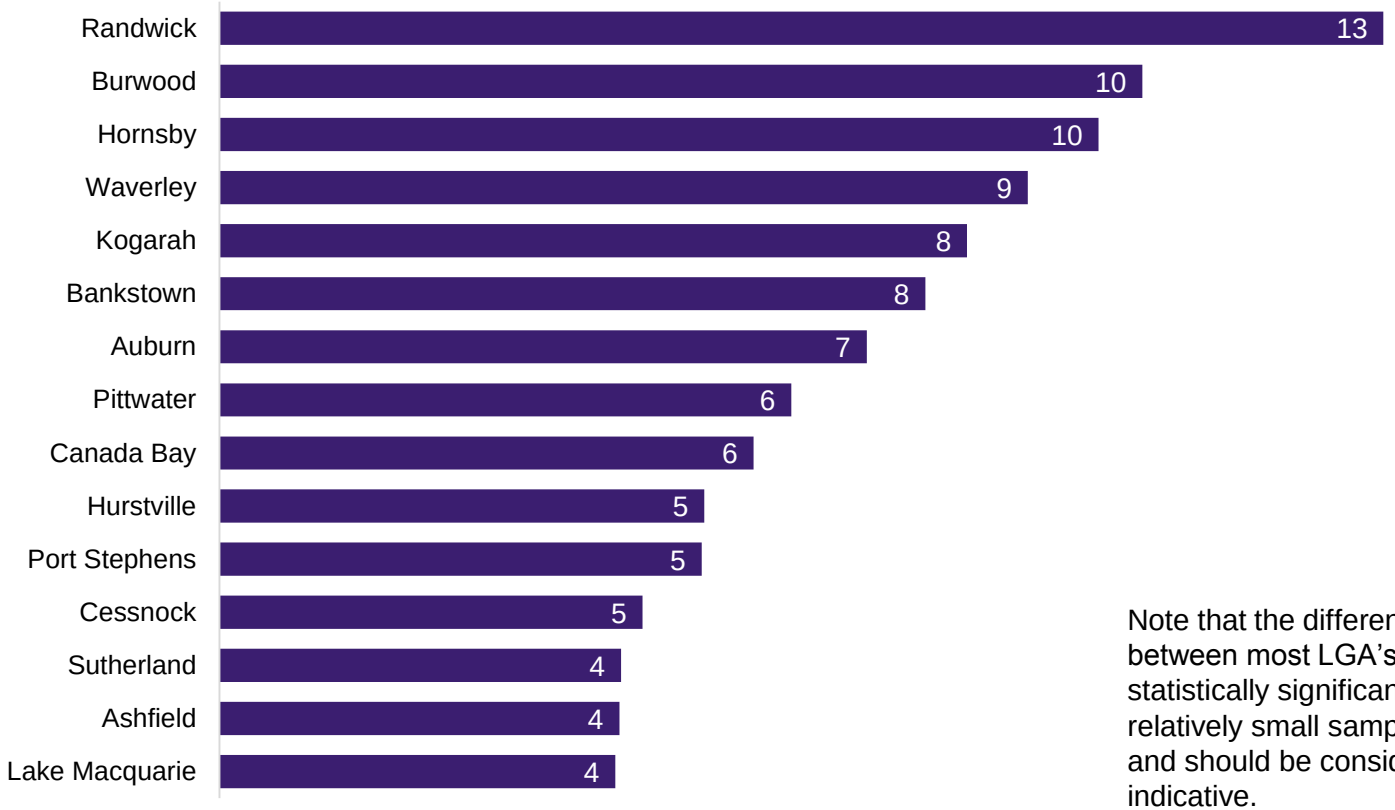
Q12. How concerned are you about the following issues - Tree maintenance in your neighbourhood

*Base: All participants (n=2,362) *Please note, only LGA's with a sample size of n=30 or above were reported on for statistical accuracy*

STREET LIGHT MAINTENANCE BY LOCATION

THOSE IN RANDWICK, BURWOOD AND HORNSBY WERE MORE LIKELY TO RATE STREET LIGHT MAINTENANCE POORLY

Rated reliability and maintenance of street lights as "poor" – Top 15 (%)



Note that the differences between most LGA's are not statistically significant (due to relatively small sample sizes) and should be considered indicative.

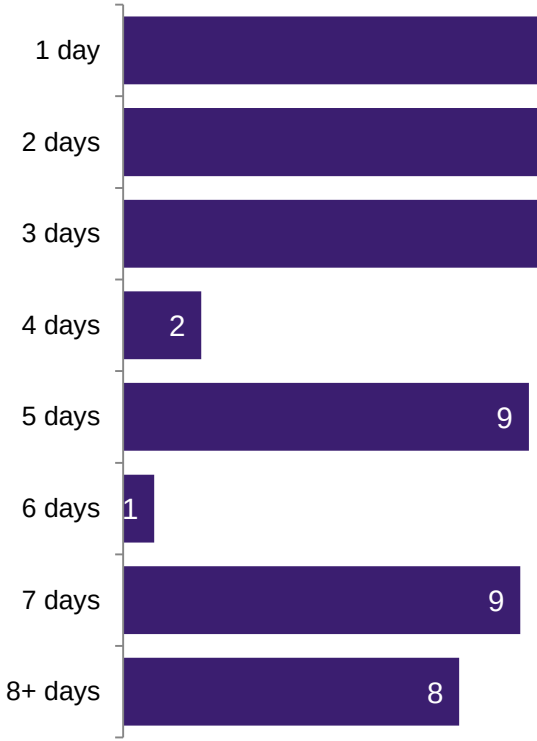
Q7. How would you rate the reliability and maintenance of local street lights?

*Base: All participants (n=2,362) *Please note, only LGA's with a sample size of n=30 or above were reported on for statistical accuracy*

APPROPRIATE TIMING TO FIX A STREET LIGHT

MOST CUSTOMERS (70%) SAID IT WOULD BE APPROPRIATE TO FIX A STREET LIGHT IN 3 DAYS OR LESS, HIGHEST AMONGST FEMALE CUSTOMERS AND THOSE AGED 65+

Appropriate response time to repair a broken street light (%)



CUSTOMERS MORE LIKELY TO EXPECT REPAIRS TO STREET LIGHTS IN 3 DAYS OR LESS

- Female (74%)
- Aged 65+ (76%)
- Retired (75%)
- <$40K annual household income (76%)
- Low bill size (quarterly bill <$299) (75%)
- Vulnerable customers (77%)

That females, the elderly, retirees, vulnerable customers, and those with lower household income and bill sizes all expected a shorter number of days could suggest that fixing a broken street light is more of a safety issue rather than a maintenance issue among these groups.

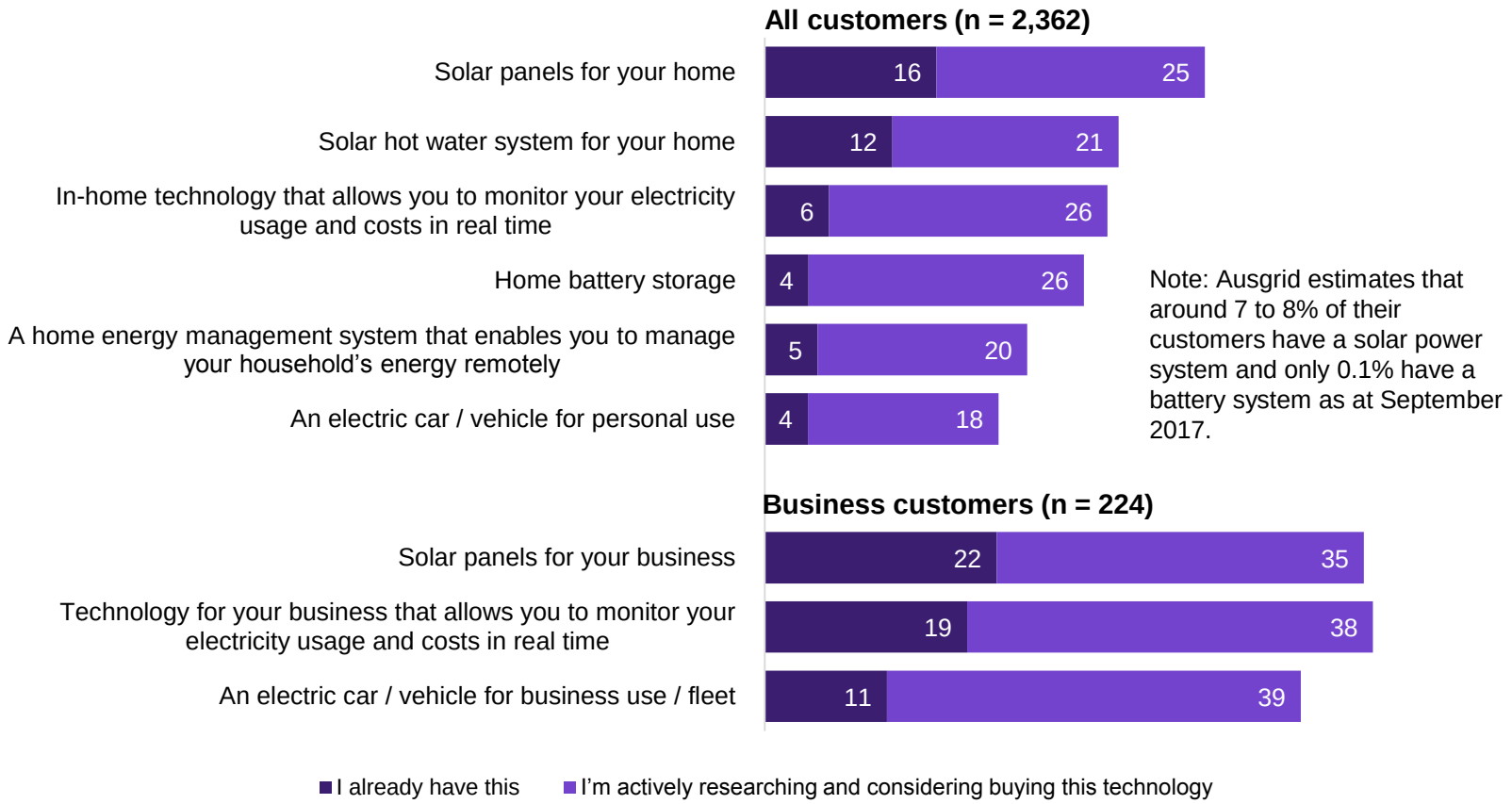
Q8. And what do you believe is an appropriate number of days for Ausgrid to take to repair a broken street light after it has been reported to them?. Base: All participants (n = 2,362)

New technology and communications

CONSIDERATION AND USE OF NEW ENERGY TECHNOLOGIES

AROUND TWO IN FIVE CUSTOMERS HAVE OR ARE ACTIVELY CONSIDERING SOLAR PANELS

Ownership and consideration of electricity technologies (%)



Note: Ausgrid estimates that around 7 to 8% of their customers have a solar power system and only 0.1% have a battery system as at September 2017.

Q17. Next we would like to know if you have, or are considering, any of the following electricity technologies… Base: As shown on the chart.

UPTAKE AND CONSIDERATION OF SOLAR PANELS

BUSINESS CUSTOMERS, YOUNGER PEOPLE AND THOSE IN DETACHED HOMES ARE MORE LIKELY TO HAVE OR BE CONSIDERING SOLAR

CUSTOMERS MORE LIKELY TO HAVE / CONSIDER SOLAR PANELS

- Business customers (63%)
- Males (46%)
- Aged 18-34 (52%)
- Live in Lower Hunter (56%)
- Know a moderate amount / a lot about Ausgrid (54%)
- Interacted with Ausgrid in past 12 months (65%)
- Have children <18 living at home (49%)
- Larger households (3-5+ residents) (50%)
- Detached homes (52%)
- Have a Bachelors' degree (46%)
- Home owners (47%)
- Have gas cylinders (59%)
- High bills (>$600 p / quarter) (52%)
- High household income (> $120k p yr.) (46%)
- Not vulnerable (44%)

CUSTOMERS LESS LIKELY TO HAVE / OR BE CONSIDERING SOLAR PANELS

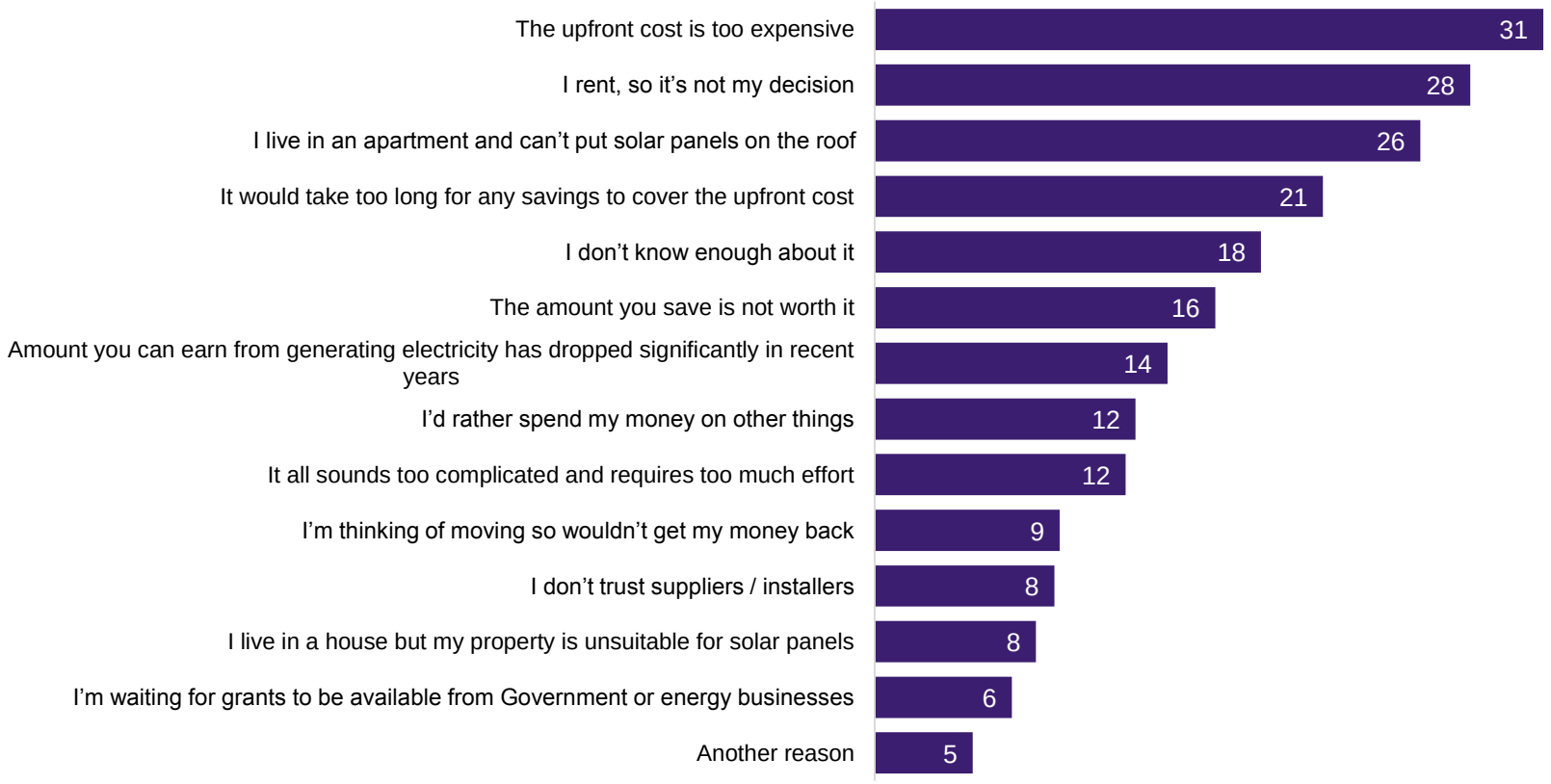
- Female (37%)
- Aged 35-54 (36%)
- Live in Sydney South (38%)
- Unaware of / don't know anything about Ausgrid (31%)
- Haven't interacted with Ausgrid in past 12 months (34%)
- No children <18 living at home (39%)
- Smaller households (1-2 residents) (36%)
- Renters (31%)
- Apartment dwellers (22%)
- Don't use gas (36%)
- Lower education levels (High school) (33%)
- Low bills (<$299 p/q) (35%)
- Low household income (<$40k p/yr)
- Vulnerable customers 29%)

Q17. Next we would like to know if you have, or are considering, any of the following electricity technologies… Base: All participants (n = 2,362)

BARRIERS TO SOLAR USE / CONSIDERATION – RESIDENTIAL

MAIN BARRIERS ARE COSTS (UPFRONT OUTLAY AND TIME TO RECOVER COSTS) AND HOUSING CIRCUMSTANCES (RENTING, SO NEEDING LANDLORD TO INVEST, OR LIVING IN AN APARTMENT WHERE THEY CAN'T HAVE ROOFTOP SOLAR)

Reasons residential customers are *not* actively researching or considering solar panels (%)



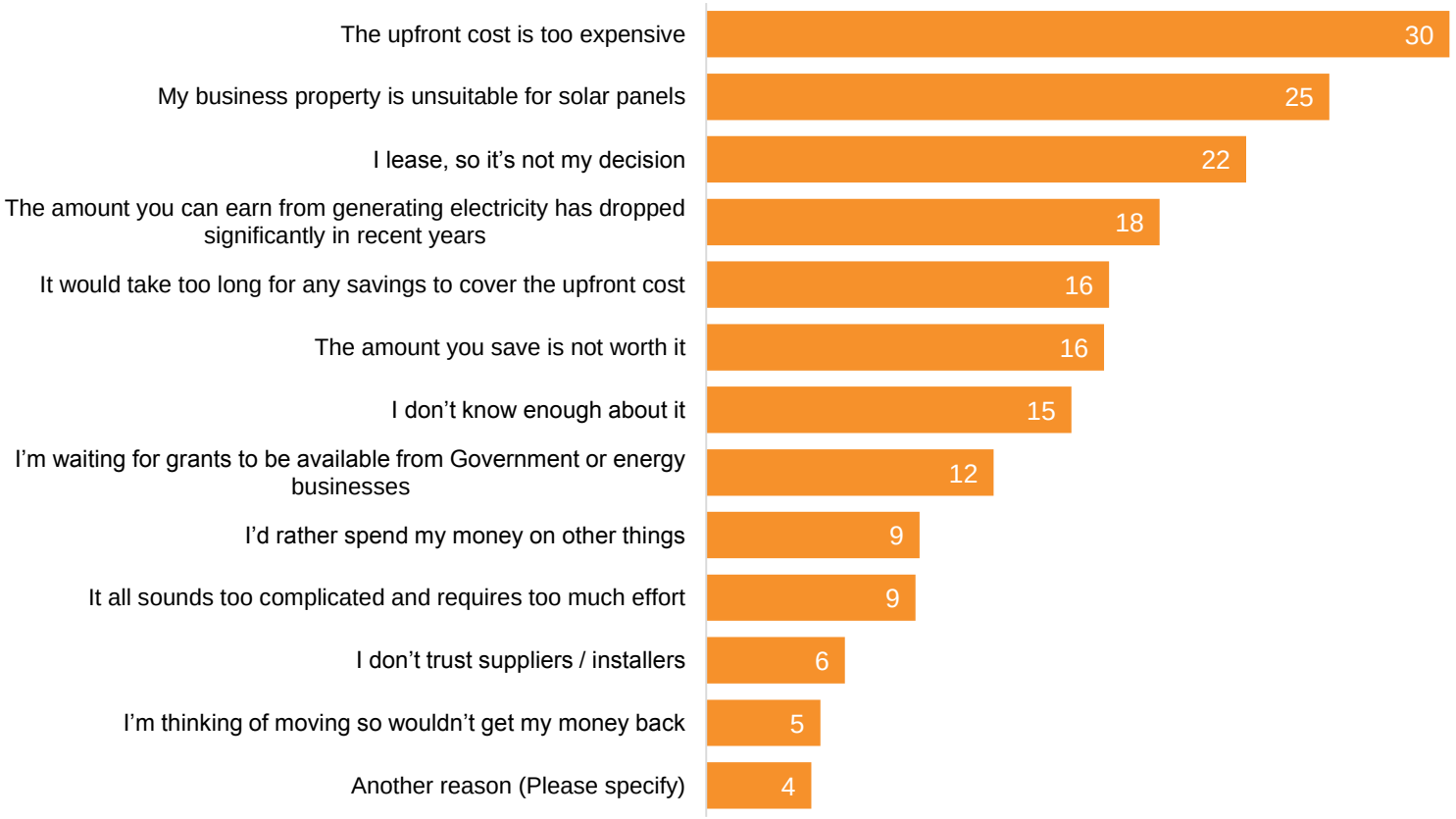
Q18. Which of the following reasons explain why you are not actively researching or considering buying solar panels for your home?

Base: Residential customers who are not actively researching or considering buying solar panels (n= 1,445)

BARRIERS TO SOLAR USE / CONSIDERATION – BUSINESS

BARRIERS FOR BUSINESS CUSTOMERS ARE ALSO UPFRONT COSTS (WITH LOW RETURN ON INVESTMENT), UNSUITABLE PROPERTIES AND BEING A LEASEE

Reasons business customers are *not* actively researching or considering solar panels (%)



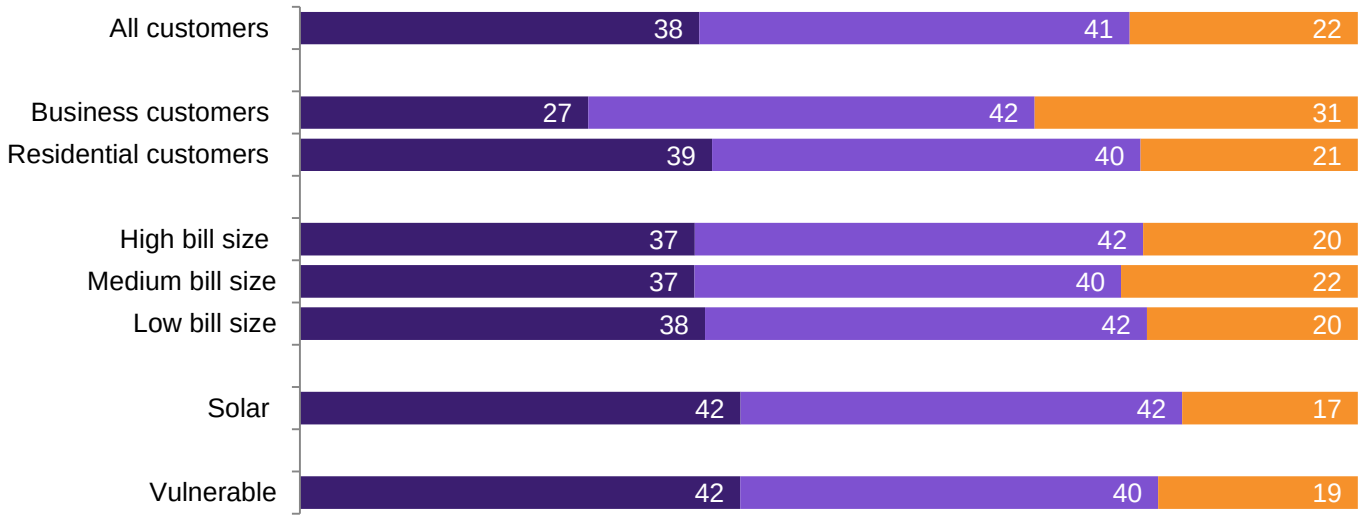
Q19. Which of the following reasons explain why you are not actively researching or considering buying solar panels for your business?

Base: Business customers who are not actively researching or considering buying solar panels (n = 110)

COMMUNICATIONS PREFERENCES FOR AUSGRID

THE SUGGESTION THAT AUSGRID SHOULD 'STICK TO THE BASICS' IS ONLY SUPPORTED BY A MINORITY OF CUSTOMERS (22%). MOST WANT PROACTIVE COMMUNICATION AROUND AUSGRID'S SERVICES (41%) OR EVEN BROADER COMMUNICATION AROUND ENERGY EFFICIENCY, NEW TECHNOLOGIES, ETC. (38%)

Communications preferences (%)



- Ausgrid should go beyond providing basic service information by regularly sending out information to customers on a range of energy issues related to efficiency, new technologies and service developments in the energy sector
- Ausgrid should occasionally send out information to customers on important issues and service developments as well as providing basic information when customers call or visit its website
- Ausgrid should stick to providing basic information about the services it provides when customers call or visit its website

Q20. Which, of the following best describes your view about the approach that Ausgrid should take in communicating with its customers?.

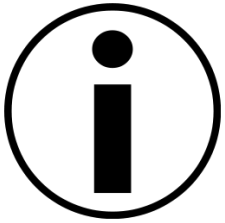
Base: All participants (n = 2,362)

WHAT INFORMATION DO CUSTOMERS WANT FROM AUSGRID?

HOW TO SAVE ENERGY AND REDUCE BILLS, CURRENT AND FUTURE PRICING STRUCTURES, AND RENEWABLES WERE THE STANDOUTS

- **How to save energy / manage usage / reduce bills 26%** (27% residential – 20% business)
- **Information on current / future pricing structure 18%** (19% residential – 13% business)
- More detailed bills / more transparent costs 1% (0% residential – 2% business)

- **Information on renewable technology / solar power / new technology 15%** (17% residential – 7% business)
- What they are doing to help care for / improve the environment 3% (3% residential – 4% business)



- **Everything / general information and updates 12%** (13% residential – 7% business)
- **Service outages planned / maintenance information 12%** (13% residential – 5% business)
- What works they are doing in my local area 3% (4% residential – 1% business)
- Letters / emails / newsletters with updates / information on Ausgrid 2% (2% residential – 0% business)

- Future infrastructure plans / developments / upgrades 8% (9% residential – 4% business)
- Future innovation 1% (2% residential – 1% business)

Q21. And what type of information would you / your business be most interested in receiving from Ausgrid?.

Base: All participants (n=2,362). Business Participants (n=224)..

INFORMATION PREFERENCES

IN THEIR WORDS

"New technologies, new efficiencies, future infrastructure development plans, proposed future power sources (e.g. coal, wind, solar, nuclear, wave) and ways to become more efficient in the household."

"Planned improvement projects, expected and actual outages, live apps on outages and ways to manage electricity costs for consumers."

"Information about changes in energy sources, improvements in delivery networks and especially information about emerging technologies that make energy consumption more cost-effective and environmentally responsible

"Transparent breakdown of its pricing strategy for consumers, its plans for the integration of local solar generation en-masse to the grid, its plans for local battery storage for peak and off peak use (whilst connected to the grid for use by the network). Its long-term plans to buy electricity for solar users at fair rates."

"Ways to keep costs down, products to help keep costs down, ways to make your house more energy efficient, energy efficiency comparisons of different appliances and products (jugs, microwaves, lightbulbs etc.)"

APPENDICES

NEWGATE RESEARCH

APPENDIX A: ISSUES AND PREFERENCES OF KEY SEGMENTS

SME's (n = 224)

- Particularly concerned about crime, reliability, job opportunities, and tree maintenance.
- More likely to know a lot / moderate amount about Ausgrid.
- More likely to have a positive opinion of Ausgrid.
- More likely to rate Ausgrid's overall reputation as excellent
- More likely to think that Ausgrid: generates, transmits, and sells electricity, trims trees and replaces lights.
- More likely to think Ausgrid does a good job of: tree trimming, and providing value for money.
- More likely to agree with positive statements about Ausgrid.
- More likely to have interacted with Ausgrid in any way.
- More likely to think shift to 50/50 fixed/variable split is acceptable.
- More likely to be considering new energy technologies.

Solar customers (n = 394)

- Particularly concerned about energy costs, crime, climate change, reliability and tree maintenance.
- More likely to know a lot / moderate amount about Ausgrid.
- More likely to have a positive opinion of Ausgrid.
- More likely to rate Ausgrid's overall reputation as excellent.
- More likely to think that Ausgrid: transmits and distributes electricity, trims trees, replaces lights, and 'runs the grid'.
- More likely to think Ausgrid does a good job of: getting electricity back on quickly after unplanned outages and tree trimming.
- More likely to agree with positive statements about Ausgrid.
- More likely to have interacted with Ausgrid in any way.
- More likely to think shift to 50/50 fixed/variable split is acceptable.
- More likely to be considering new energy technologies.

APPENDIX A: ISSUES AND PREFERENCES OF KEY SEGMENTS

Vulnerable (n = 464)

- Particularly concerned about energy costs, housing, cost of living, health, power bills, crime, reliability, job opportunities.
- More likely to be unaware / know nothing about Ausgrid.
- More likely to have a negative opinion of Ausgrid.
- More likely to rate Ausgrid's overall reputation as very poor
- More likely to think Ausgrid does a fair / poor job of: reliability, and getting electricity back on quickly.
- More likely to disagree with positive statements about Ausgrid.
- Less likely to have interacted with Ausgrid via it's website, or have received a notification / letter in the mail.
- More likely to think shift to 50/50 fixed/variable split is unacceptable.
- More likely to think a declining usage fee is most in the long-term interests of customers.
- Less likely to be considering new energy technologies.

Low energy users (n = 807)

- Less likely to be worried about: high energy costs, cost of living, power bills, crime, reliability, and tree maintenance.
- More likely to be neutral about Ausgrid, also less likely to be positive.
- Less likely to rate Ausgrid's reputation as excellent
- Less likely to rate responsiveness as fair or poor, but also more likely to be unsure.
- Less likely to rate value for money from Ausgrid as poor.
- Less likely to have interacted with Ausgrid via website, social media, phone or face-to-face.
- More likely to think moving to 50:50 fixed/variable network fee is unacceptable.
- More likely to think an inclining usage fee is most in the long-term interests of customers.
- Less likely to have or be considering new energy technologies.

APPENDIX B: ATTRIBUTE MODELLING BY SEGMENT LONG-TERM INTERESTS

	Total	Business	Residential	Solar	Low bill	Moderate bill	High bill	Vulnerable
Average number of unplanned outages (blackouts) per customer	13.4%	9.6%	13.7%	10.8%	12.4%	13.6%	14.4%	12.8%
Average outage (blackout) length	11.1%	11.8%	11.1%	9.4%	10.7%	11.2%	11.5%	11.0%
Fixed Network access charges for solar customers	15.3%	18.1%	15.1%	31.7%	16.6%	14.9%	13.3%	13.1%
Customer communication initiatives	2.3%	4.9%	2.2%	2.5%	1.1%	2.5%	4.8%	2.6%
Support for vulnerable customers	6.5%	7.1%	6.5%	6.9%	6.8%	6.4%	6.9%	5.7%
Neighbourhood services	6.2%	6.6%	6.1%	4.6%	5.7%	6.7%	6.4%	5.5%
Fixed access vs variable usage proportion of the network charges	9.0%	8.0%	9.0%	8.3%	11.0%	8.1%	6.6%	11.2%
Variable usage fee pricing structure	6.6%	8.1%	6.5%	5.9%	7.8%	7.2%	5.3%	4.4%
Overall customer bill size	29.6%	25.8%	29.8%	19.8%	27.8%	29.4%	30.9%	33.6%

APPENDIX B: ATTRIBUTE MODELLING BY SEGMENT FAIRNESS

	Total	Business	Residential	Solar	Low bill	Moderate bill	High bill	Vulnerable
Average number of unplanned outages (blackouts) per customer	10.8%	9.4%	10.9%	8.5%	10.2%	10.9%	12.3%	10.6%
Average outage (blackout) length	9.6%	10.2%	9.5%	8.0%	9.5%	9.2%	10.1%	9.0%
Fixed Network access charges for solar customers	16.4%	17.9%	16.3%	33.9%	17.0%	16.8%	14.5%	12.8%
Customer communication initiatives	1.9%	2.7%	1.8%	1.7%	1.4%	2.0%	3.6%	3.2%
Support for vulnerable customers	7.0%	7.2%	7.0%	7.4%	6.9%	6.6%	8.4%	6.4%
Neighbourhood services	4.5%	4.9%	4.5%	2.9%	4.5%	4.6%	4.1%	4.8%
Fixed access vs variable usage proportion of the network charges	10.2%	12.0%	10.1%	9.4%	11.8%	10.5%	6.4%	12.2%
Variable usage fee pricing structure	7.3%	9.5%	7.1%	6.6%	8.2%	7.6%	5.4%	5.2%
Overall customer bill size	32.3%	26.3%	32.8%	21.6%	30.4%	31.7%	35.2%	35.8%

APPENDIX C: OPTIMAL SCENARIO BY SEGMENT
LONG-TERM INTERESTS OF CUSTOMERS

COMMUNICATION PREFERENCES DIFFERED FOR BUSINESS CUSTOMERS

	Business	Solar	Vulnerable
Average number of unplanned outages (blackouts) per customer	1 outage every 3 years	1 outage every 3 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	15 minute average outage length	15 minute average outage length
Fixed Network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges
Customer communication initiatives	Mobile phone app providing real-time information on blackouts & service disruptions	SMS notifications when blackouts & service disruptions occur	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers
Neighbourhood services	Significant investment to put more power lines underground	Significant investment to put more power lines underground	Significant investment to put more power lines underground
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage	25% fixed access 75% variable usage
Variable usage fee pricing structure	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year
Overall customer bill size	Decrease by 10%	Decrease by 10%	Decrease by 10%

APPENDIX C: OPTIMAL SCENARIO BY SEGMENT LONG-TERM INTERESTS OF CUSTOMERS

COMMUNICATION AND VARIABLE USAGE FEE PREFERENCES DIFFERED

	Low usage	Moderate usage	High usage
Average number of unplanned outages (blackouts) per customer	1 outage every 3 years	1 outage every 3 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	15 minute average outage length	15 minute average outage length
Fixed Network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges
Customer communication initiatives	Impartial online advice on energy efficiency, cost saving & new energy technologies	SMS notifications when blackouts & service disruptions occur	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers
Neighbourhood services	Significant investment to put more power lines underground	Significant investment to put more power lines underground	Significant investment to put more power lines underground
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage	25% fixed access 75% variable usage
Variable usage fee pricing structure	Inclining usage tariff The unit price of electricity increases slightly as a customer uses more energy	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Flat usage tariff The unit price of electricity, stays the same regardless of how much a customer uses
Overall customer bill size	Decrease by 10%	Decrease by 10%	Decrease by 10%

APPENDIX C: OPTIMAL SCENARIO BY SEGMENT FAIRNESS

COMMUNICATION AND NEIGHBOURHOOD SERVICES DIFFERED

	Business	Solar	Vulnerable
Average number of unplanned outages (blackouts) per customer	1 outage every 3 years	1 outage every 3 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	15 minute average outage length	15 minute average outage length
Fixed Network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges
Customer communication initiatives	Advertising and public information campaigns about Ausgrid's services and efficient use of energy	SMS notifications when blackouts & service disruptions occur	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers
Neighbourhood services	Significant investment to put more power lines underground	High priority on reducing the time taken to replace broken / faulty street lights	Significant investment to put more power lines underground
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage	25% fixed access 75% variable usage
Variable usage fee pricing structure	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year
Overall customer bill size	Decrease by 10%	Decrease by 10%	Decrease by 10%

APPENDIX C: OPTIMAL SCENARIO BY SEGMENT - FAIRNESS

COMMUNICATION AND PRICING PREFERENCES DIFFERED BY SEGMENT

	Low usage	Moderate usage	High usage
Average number of unplanned outages (blackouts) per customer	1 outage every 3 years	1 outage every 3 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	15 minute average outage length	15 minute average outage length
Fixed Network access charges for solar customers	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges
Customer communication initiatives	Impartial online advice on energy efficiency, cost saving & new energy technologies	Advertising and public information campaigns about Ausgrid's services and efficient use of energy	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers
Neighbourhood services	Significant investment to put more power lines underground	Significant investment to put more power lines underground	Significant investment to put more power lines underground
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	25% fixed access 75% variable usage	50% fixed access 50% variable usage
Variable usage fee pricing structure	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	Flat usage tariff The unit price of electricity, stays the same regardless of how much a customer uses
Overall customer bill size	Decrease by 10%	Decrease by 10%	Decrease by 10%

APPENDIX D: QUESTIONNAIRE

NEWGATE RESEARCH

Customers at the Centre
Final Questionnaire

Updated 17th August 2017

Introduction

Thank you for your interest in this survey about electricity. It may be helpful to have your most recent electricity bills handy, but this is not essential.

Please be assured that your open and honest feedback will be treated confidentially.

This survey is being conducted by Newgate Research and it should take you about 20-25 minutes to complete, depending on your responses.

Use your mouse to 'click' the relevant circles or boxes and mark your selections. Some questions require you to type your answers in the space provided.

Please remember:

- When you have completed all questions on the screen, click the '>>' button to proceed to the next page.
- None of the responses you give will be directly linked to you as an individual. They are used for statistical purposes only.
- To see the privacy statement, click the link at the bottom of the screen.
- To begin the survey, click on the '>>' button below.
- If you need to return to the survey later, click the '>>' button and close the webpage. The next time you click on the invite link, it will automatically take you back to the question you were up to.

Qualifier questions

S1. Please indicate your gender

	Select 1
Male	☐
Female	☐
Other	☐

S2. And are you aged?

	Select 1	
Under 18	☐	Terminate
18-24	☐	Continue
25-34	☐	Continue
35-44	☐	Continue
45-54	☐	Continue
55-64	☐	Continue
65 or over	☐	Continue

S3. Please enter the postcode where you live

S4. Who in your household is mainly responsible for paying your electricity bills and making decisions about which electricity company to go with?

	Select 1	
I am responsible for these things	☐	Continue
I share the responsibility with someone else	☐	Continue
Someone else is responsible for these things	☐	Terminate
Don't know	☐	Terminate

S5. What is your current work status?

	Select all that apply	Route
Working full time	☐	S6
Working part time	☐	
Working casually	☐	
Unemployed and seeking work	☐	Q1
Retired	☐	
Not working due to chronic ill health or disability	☐	
Student	☐	
Home duties	☐	
Other (please specify)	☐	

S6. Do you own a business or are a director/senior manager in a business?

	Select 1	Route
Own a business	☐	S7
Director of a business	☐	S7
Senior manager	☐	S7
None of the above	☐	Q1

S7. And do you have responsibility for the decisions about which electricity company you use at your business?

	Select 1	Route
Yes	☐	S8
No	☐	Q1

S8. Including you, how many employees does your business have?

	Select 1	
1 (sole trader)	☐	Business segment if owner or director
2-5 employees	☐	
6-19 employees	☐	
20-199 employees	☐	Business segment if owner, director or senior manager
200 or more employees	☐	Not business segment

S9. And which industry does your business operate in?

	Select 1
Agriculture, Forestry and Fishing	☐
Mining	☐
Manufacturing	☐
Electricity, Gas, Water and Waste Services	☐
Construction	☐
Wholesale Trade	☐
Retail Trade	☐
Accommodation and Food Services	☐
Transport, Postal and Warehousing	☐
Information Media and Telecommunications	☐
Financial and Insurance Services	☐
Rental, Hiring, Real Estate	☐
Professional, Scientific and Technical Services	☐
Administrative and Support Services	☐
Public Administration and Safety	☐
Education and Training	☐
Health Care and Social Assistance	☐
Arts and Recreational Services	☐
Other Services	☐
Don't know	☐

APPENDIX D: QUESTIONNAIRE

Issues context

Q1. How concerned are you about the following issues?

Randomise options
Reverse scale

	Extremely concerned	Very concerned	Fairly concerned	Not very concerned	Not concerned at all	
The reliability of the electricity network	☐	☐	☐	☐	☐	Select 1
Health services	☐	☐	☐	☐	☐	Select 1
Tree maintenance in your neighbourhood	☐	☐	☐	☐	☐	Select 1
Public transport	☐	☐	☐	☐	☐	Select 1
Roads and traffic congestion	☐	☐	☐	☐	☐	Select 1
The cost of electricity	☐	☐	☐	☐	☐	Select 1
The cost of living in general	☐	☐	☐	☐	☐	Select 1
Crime and personal security	☐	☐	☐	☐	☐	Select 1
Climate change	☐	☐	☐	☐	☐	Select 1
Job opportunities and unemployment	☐	☐	☐	☐	☐	Select 1
Housing availability and affordability	☐	☐	☐	☐	☐	Select 1
Being able to afford to pay your power bills	☐	☐	☐	☐	☐	Select 1

4

Awareness and attitudes to Ausgrid

Q2. How much do you know about the following organisations?

Randomise organisations

	I've never heard of it	I've heard of it but don't know anything about it	I've heard of it and know a little about it	I've heard of it and know a moderate amount about it	I've heard of it and know a lot about it	
Ausgrid	☐	☐	☐	☐	☐	Select 1
TransGrid	☐	☐	☐	☐	☐	Select 1
AGL	☐	☐	☐	☐	☐	Select 1
EnergyAustralia	☐	☐	☐	☐	☐	Select 1
Origin	☐	☐	☐	☐	☐	Select 1

Q3. What is your overall opinion of the following organisations?

Populate with organisations heard of in Q2

Reverse scale

	Very positive	Somewhat positive	Neither positive nor negative	Somewhat negative	Very negative	
Ausgrid	☐	☐	☐	☐	☐	Select 1
TransGrid	☐	☐	☐	☐	☐	Select 1
AGL	☐	☐	☐	☐	☐	Select 1
EnergyAustralia	☐	☐	☐	☐	☐	Select 1
Origin	☐	☐	☐	☐	☐	Select 1

Q4. And what makes you feel (insert response from Q3) about Ausgrid *(please be as descriptive as possible)*

Only ask respondent who have heard of Ausgrid from Q2

Q5. How would you rate the overall reputation of Ausgrid based on your experiences you've had with Ausgrid and anything else you've seen, heard or read about it?

Only ask respondents who have heard of Ausgrid from Q2

Reverse scale

Very poor reputation									Excellent reputation		
0	1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Select 1

5

Q6. Which of the following things do you think Ausgrid does?

Only ask respondents who have heard of Ausgrid from Q2

Randomise options

	Ausgrid does this	Ausgrid doesn't do this	I don't know if Ausgrid does this or not	
Generates electricity (in coal-fired or renewable power stations)	☐	☐	☐	Select 1
Transmits electricity on high voltage cables that link power stations to local areas	☐	☐	☐	Select 1
Distributes electricity to houses and business via a network of local poles, wires and electricity substations	☐	☐	☐	Select 1
Sells electricity directly to homes and small businesses	☐	☐	☐	Select 1
Trims trees on local streets to keep branches away from power lines	☐	☐	☐	Select 1
Replaces and repairs local street lights	☐	☐	☐	Select 1
Runs the 'electricity grid'	☐	☐	☐	Select 1

Q7. How would you rate the following aspects of your electricity service?

Randomise options

Reverse scale

	Excellent	Very good	Good	Fair	Poor	Don't know	
The reliability of your electricity supply (based on how many unplanned outages happen at your place)	☐	☐	☐	☐	☐	☐	Select 1
The time it takes to get your electricity back on after unplanned outages	☐	☐	☐	☐	☐	☐	Select 1
The tree trimming that is done around local power lines	☐	☐	☐	☐	☐	☐	Select 1
The reliability and maintenance of local street lights	☐	☐	☐	☐	☐	☐	Select 1
The value for money you receive from	☐	☐	☐	☐	☐	☐	Select 1

6

APPENDIX D: QUESTIONNAIRE

your electricity service providers							

Q8. And what do you believe is an appropriate number of days for Ausgrid to take to repair a broken street light after it has been reported to them?

Days

New screen

Please read the following information about Ausgrid before proceeding

Ausgrid is the electricity distribution company that connects and distributes electricity to houses and businesses in Sydney, Newcastle and the Central Coast.

Ausgrid owns, operates and maintains the electricity distribution network comprising local electricity poles wires and substations.

The services Ausgrid provides makes up around 33% of customers' electricity bills, although this cost is not usually shown separately on the bill.

The following figure shows where Ausgrid fits within the 'electricity supply chain'

Generators (e.g. Coal fired power stations, renewables, Snowy Hydro)	**TransGrid**	**Ausgrid**	**Retailers** (e.g. AGL, Origin, Energy Australia)
Generate electricity in power stations	Transmits electricity on high voltage cables that link power stations to cities, towns and suburbs	**Distributes electricity to houses and business via a network of lower voltage poles, wires and electricity substations**	Sells electricity directly to customers and manages billing and payments
			

Q9. Do you agree or disagree that Ausgrid...

Randomise options

Reverse scale

Split into batteries of 4-5 items per page

	Strongly agree	Somewhat agree	Neither agree nor disagree	Somewhat disagree	Strongly disagree	Don't know	
Acts in the long-term interests of customers	☐	☐	☐	☐	☐	☐	Select 1
Always puts safety first	☐	☐	☐	☐	☐	☐	Select 1
Minimises disruption when carrying out maintenance or construction work	☐	☐	☐	☐	☐	☐	Select 1
Is sensitive to the needs of vulnerable customers (e.g. pensioners and those experiencing hardship)	☐	☐	☐	☐	☐	☐	Select 1
Operates as efficiently as possible to keep costs down	☐	☐	☐	☐	☐	☐	Select 1
Is customer focused in its day-to-day delivery of services	☐	☐	☐	☐	☐	☐	Select 1
Provides good value for its services	☐	☐	☐	☐	☐	☐	Select 1
Does a good job of providing information to customers about electricity interruptions	☐	☐	☐	☐	☐	☐	Select 1
Does a good job of restoring power quickly after blackouts caused by storms	☐	☐	☐	☐	☐	☐	Select 1
Helps customers make good decisions about electricity use	☐	☐	☐	☐	☐	☐	Select 1
Supports the increased use of renewable energy sources	☐	☐	☐	☐	☐	☐	Select 1
Is innovative and forward thinking	☐	☐	☐	☐	☐	☐	Select 1
Is environmentally responsible	☐	☐	☐	☐	☐	☐	Select 1
Is open, honest and transparent	☐	☐	☐	☐	☐	☐	Select 1
Is a company you can trust	☐	☐	☐	☐	☐	☐	Select 1
Provides information that is clear and easy to understand	☐	☐	☐	☐	☐	☐	Select 1

Q10. Have you interacted with Ausgrid in any of the following ways?

	Yes, in the last 12 months	Yes, but not in the last 12 months	No	
Gone to its website	☐	☐	☐	Select 1
Spoken with someone from Ausgrid over the phone	☐	☐	☐	Select 1
Interacted with Ausgrid via social media (e.g. Facebook or Twitter)	☐	☐	☐	Select 1
Spoken with someone from Ausgrid face-to-face	☐	☐	☐	Select 1
Received a notification or letter from Ausgrid in the mail	☐	☐	☐	Select 1

Unprompted preferences for long-term planning and tariffs

Q11. Ausgrid is currently developing a plan for its business to meet the 'long term interests of customers'. What do you think this plan should focus on if it is to truly be in customer's long-term interests? *(Please be as descriptive as possible in your response)*

Tariff preferences

New screen

Insert supply chain diagram shown previously

This section of the survey will ask your opinions on some potential options for how electricity customers could be charged for the services that Ausgrid provides (see diagram above.

Please give these questions your careful consideration because the results from this survey (in combination with other information) will inform how Ausgrid charges customers like you for its services in the future.

Before we get started there are three things that are important for you to know:

APPENDIX D: QUESTIONNAIRE

Tariff preferences

New screen
Insert supply chain diagram shown previously

This section of the survey will ask your opinions on some potential options for how electricity customers could be charged for the services that Ausgrid provides (see diagram above.

Please give these questions your careful consideration because the results from this survey (in combination with other information) will inform how Ausgrid charges customers like you for its services in the future.

Before we get started there are three things that are important for you to know:

1. The following pricing options will have no impact on the total amount of money that Ausgrid receives from customers or its profits (since these are set by a Government regulator).
2. However, the options mean some customers would be charged more, some would be charged less and some would be charged about the same.
3. The following pricing options only relate to the "Distribution" part of your electricity bill that covers Ausgrid's 'poles and wires' services – i.e. around 33% of the average electricity bill.

New screen

Pricing proposal #1

At the moment the distribution component of your electricity bill is divided into two parts:

1. a **"fixed access fee"** which covers connection and access to the network; and
2. a **"variable usage fee"** which is based on how much energy you use and when you use it.

The fixed access fee is currently small for residential customers and most small-to-medium-sized businesses (around 25% of Ausgrid's charges) while the usage fee is relatively large (around 75% of Ausgrid's charges).

However, most of Ausgrid's ongoing costs actually relate to infrastructure investment, maintenance and upgrades and are less related to how much electricity customers actually use (since Ausgrid doesn't generate electricity or sell electricity direct to customers).

Ausgrid is considering changing the mix of these fees so that the fixed access fee is a higher proportion of your bill (50%) and the variable usage component is a smaller proportion of your bill (50%). The purpose of this change is to make the charges fairer and more reflective of the different types of costs involved in delivering electricity services to customers.

The following table shows the likely impact of this proposal on a range of different customers. It may be helpful if you check your **average daily energy usage** on your latest energy bill to see which one of these is closest to you.

Customer type and average daily use	Low electricity user (8 kWh per day)	Medium electricity user (14kWh per day)	High electricity user (27 kWh per day)	Typical solar customer (19kWh per day)	Typical small business customer (33 kWh per day)
Current quarterly electricity bill	$289	$428	$766	$565	$912
How much it actually costs to provide electricity to this customer	$464	$488	$513	$512	$710
Current pricing structure	25% fixed access fee 75% variable usage fee				
Proposed pricing structure	50% fixed access fee 50% variable usage fee				
Quarterly bill if the proposed pricing structure was adopted	$324 (bill would be $35 higher)	$428 (no change to bill for these customers)	$726 (bill would be $40 lower)	$561 (bill would be $4 lower)	$854 (bill would be $58 lower)
Vulnerable customer protection	Pensioners and other low-usage vulnerable customers (e.g. those eligible for a healthcare card) protected from potential price increases via a levy on all customers of $2 per bill				

Q12. How acceptable is it to you if Ausgrid shifts its network charge from 25% fixed/75% variable to 50% fixed/50% variable?"

Show table from Q11 on screen
Reverse scale

Completely unacceptable									Completely acceptable		
0	1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Select 1

Q13. Why did you give a rating of (insert response from Q12) out of 10 for the acceptability of shifting from 25% fixed/75% variable to 50% fixed/50% variable?

Show table from Q11 on screen

New screen

Pricing Proposal #2

Next we would like your feedback on some options for the variable usage component of Ausgrid's network charge. These options are outlined below.

Usage fee type	1) Inclining usage fee	2) Flat usage fee	3) Declining usage fee
Explanation of the concept	The unit price of electricity (i.e. 'kilowatt hours' or kWh) increases slightly as a customer uses more energy	The unit price of electricity (kWh), stays the same regardless of how much a customer uses	The unit price of electricity (kWh) decreases slightly as a customer uses more energy
Usage fees (per quarter)	• 9.72c per kWh for the first 1,000 kWh • 10.90c per kWh for usage between 1,000 kWh and 2,000 kWh • 12.60 per kWh for usage over 2,000 kWh	• 10.27c per kWh for usage	• 12.40 per kWh for the first 1,000 kWh • 6.04c per kWh for usage between 1,000 kWh and 2,000 kWh • 4.1c per kWh for usage over 2,000 kWh
Considerations & implications	• Lower rates for lower energy users • Incentivises customers to use less energy and save	• Simplest approach • No specific benefits for high or low users • Doesn't incentivise or disincentivise energy usage behaviour	• Higher rates for higher energy users • Doesn't incentivise customers to use less energy and save

Q14. Which of the three usage fee types do you think is most in the long-term interests of Ausgrid's customers?

Randomise first 3 options
Show table from Q13 on screen

APPENDIX D: QUESTIONNAIRE

	Select 1
Inclining usage fee	☐
Flat usage fee	☐
Declining usage fee	☐
Don't know which is best	☐

Modelling around the long-term interests of customers & fairness

In this section of the survey we will show you a series of 10 different long-term plans that Ausgrid could hypothetically implement in the future.

Each plan we show you will have different combinations of service levels and programs *(which would all need to be funded by customers through their electricity bills).*

There might be some common factors in the plans you are shown, but please read each one carefully and completely as this is an important part of Ausgrid's engagement with customers.

After you have scanned each plan we will then ask you:

- **If you think this plan is in the long-term interests of Ausgrid's customers**
- **If you think the proposed pricing structure in this plan is fair**

Construct as a conjoint model based on the following matrix and scales

Plan factor	Level / option within each category				
	1	2	3	4	5
Average number of unplanned outages (blackouts) per customer	1 outage every 3 months	1 outage every 6 months	1 outage a year	1 outage every 2 years	1 outage every 3 years
Average outage (blackout) length	15 minute average outage length	30 minute average outage length	60 minute average outage length	2 hour average outage length	4 hour average outage length
Fixed Network access charges for solar customers	Solar customers pay 40% less than others for fixed network access charges	Solar customers pay 20% less than others for fixed network access charges	Solar customers pay the same as others for fixed network access charges	Solar customers pay 20% more than others for fixed network access charges	Solar customers pay 40% more than others for fixed network access charges
Customer communication initiatives	Impartial online advice on energy efficiency, cost saving & new energy technologies	Mobile phone app providing real-time information on blackouts & service disruptions	Shops where customers can speak face-to-face with Ausgrid about its services and energy efficiency	Advertising and public information campaigns about Ausgrid's services and efficient use of energy	SMS notifications when blackouts & service disruptions occur
Support for vulnerable customers (e.g. pensioners or those experiencing hardship)	Ausgrid provides a 10% discount on new solar installations for vulnerable customers	Ausgrid reduces bills for low energy using vulnerable customers	Ausgrid provides free energy audits for vulnerable customers to help them reduce their usage, with a 10% discount for energy efficiency measures	Ausgrid leaves it to the government to consider programs that lower bills for vulnerable customers	Ausgrid leaves it to electricity retailers (who send your bill) to consider programs that lower bills for vulnerable customers

Neighbourhood services	High priority on improving tree trimming around power lines	High priority on reducing the time taken to replace broken / faulty street lights	High priority on improving the look of electricity substations	Significant investment to put more power lines underground	
Fixed access vs variable usage proportion of the network charges	25% fixed access 75% variable usage	35% fixed access 65% variable usage	50% fixed access 50% variable usage	65% fixed access 35% variable usage	75% fixed access 25% variable usage
Variable usage fee pricing structure	Inclining usage tariff The unit price of electricity increases slightly as a customer uses more energy	Flat usage tariff The unit price of electricity, stays the same regardless of how much a customer uses	Declining usage tariff The unit price of electricity decreases slightly as a customer uses more energy	Time-based usage fee Pay for what you use with different peak and off peak rates based on the time of day, day of the week and time of year	
Overall customer bill size	Decrease by 10%	Decrease by 5%	No change	Increase by 5%	Increase by 10%

Q15. To what extent do you think this plan is in the long-term interests of Ausgrid's customers?

Reverse scale

Not in the long-term interests of customers at all									Completely in the long-term interests of customers		
0	1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Select 1

Q16. To what extent do you think the proposed pricing structure in this plan is fair?

Reverse scale

Not fair for customers at all									Completely fair for customers		
0	1	2	3	4	5	6	7	8	9	10	
☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	☐	Select 1

New technology and communications

Q17. Next we would like to know if you have, or are considering, any of the following electricity technologies.

Randomise options

	I already have this	I'm actively researching and	I'm not actively researching or	

		considering buying this technology	considering buying this technology	
Solar panels for your home	☐	☐	☐	Select 1
Solar hot water system for your home	☐	☐	☐	Select 1
Home battery storage	☐	☐	☐	Select 1
An electric car / vehicle for personal use	☐	☐	☐	Select 1
In-home technology that allows you to monitor your electricity usage and costs in real time	☐	☐	☐	Select 1
A home energy management system that enables you to manage your household's energy remotely	☐	☐	☐	Select 1
(For business segment) Solar panels for your business	☐	☐	☐	Select 1
(For business segment) An electric car / vehicle for business use / fleet	☐	☐	☐	Select 1
(For business segment) Technology for your business that allows you to monitor your electricity usage and costs in real time	☐	☐	☐	Select 1

Q18. Which of the following reasons explain why you are not actively researching or considering buying solar panels for your home?

Only ask respondents who are not actively researching or considering buying solar panels for their home (from Q17)

Randomise options

	Select all that apply
I rent, so it's not my decision	☐
I live in an apartment and can't put solar panels on the roof	☐
I live in a house but my property is unsuitable for solar panels	☐
The upfront cost is too expensive	☐
The amount you save is not worth it	☐
The amount you can earn from generating electricity has dropped significantly in recent years	☐
It would take too long for any savings to cover the upfront cost	☐
I'm waiting for grants to be available from Government or energy businesses	☐
I'd rather spend my money on other things	☐
It all sounds too complicated and requires too much effort	☐
I don't trust suppliers / installers	☐
I don't know enough about it	☐
I'm thinking of moving so wouldn't get my money back	☐
Another reason (please specify)	☐

APPENDIX D: QUESTIONNAIRE

Q19. (Business customers only) Which of the following reasons explain why you are not actively researching or considering buying solar panels for your business?

Only ask respondents who are not actively researching or considering buying solar panels for their business (from Q17)
Randomise options

	Select all that apply
I lease, so it's not my decision	☐
My business property is unsuitable for solar panels	☐
The upfront cost is too expensive	☐
The amount you save is not worth it	☐
The amount you can earn from generating electricity has dropped significantly in recent years	☐
It would take too long for any savings to cover the upfront cost	☐
I'm waiting for grants to be available from Government or energy businesses	☐
I'd rather spend my money on other things	☐
It all sounds too complicated and requires too much effort	☐
I don't trust suppliers / installers	☐
I don't know enough about it	☐
I'm thinking of moving so wouldn't get my money back	☐
Another reason (please specify)	☐

Q20. Which, of the following best describes your view about the approach that Ausgrid should take in communicating with ("its business" – add for business segment) customers

Randomise options

	Select 1
Ausgrid should stick to providing basic information about the services it provides when customers call or visit its website	☐
Ausgrid should occasionally send out information to customers on important issues and service developments as well as providing basic information when customers call or visit its website	☐
Ausgrid should go beyond providing basic service information by regularly sending out information to customers on a range of energy issues related to efficiency, new technologies and service developments in the energy sector	☐

Q21. And what type of information would you ("your business" – substitute for business segment) be most interested in receiving from Ausgrid?

Only ask those who answered with option 2 or 3 in Q19

Demographics

Thank you for your participation in this survey so far, we just have a few final questions about your personal or household circumstances. These will be aggregated with other responses and will not be linked to you personally

D1. Please enter the number of people (including you) who usually live in your household?

	Number of people in your household
4 years or under	
5-14 years	
15-18 years	
19-24 years	
25-34 years	
35-44 years	
45-54 years	
55-64 years	
65-74 years	
75 years or above	

D2. Which of the following best describes your household?

	Select 1
Single person household	☐
Couple without children	☐
Couple with children	☐
One parent family	☐
Other family household (e.g. extended family household)	☐
Group or share household (e.g. sharing house with non-family members) Other	☐
Other (please specify)	☐

D3. Which of the following best describes the home where you live?

	Select 1
A detached house	☐
A semi-detached house, terrace house or town house	☐
A low rise apartment building (up to 4 levels)	☐
A high rise apartment building (more than 4 levels)	☐
Other (please specify)	☐

D4. Do you rent or own the home where you live?

	Select 1
Rent	☐
Own outright	☐
Own with a mortgage	☐
Other	☐

D5. Do you rent or own the premises on which your business is based?

For business segment

	Select 1
I rent my business premises	☐
I own my business premises (either outright or with a mortgage)	☐
I don't have a separate business premises and work out of my home	☐

D6. Do you use gas for your heating or cooking needs?

	Select 1
I use gas piped from the street for heating or cooking	☐
I use gas from a cylinder on my property for heating or cooking	☐
I don't use gas for heating or cooking	☐

D7. What is the highest level of education you have attained?

	Select 1
Postgraduate degree	☐
Graduate diploma / certificate	☐
Bachelor degree	☐
Advanced diploma / diploma	☐
Technical certificate	☐

APPENDIX D: QUESTIONNAIRE

High school	☐
Primary school	☐
Other	☐

D8. How much was your most recent quarterly electricity bill? Your best estimate is fine. If you are not billed quarterly, please use the monthly equivalent shown in brackets to select the range that best matches how much you are billed.

	Select 1
Less than $100 (< $33 per month)	☐
$100 - $199 ($33 - <$67 per month)	☐
$200 - $299 ($67 - <$100 per month)	☐
$300 - $399 ($100 - <$133 per month)	☐
$400 - $499 ($133- <$167 per month)	☐
$500 - $599 ($167 - <$200 per month)	☐
$600 - $699 ($200 - <$233 per month)	☐
$700 - $799 ($233 - <$267 per month)	☐
$800 - $999 ($267 - <$333 per month)	☐
$1,000 or more ($333 or more per month)	☐
Don't know	☐

D9. Do any of the following apply to you?

	Yes	No	
A single parent of a child aged 18 or under	☐	☐	Select 1
Receive a disability pension	☐	☐	Select 1
Receive an aged pension	☐	☐	Select 1
Have missed or been late in paying electricity bills in the last 12 months	☐	☐	Select 1

D10. What is your household's annual income from all sources before tax?

	Select 1
Less than $20,000	☐
$20,000 - $39,999	☐
$40,000 - $59,999	☐
$60,000 - $79,999	☐
$80,000 - $99,999	☐
$100,000 - $119,999	☐
$120,000 $149,999	☐
$150,000 - $249,999	☐
$250,000 or more	☐

I'd prefer not to say	☐

D11. How would you describe the current financial situation of yourself and the immediate family you live with?

	Select 1
Doing well and feeling comfortable	☐
Doing OK and making ends meet	☐
Having some difficulty but just making ends meet	☐
Having a lot of difficulty paying bills and covering basic living expenses	☐

D12. If your household's income stopped unexpectedly, for how long do you think your savings would be able to cover your essential expenses without other financial support or assistance?

	Select 1
Less than 3 months	☐
Between 3 and 5 months	☐
Between 6 and 12 months	☐
12 months or more	☐

D13. Do any of the following apply to you?

	Yes	No	
I was born in a country where English was not the main language	☐	☐	Select 1
I speak a language other than English at home or with close family members	☐	☐	Select 1
I identify as Aboriginal or Torres Strait Islander	☐	☐	Select 1

IF SPEAK A LANGUAGE OTHER THAN ENGLISH AT HOME (D13)

D14. And which language(s) other than English do you speak at home?

	Select all that apply
Arabic	☐
Armenian	☐
Chinese (Cantonese)	☐
Chinese (Mandarin)	☐
Filipino/Tagalog	☐
French	☐

German	☐
Greek	☐
Hindi	☐
Indonesian/Malay	☐
Italian	☐
Japanese	☐
Korean	☐
Portuguese	☐
Spanish	☐
Vietnamese	☐
Other (Please specify)	☐

IF SPEAK A LANGUAGE OTHER THAN ENGLISH AT HOME (D13)

D15. In which language do you prefer to read information?" (when receiving leaflets or reading language translations on websites).

	Select all that apply
Arabic	☐
Armenian	☐
Chinese (Cantonese)	☐
Chinese (Mandarin)	☐
Filipino/Tagalog	☐
French	☐
German	☐
Greek	☐
Hindi	☐
Indonesian/Malay	☐
Italian	☐
Japanese	☐
Korean	☐
Portuguese	☐
Spanish	☐
Vietnamese	☐
English	☐
Other (Please specify)	☐

Closing Screen

Thank you for participating. We really appreciate your time and contribution to this important part of Ausgrid's engagement program with customers.

APPENDIX E: PARTICIPANT DEMOGRAPHICS

	%	n
Business	10	224
Residential	90	2138
Male	49	1156
Female	51	1206
18-34	29	447
35-44	16	458
45-54	17	445
55-64	17	461
65+	21	551
Central Coast and Hunter	28	500
Sydney	72	1862
Sydney South	46	1174
Sydney North	26	688
Central Coast	8	156
Upper Hunter	7	126
Lower Hunter	13	218
Working full time	45	1057
Working part time / casually	20	445
Retired	20	539
Student	3	51
Unemployed	3	64
Home duties	6	139
Own a business	12	177
Director of a business	5	67
Senior manager	16	236
None of the above	67	1022

	%	n
1 (sole trader)	17	55
2-5 employees	16	56
6-19 employees	31	92
20-199 employees	25	83
200 or more employees	13	36
Agriculture, Forestry and Fishing	3	10
Mining	3	8
Manufacturing	3	10
Electricity, Gas, Water and Waste Services	2	6
Construction	9	26
Wholesale Trade	2	9
Retail Trade	8	25
Accommodation and Food Services	3	9
Transport, Postal and Warehousing	4	14
Information Media and Telecommunications	8	24
Financial and Insurance Services	4	13
Rental, Hiring, Real Estate	2	7
Professional, Scientific and Technical Services	15	52
Administrative and Support Services	8	24
Public Administration and Safety	0	1
Education and Training	5	17
Health Care and Social Assistance	6	17
Arts and Recreational Services	2	9
Other Services	12	40
Don’t know	0	1

APPENDIX E: PARTICIPANT DEMOGRAPHICS

	%	n
1 person household	18	437
2 person household	41	980
3-4 person household	33	776
5+ person household	8	168
Single person household	19	448
Couple without children	34	825
Couple with children	27	651
One parent family	6	135
Other family household	6	137
Group or share household	6	123
Other	2	43
Live in detached home	54	1248
Live in semi-detached home	16	356
Live in apartment	30	729
Rent home	32	703
Own home	66	1617
Rent my business premises	48	105
Own my business premises	30	59
Don't have a separate business premises	22	60
Have piped gas	46	1116
Have gas cylinders	11	240
Don't use gas	43	1006

	%	n
Postgraduate degree	17	412
Graduate diploma / certificate	8	197
Bachelor degree	32	735
Advanced diploma / diploma	12	287
Technical certificate	13	311
High school / Primary school	18	408
Low bill (<$299) per quarter	34	807
Moderate bill ($300-$599) per quarter	41	949
High bill (>$600) per quarter	16	369
A single parent of a child aged 18 or under	7	156
Receive a disability pension	7	140
Receive an aged pension	14	345
Missed or late paying electricity bills < 12 months	9	194
Born in a country where English was not the main language	25	590
I speak a language other than English at home	21	497
I identify as Aboriginal or Torres Strait Islander	3	60
<$40K annual household income	15	338
$40-79K annual household income	24	544
$80-120K annual household income	20	444
$120K+ annual household income	26	636

THANK YOU

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