Tariff Reform Research

August 2015

Topics covered within this report

1	Background, method & snapshot of findings	Slide 3
2	Electricity Consumption Behaviour	Slide 9
3	Reaction to New Tariff Structure	Slide 30
4	Going Forward	Slide 43
5	Appendix	Slide 46

1. Background, method & snapshot of findings

Background and Methodology

- On 1 December 2014 the National Electricity Rules (NER) were amended to include new distribution pricing arrangements. Combined with these rule changes is the requirement for distributors to have an increased level of responsiveness in relation to customer needs and preferences – informed through extensive stakeholder and customer engagement.

- Separate to the regulatory requirement to be more customer centric, CitiPower and Powercor recognise the importance of this as a business focus, as it helps create a more robust and resilient business model in the face of ever changing energy, consumer and regulatory environments.

- This year, CitiPower / Powercor has the opportunity to submit a proposal to the Australian Energy Regulator (AER) for changes to electricity tariff structures. In line with the NER and CitiPower / Powercor's more customer-centric approach, a part of this submission will demonstrate residential customer reactions to the proposed residential tariff structure.

The ultimate objectives are to help CitiPower / Powercor to understand and measure the reaction of its residential customers to proposed reforms to the current tariff structure and identify opportunities to help residential customers with a transition based on their current behaviours and attitudes.

Summary of the methodology

What we did

Online survey sourcing respondents from a national research-only online panel. The survey was also available via the CitiPower / Powercor 'talking electricity' website, to give the chance for all CitiPower / Powercor households to have their say.

15 minutes in length

n=1,038
(n=514 CitiPower residential customers; n=524 Powercor residential customers)

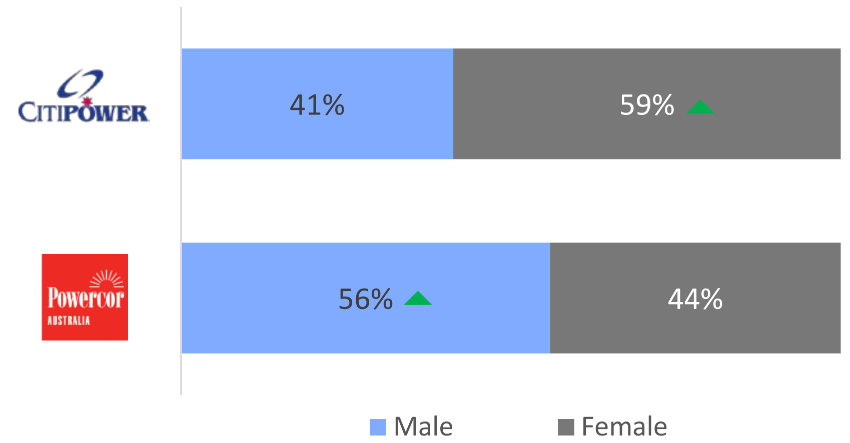
Must be the **main/joint household electricity decision maker** from CitiPower / Powercor distribution zones

What we asked

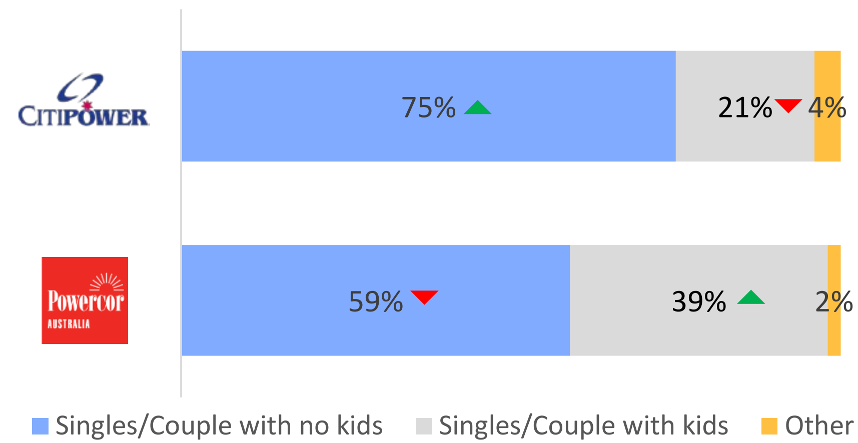
- Screeners & Classification
- Energy Consumption Behaviour
- Understanding of the Electricity Services
- Reaction to New Tariff Structure
- Communication Preferences
- Demographics

While CitiPower customers are skewed towards being female and younger, Powercor customers have a more male and older age group slant. CitiPower customers are also most likely to have no kids in the household.

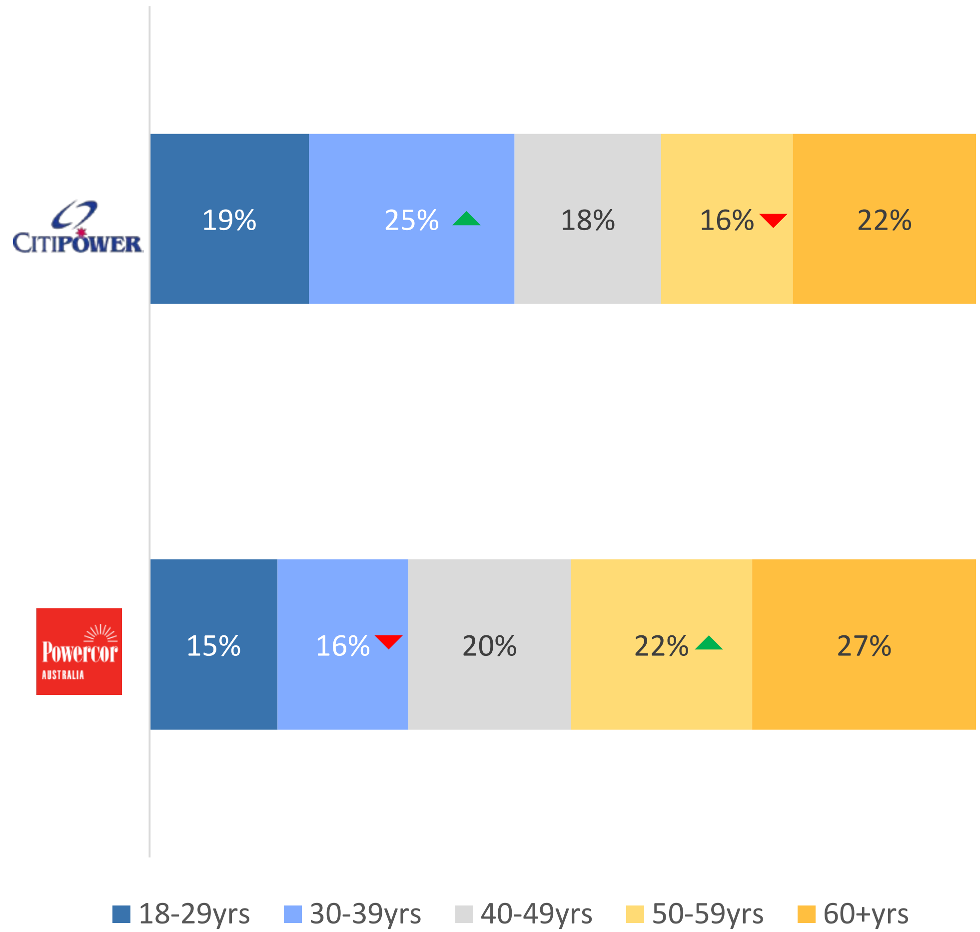
Gender



Household Structure



Age Group

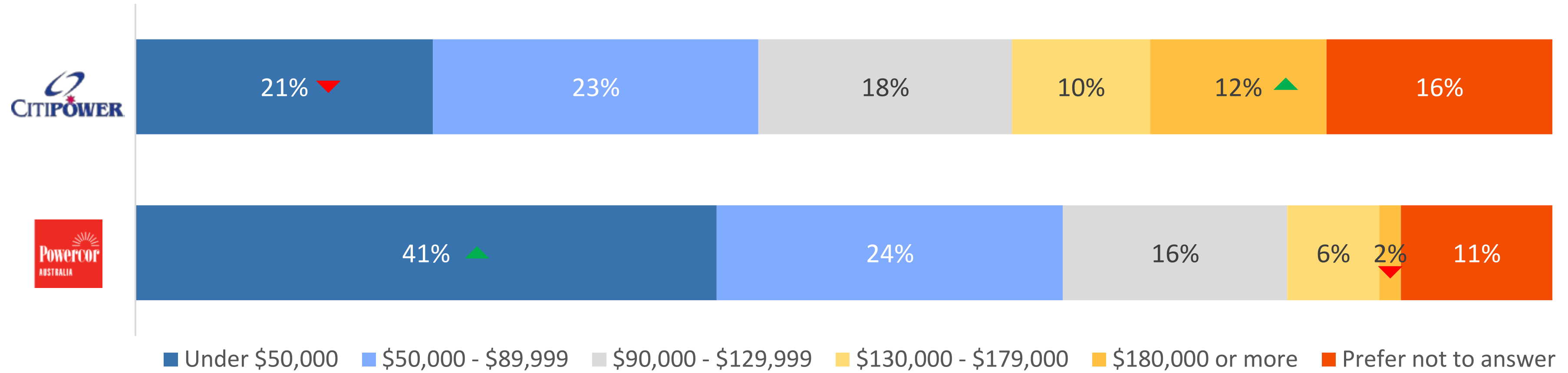


QA6. Are you male / female? QA5. What is your age? QE1. Which of the following best describes your current circumstances?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

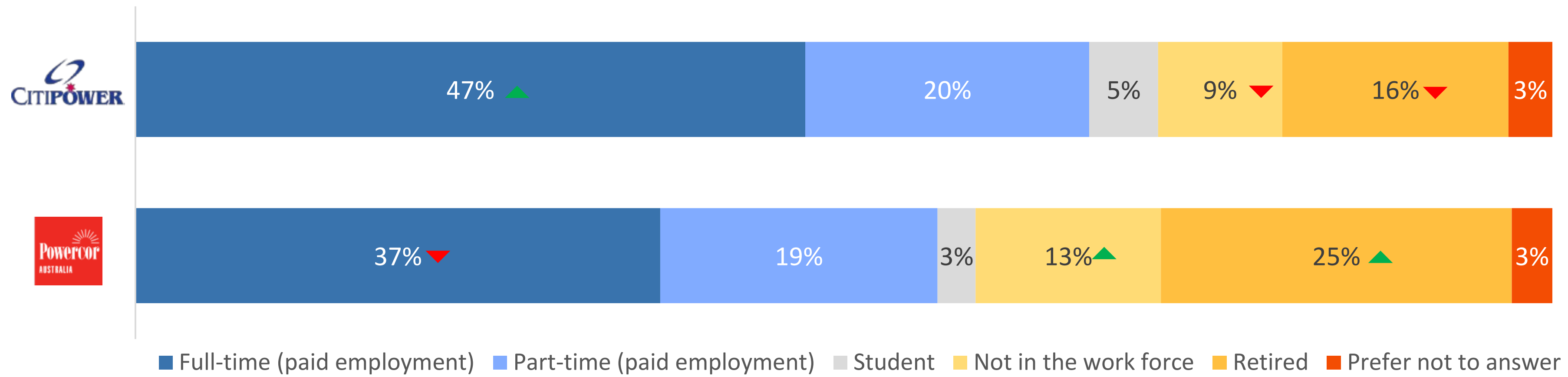
▲ = significantly higher than other group
▼ = significantly lower than other group

The household income of Powercor customers is skewed to a lower income band when compared to CitiPower customers, which is possibly influenced by the higher proportion of Powercor customers who are retired or out of the workforce.

Household Income



Work Status



QE5. What is your household's pre-tax annual income (including income from all sources excluding superannuation)? QE4. What is your current employment status?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly higher than other group
▼ = significantly lower than other group

nature

Snapshot of findings

1

Customer understanding of the basics of electricity distribution is low and awareness of their distributor has room to improve.

2

Customers show little interest in electricity monitoring tools or alternative energies, indicating this is currently a **low involvement category.**

3

Households have on average 3 of the more electricity-intensive appliances, with the majority using them most commonly during the proposed peak hours (in particular air-conditioners / heaters).

4

Relatively few appliances used have a timer.
Those with timers tend to already use this functionality, however this could be leveraged to spread their energy demand away from peak demand periods.

5

Although customers see the new tariff structure as somewhat appealing and fair, opinions are divided and 3 in 10 find the new tariff more difficult to understand.

6

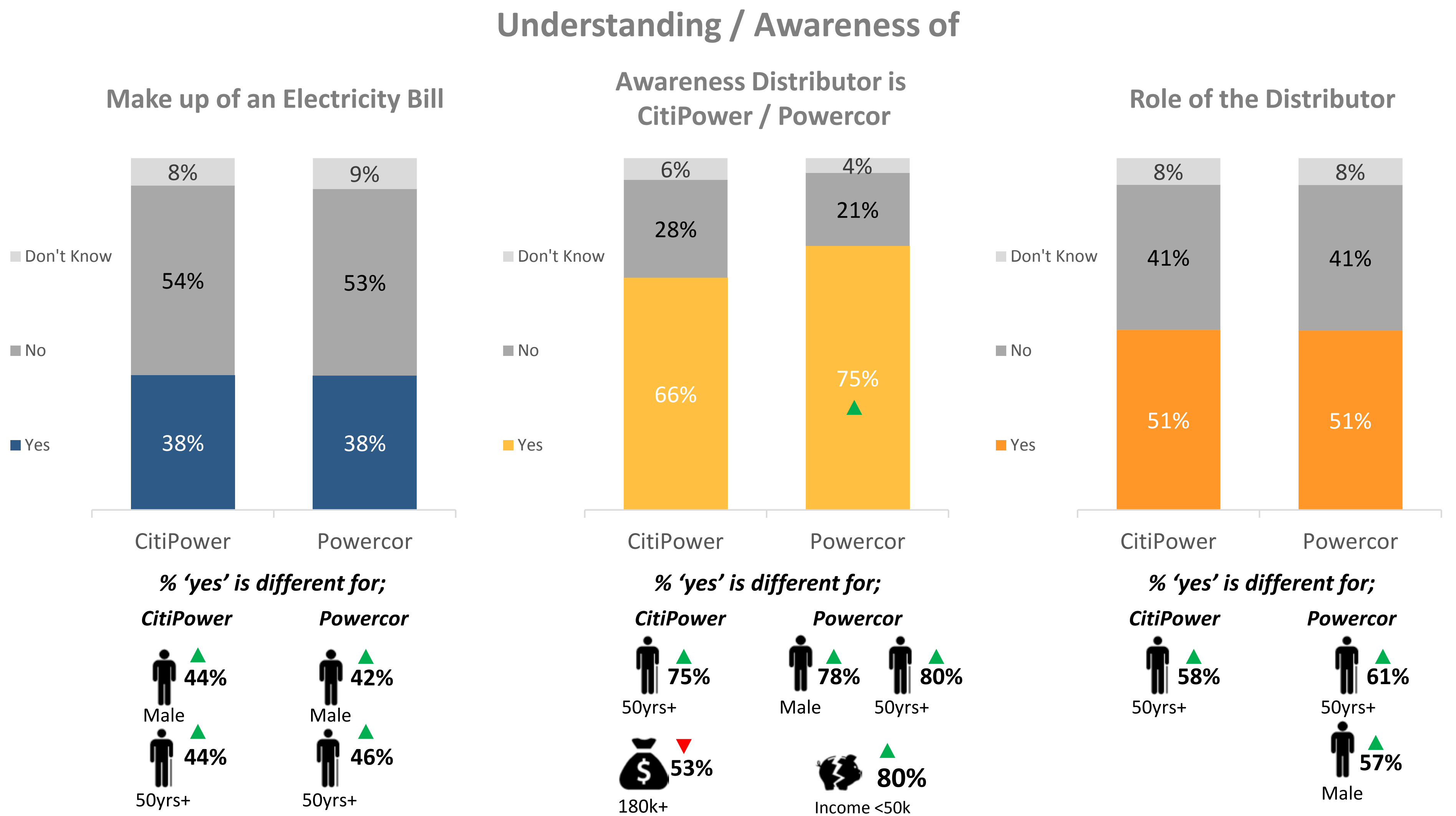
Although **customers are willing to make changes to their behaviour for savings of even small amounts of money,** behavioural change is limited to appliances that are less likely to be used during this peak.

2. Electricity Consumption Behaviour

Prior to being introduced to the new tariff structure, respondents were asked about their electricity consumption behaviours and understanding of electricity distribution.

Customer understanding of the basics of electricity distribution is low and awareness of their distributor has room to improve.

Understanding of electricity bill make up is low and awareness of distributors has room to improve. Prior to being informed, 1 in 3 CitiPower and 1 in 4 Powercor customers were not aware of who their distributor is.



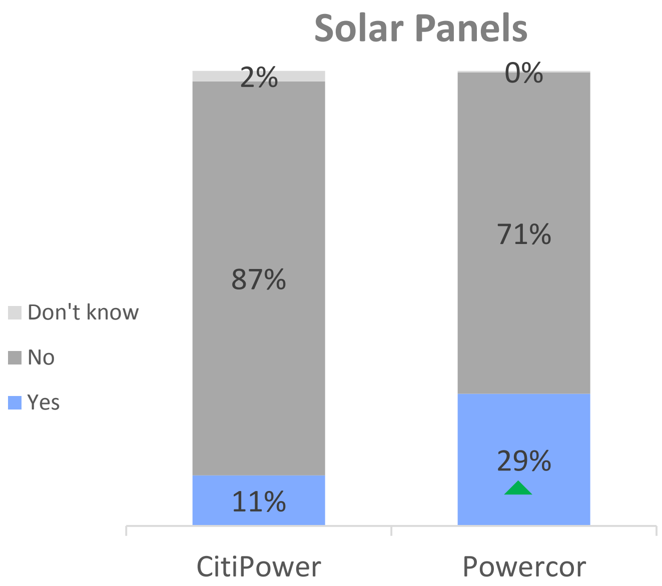
QC1. Before today, did you know about the makeup of your electricity bill? QC2. Before today, did you know who your electricity distributor was? QC3. Before today, did you know what the role of the electricity distributor was?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

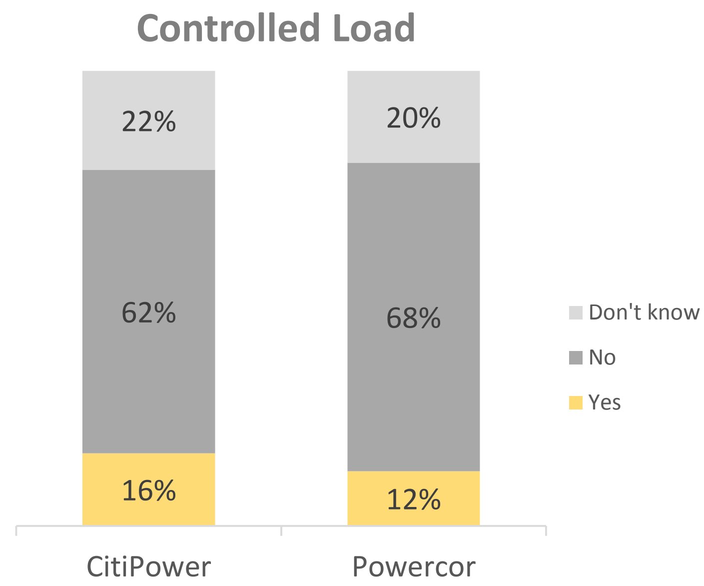
Customers show little usage in electricity monitoring tools or alternative energies, indicating this is currently a low involvement category.

Solar panels are more common amongst Powercor customers (3 in 10), while there is an indication that the opposite is true for Controlled load. Controlled load is also more common than Solar amongst CitiPower customers.

Alternative Electricity



Have both
CitiPower: 4%
Powercor: 6%



% 'yes' is different for;

CitiPower	***Powercor***
18-29 yrs ▲ **17%**	▲ **34%** Full Time employee

% 'yes' is different for;

CitiPower

18-29 yrs ▲ **25%**

▲ **30%** 130-179k

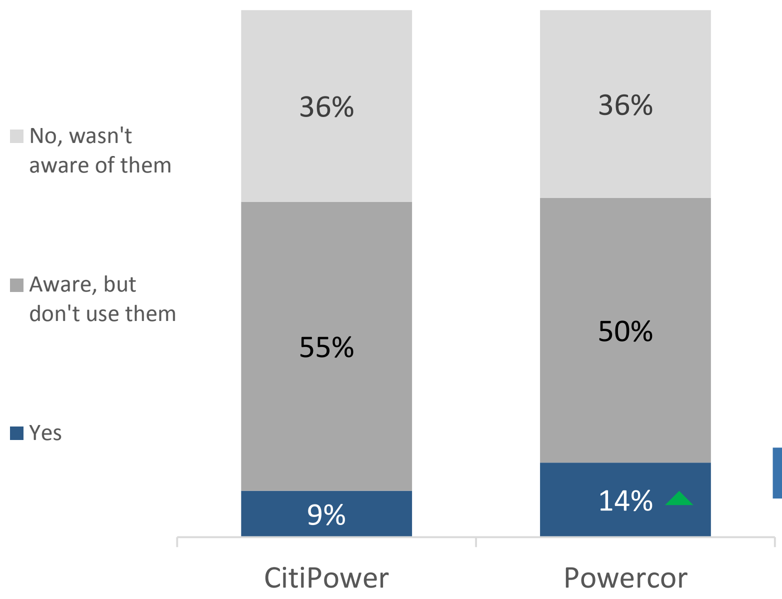
QB2. Is your household powered in part or full by solar panels? QB3. Does your household currently use 'controlled load'?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

Few households use an electricity usage monitoring tool or device, although use is higher amongst Powercor customers. The vast majority of users (both CitiPower and Powercor customers), use an online tool from their energy retailer.

Electricity Usage Monitoring

Currently Used

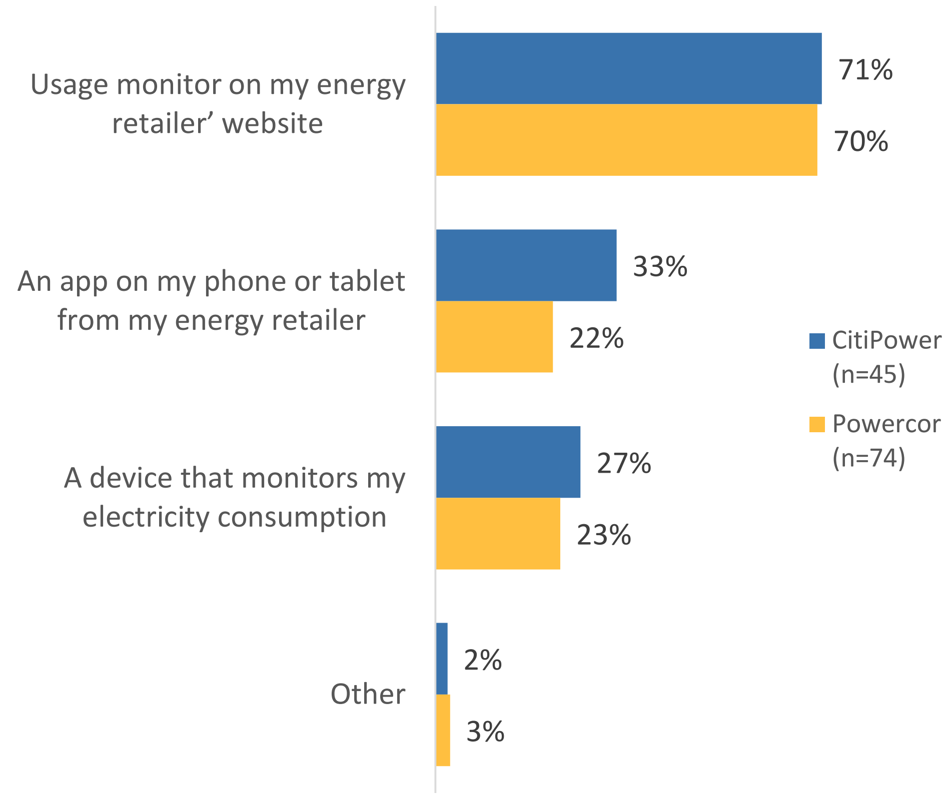


% 'yes' is different for;

CitiPower

18-29 yrs ▲ **16%**

Tool / Device Used
(amongst current users)

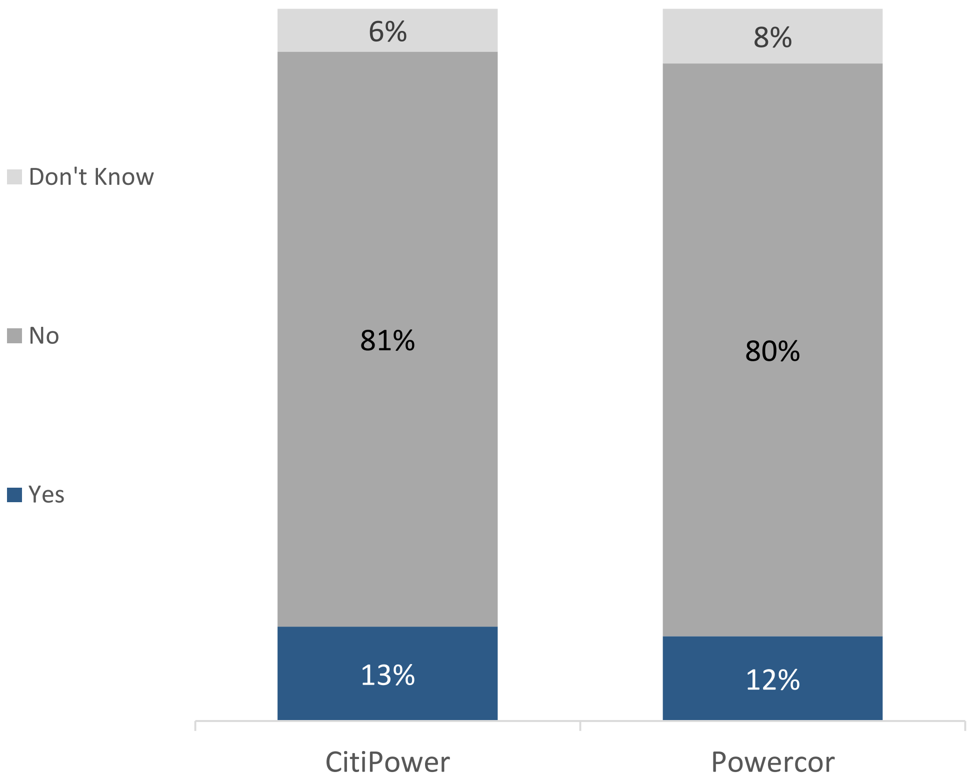


QB9. Do you currently use any online tools (websites / apps) or devices that monitor your electricity usage? Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)
QB10. Which electricity monitoring tools or devices do you use? Base: Current users of monitoring device / tools

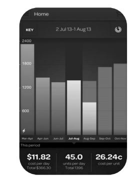
▲ = significantly above average
▼ = significantly below average

Similarly, only around 1 in 10 CitiPower and Powercor customers have requested electricity usage data from their distributor. This is more common amongst those who also currently use other electricity usage monitoring devices / tools.

Request Electricity Usage Data from Distributor



Subgroup Differences 'yes'



User of monitoring tools

CitiPower ▲ 36%

Powercor ▲ 30%

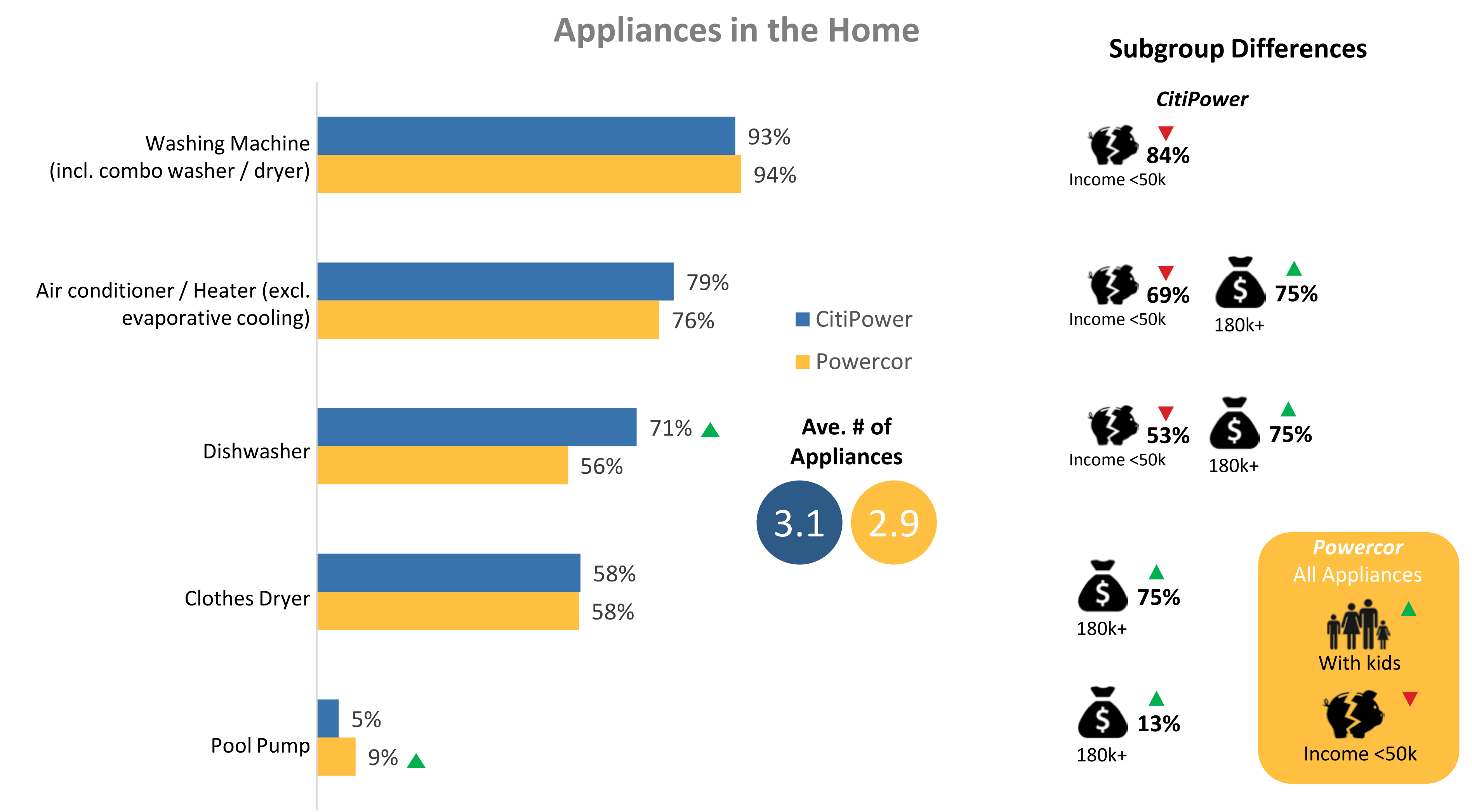
QD3. Have you ever requested electricity usage data from your electricity distributor?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

Households have, on average, 3 of the more electricity intensive appliances, with the majority of customers using them most commonly during the proposed peak hours (in particular air-conditioners / heaters)

nature

Households have on average 3 energy intensive appliances. In particular, washing machines and air conditioners / heaters are common.

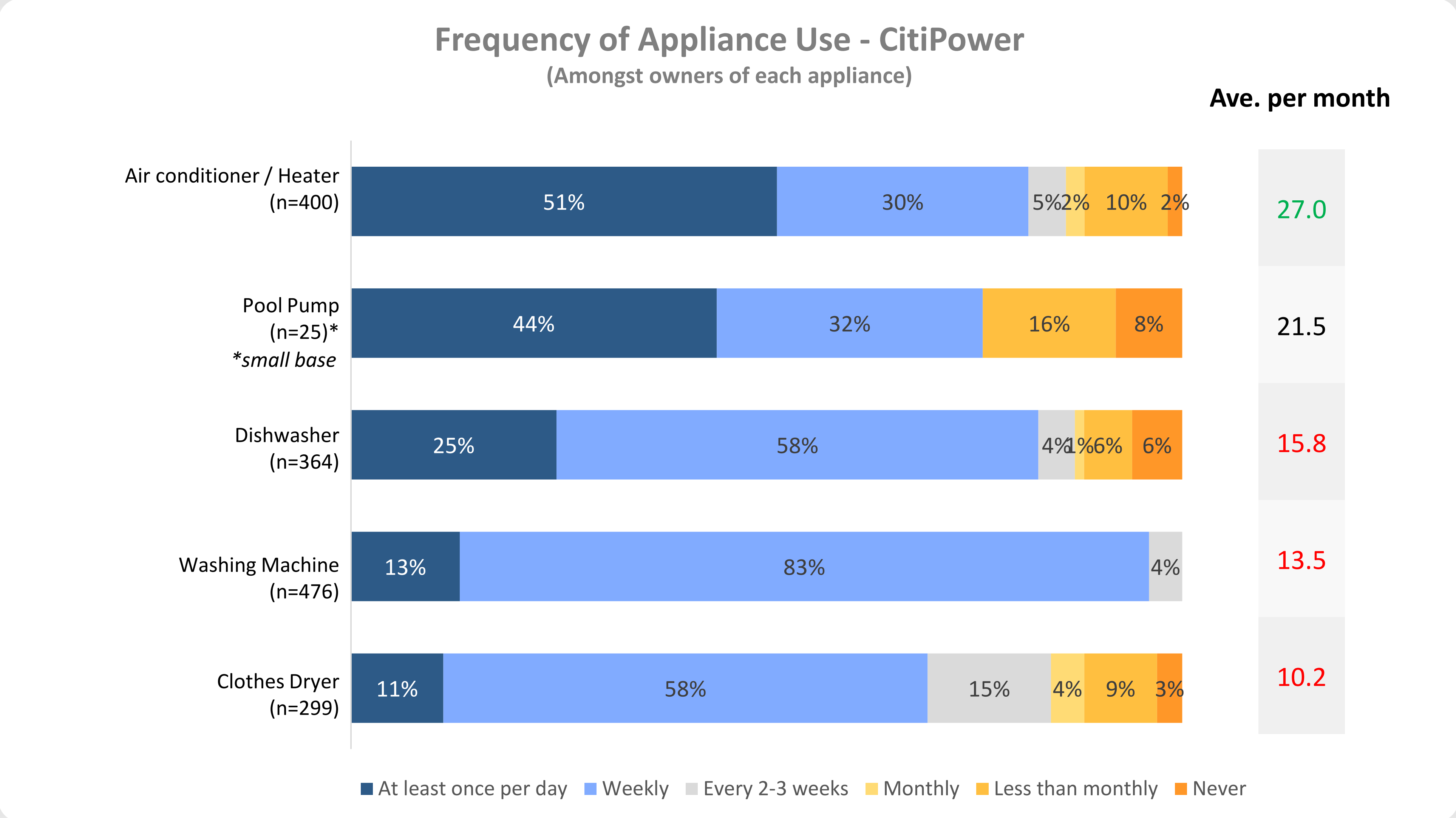


QB1. Which of the following appliances do you have at home?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

nature

Air-con / heaters are used with the greatest frequency, with consumers on average using them almost daily.

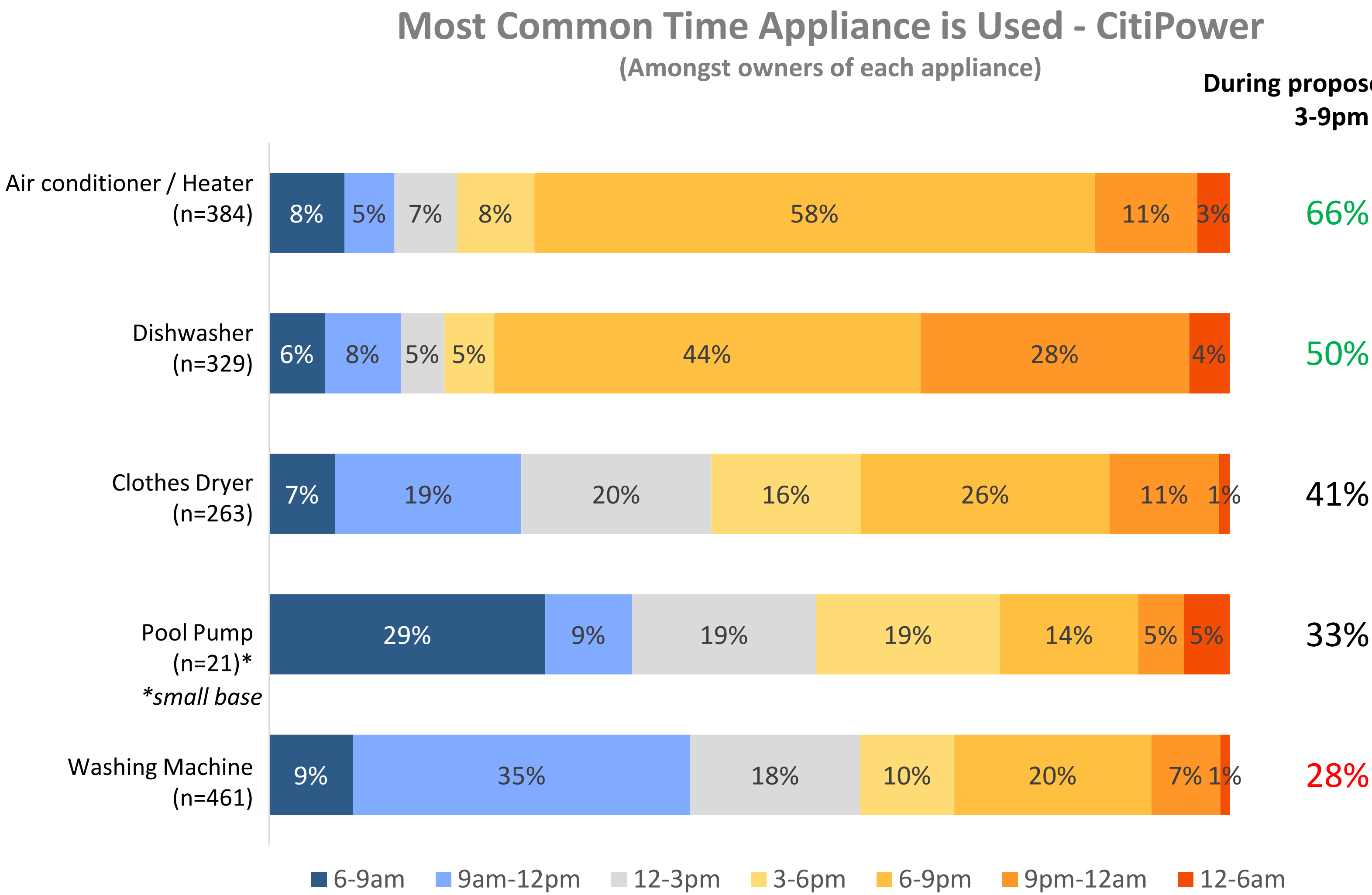


QB2. How frequently would you use each of the following appliances?
Base: All CitiPower customers who have each appliance

Green = significantly above average
Red = significantly below average

nature

The use of air-con / heaters is also more common during the proposed peak times of 3-9pm. With the exception of the washing machine, other appliances are also commonly used during the peak hours.

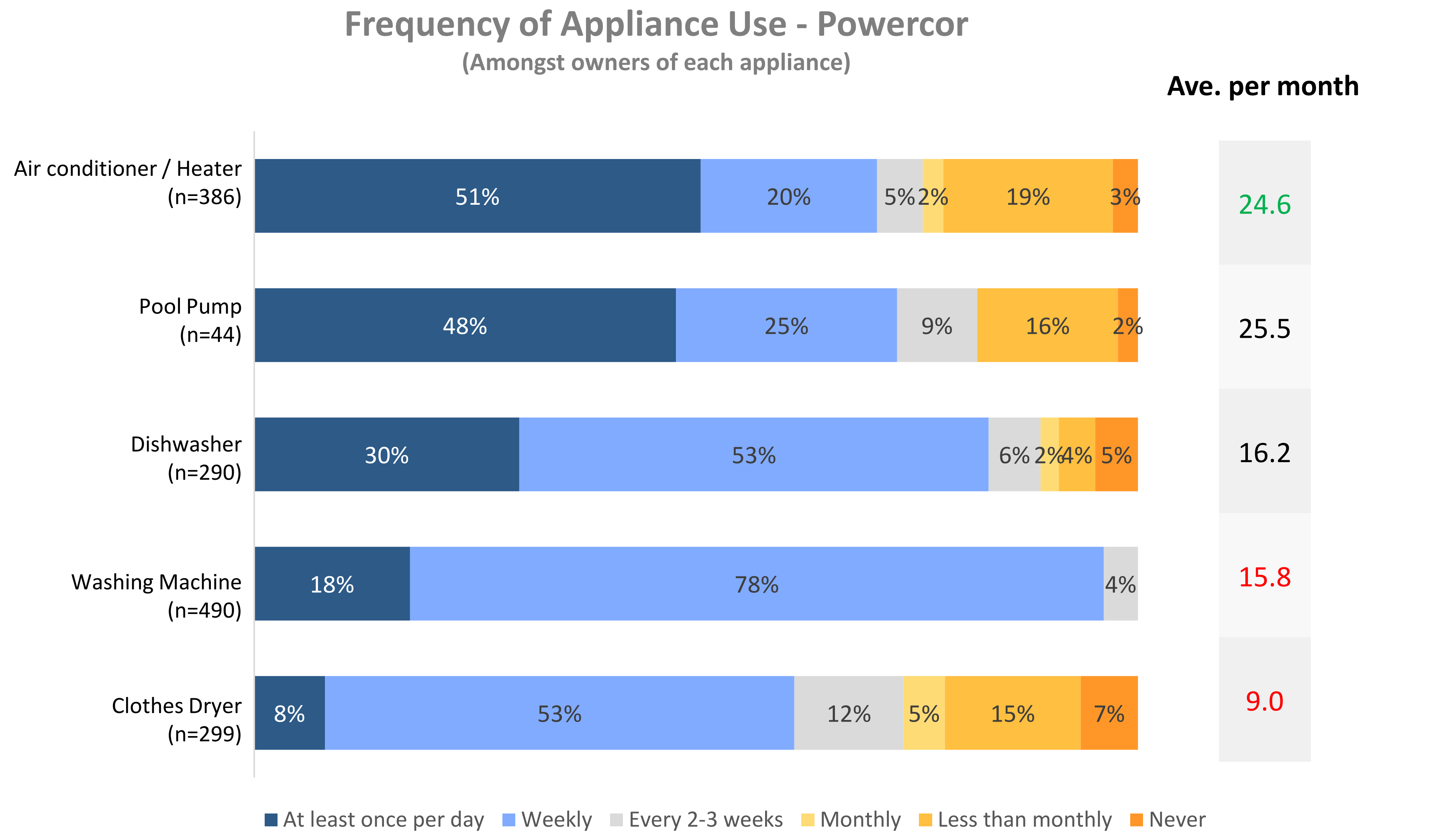


Despite being the most common appliance, current washing machine use is most commonly done outside of peak hours.

QB3. What time of day do you most commonly use each of these appliances?
Base: All CitiPower customers who have each appliance and use them

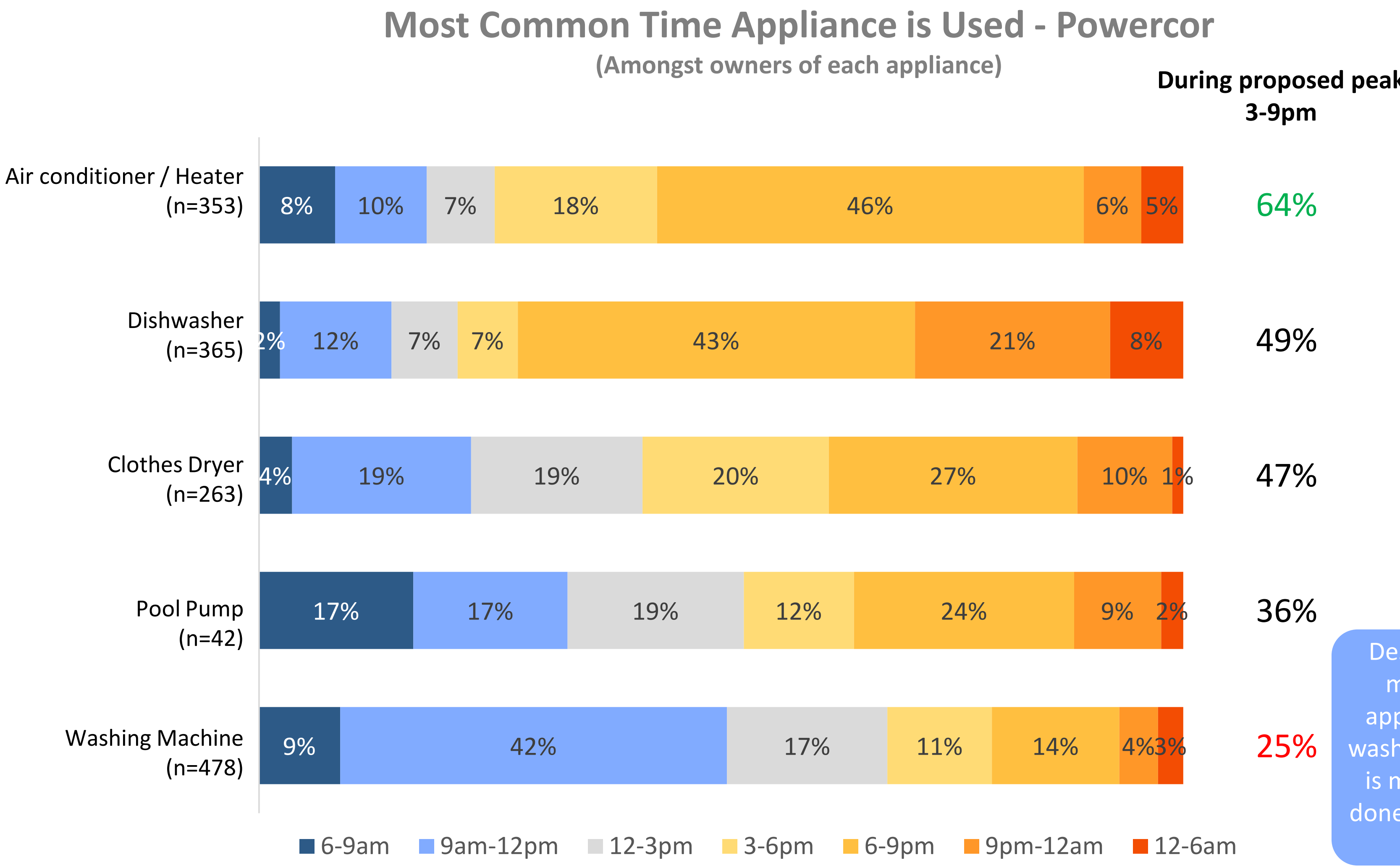
Green = significantly above average
Red = significantly below average

Frequency of appliance use is similar for Powercor customers. Although pool pumps are far less commonly owned, frequency of use is relatively high amongst those who have them.



QB2. How frequently would you use each of the following appliances?
Base: All Powercor customers who have each appliance

There is also similar proportionate use of appliances during the peak hours for Powercor customers.



Despite being the most common appliance, current washing machine use is most commonly done outside of peak hours.

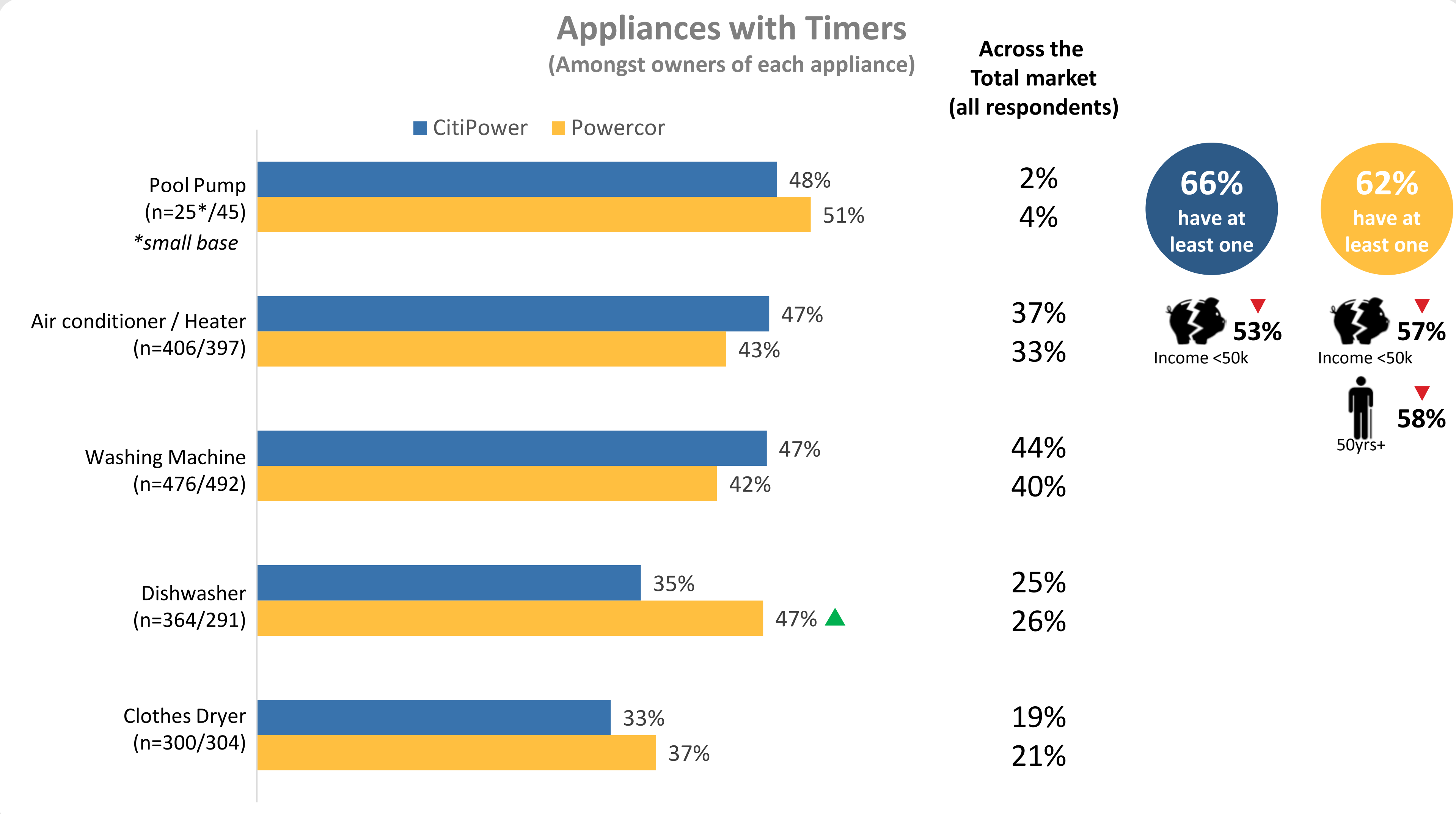
QB3. What time of day do you most commonly use each of these appliances?
Base: All Powercor customers who have each appliance and use them

Green = significantly above average
Red = significantly below average

nature

Relatively few appliances used have a timer. Those with timers tend to already use this functionality, however this could be leveraged to spread their energy demand away from peak demand periods.

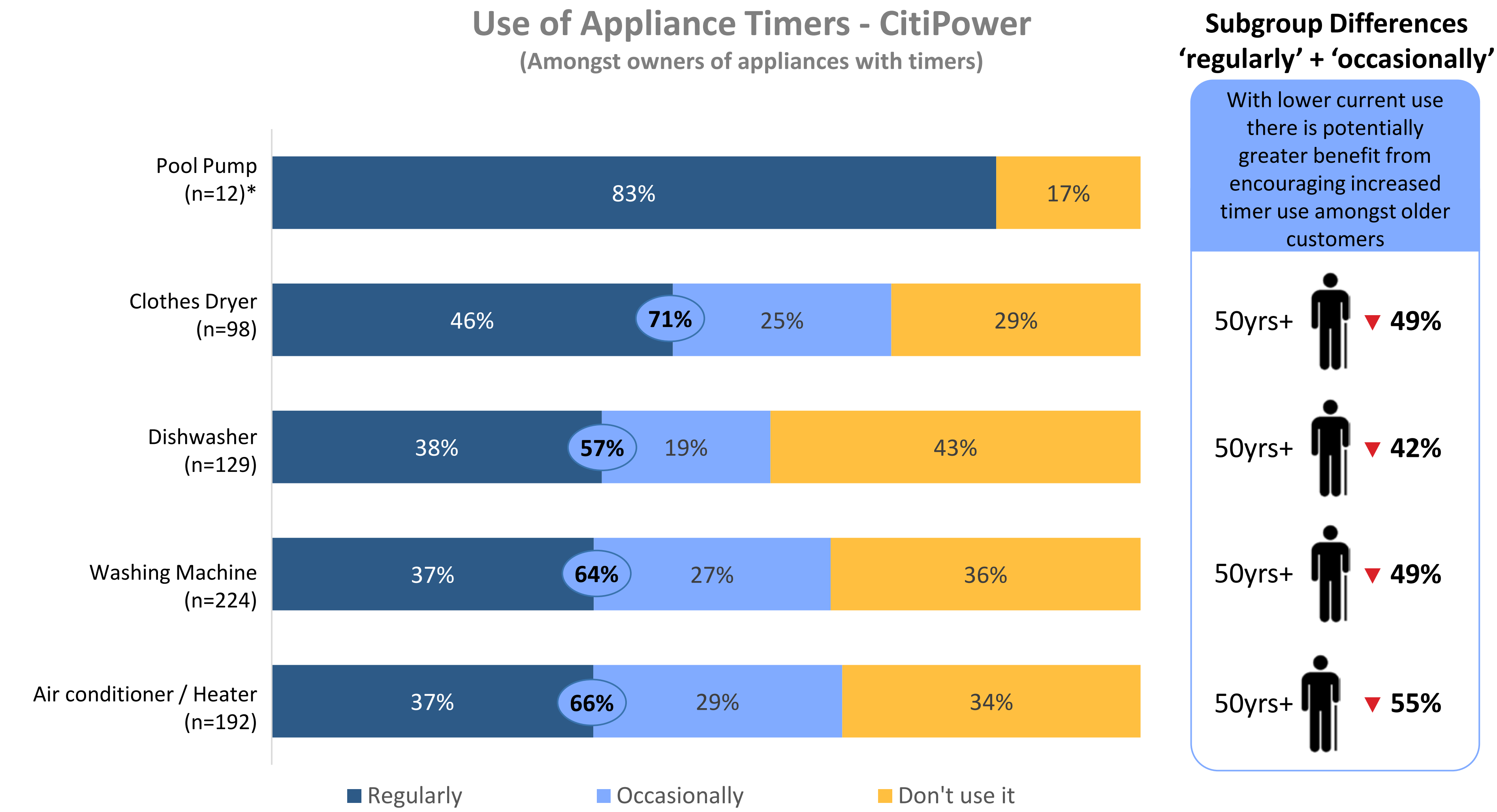
With the exception of pool pumps amongst Powercor customers, fewer than half of appliances owned, have a timer. However, at least 3 in 5 households have at least one appliance with a timer.



QB4. Which (if any) of your appliances have a timer that can be used to control when it starts and or finishes?
Base: All respondents who have each appliance

▲ = significantly above average
▼ = significantly below average

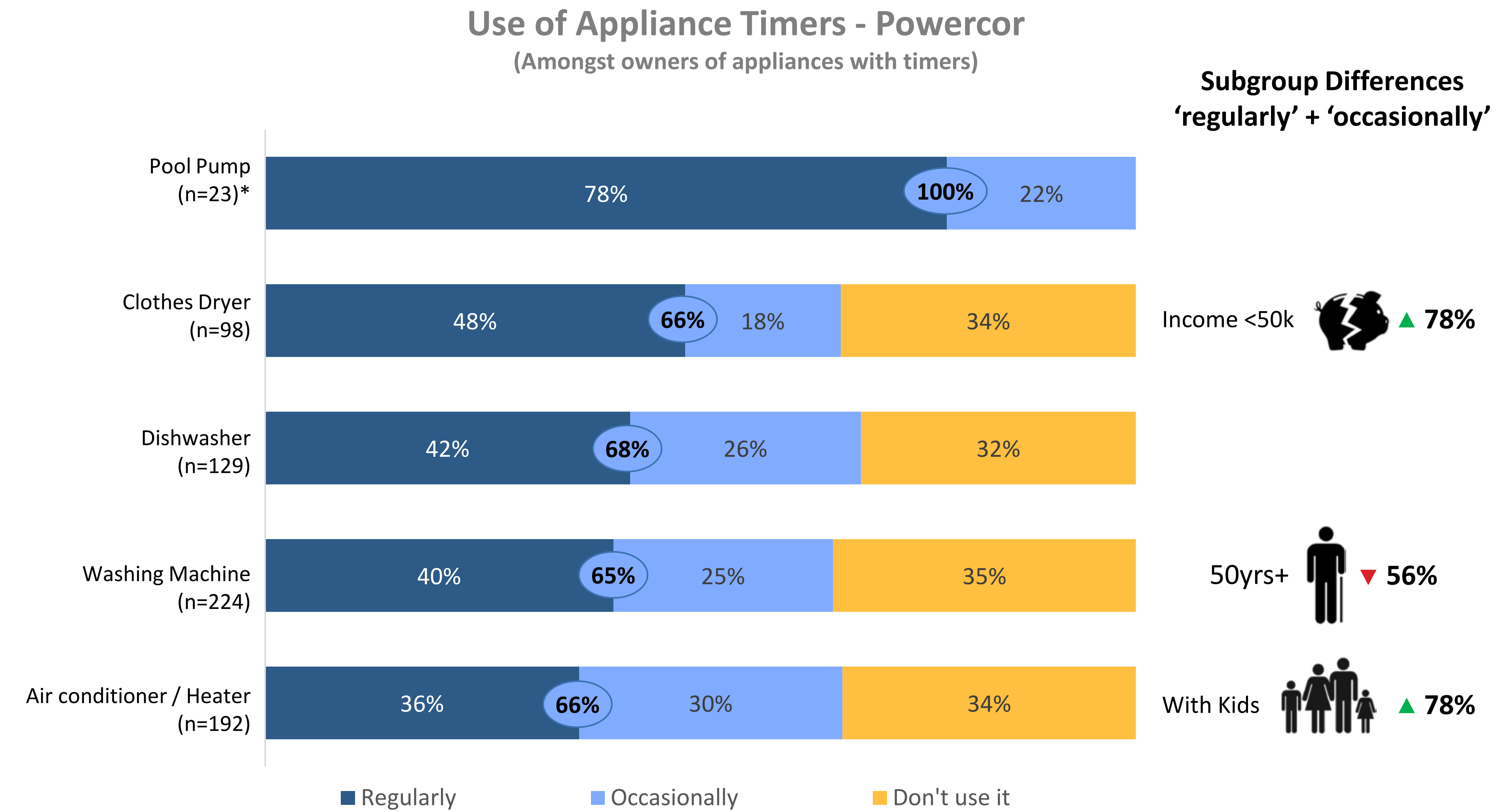
With around 2 in 3 customers making use of available timers, there is limited scope to really grow this further amongst owners of appliances with timers. However, current use could be leveraged to help more effectively spread demand.



QB5. For the appliance(s) that have a timer, do you ever use the timer to delay its start or switch it off?
Base: All CitiPower customers who have each appliance with a timer

▲ = significantly above average
▼ = significantly below average

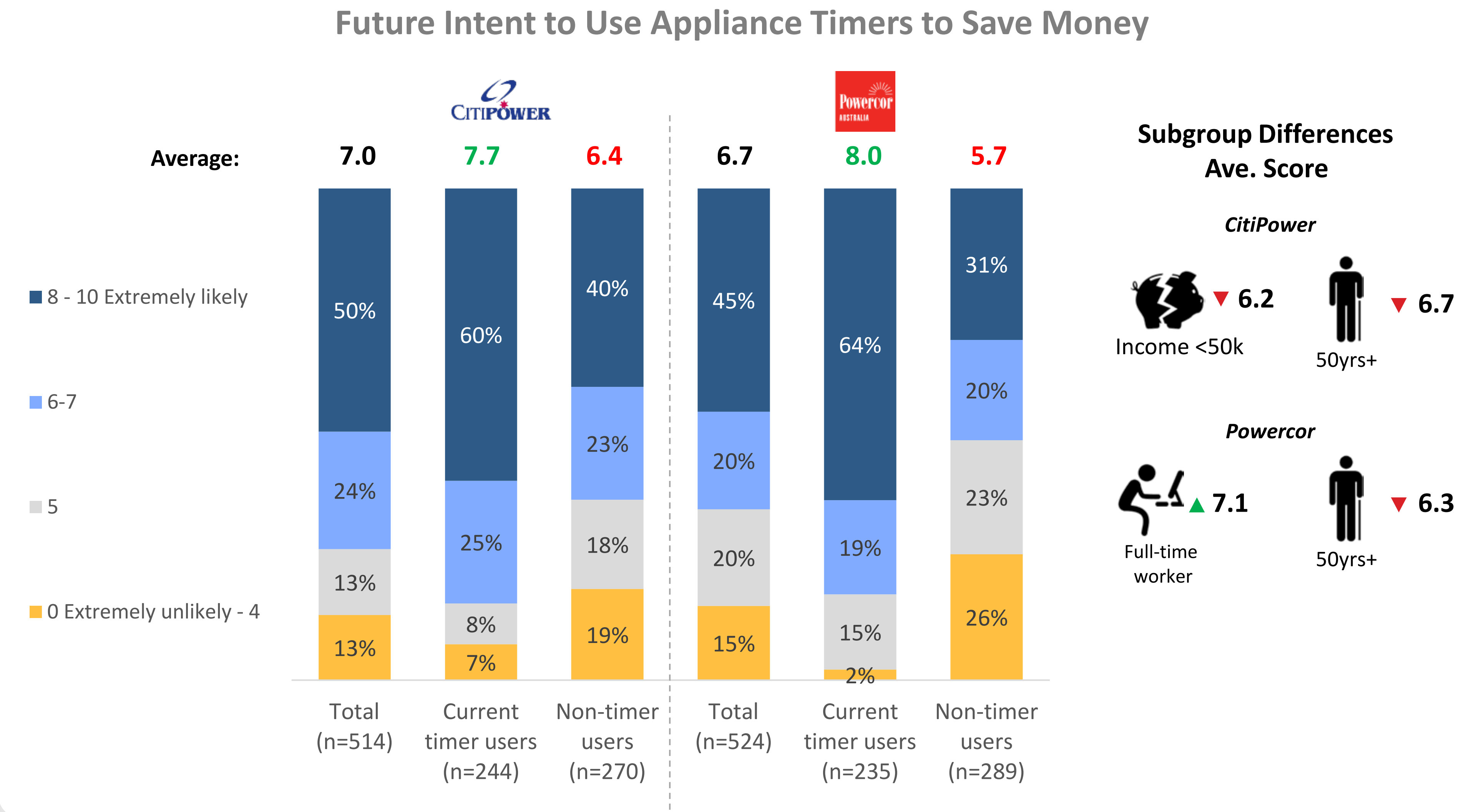
With similarities in the use of appliances amongst Powercor customers, the same holds true for both groups.



QB5. For the appliance(s) that have a timer, do you ever use the timer to delay its start or switch it off?
Base: All Powercor customers who have each appliance with a timer

▲ = significantly above average
▼ = significantly below average

The majority are 'likely' to use appliance timers in the future if it would save them money. However, non-current users / those without timers will need more convincing.



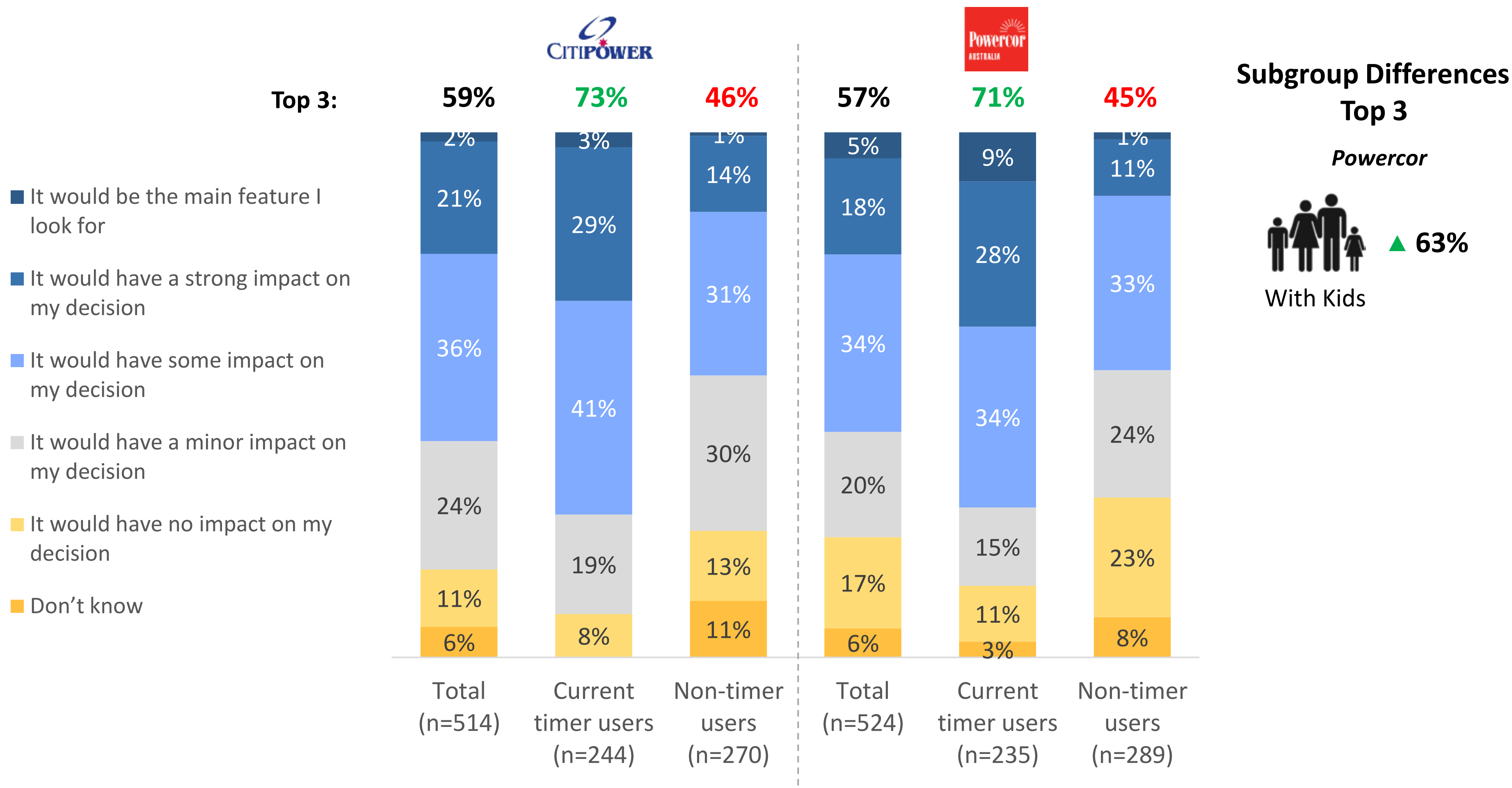
QB6. How likely would you be to use an appliance timer in the future if it would help to save money on your electricity bill?
Base: All Respondents

Green = significantly higher than other group
Red = significantly lower than other group
▲ = significantly above average
▼ = significantly below average

nature

In addition, prior to any mention of the new tariff structure, almost 6 in 10 claim that timers would have some influence on their appliance choice, which would suggest a general openness to purchasing them in the future.

Impact on Having a Timer on Choice of Appliance



QB7. Would the availability of a start / finish timer impact your choice on an appliance (e.g. air conditioner, dishwasher, washing machine etc.) if you were looking to buy one?
Base: All Respondents

Green = significantly higher than other group
Red = significantly lower than other group

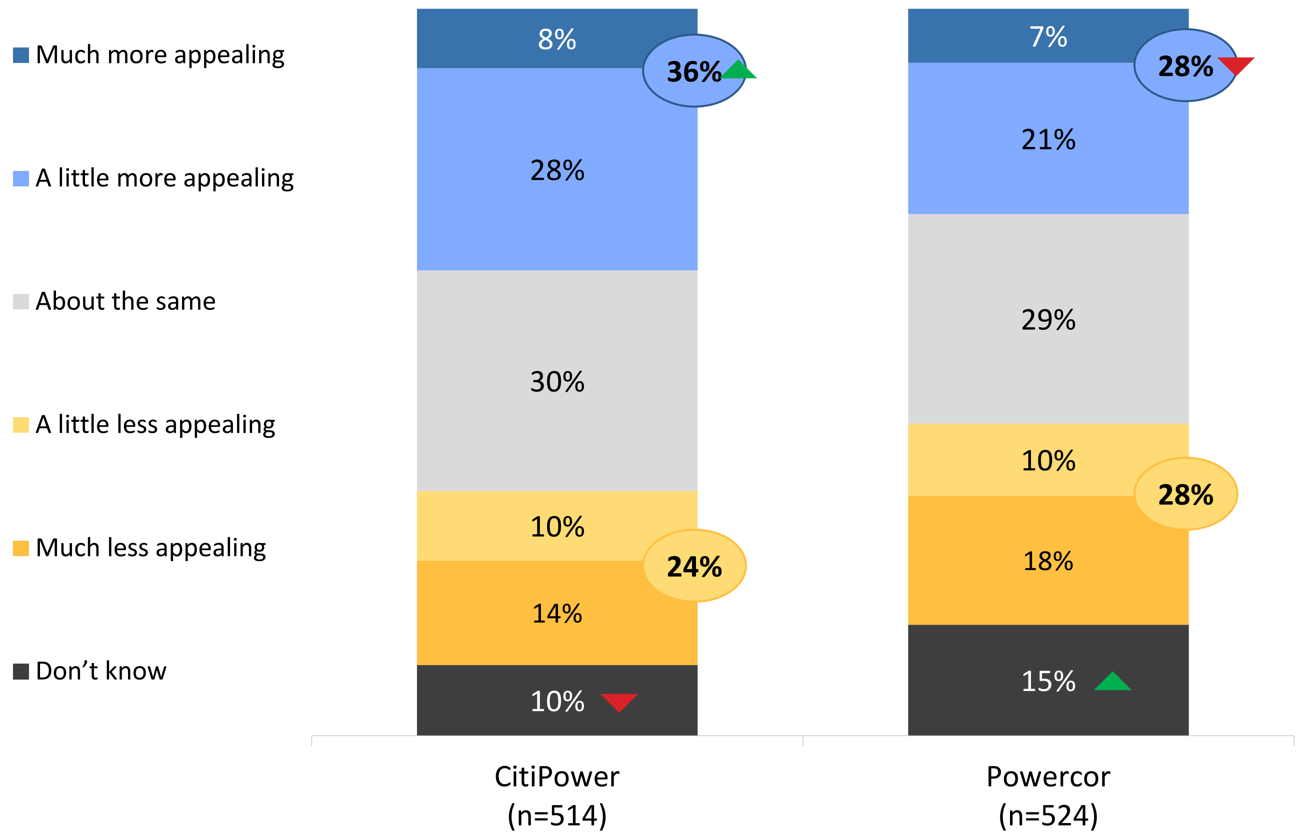
nature

3. Reaction to New Tariff Structure

Although customers see the new tariff structure as somewhat appealing and fair, opinions are divided and 3 in 10 find the new tariff more difficult to understand.

Overall, the majority of customers find the new tariff structure at least as appealing as the current structure. While a higher proportion of CitiPower customers find it 'more appealing' than 'less appealing', Powercor customers are divided.

Appeal of New Tariff Structure



Amongst older residents, appeal and preference for the new tariff differs by distribution zone.

CitiPower ▲ 50yrs+ Powercor ▼

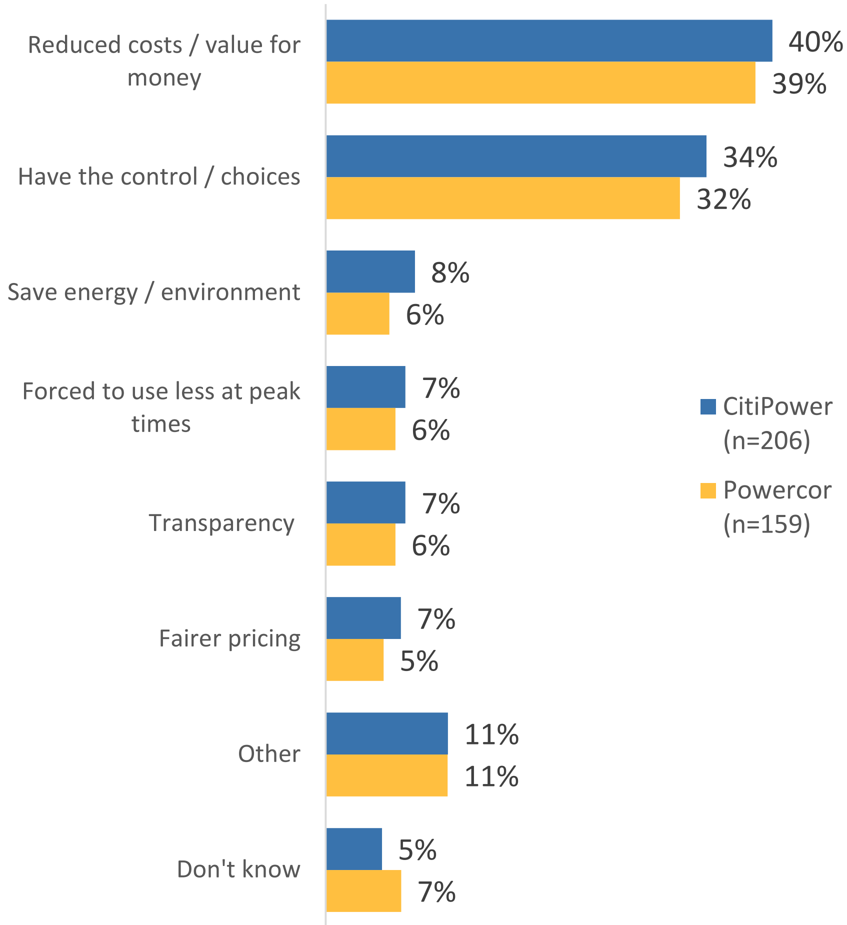
With 1 in 10 not knowing which is more appealing (not to be confused with 'about the same'), this would suggest a degree of difficulty evaluating the new structure. Addressing this may help support greater appeal.

QC2. Compared to the current network tariff structure how appealing would you say the new network tariff is?
Base: All respondents

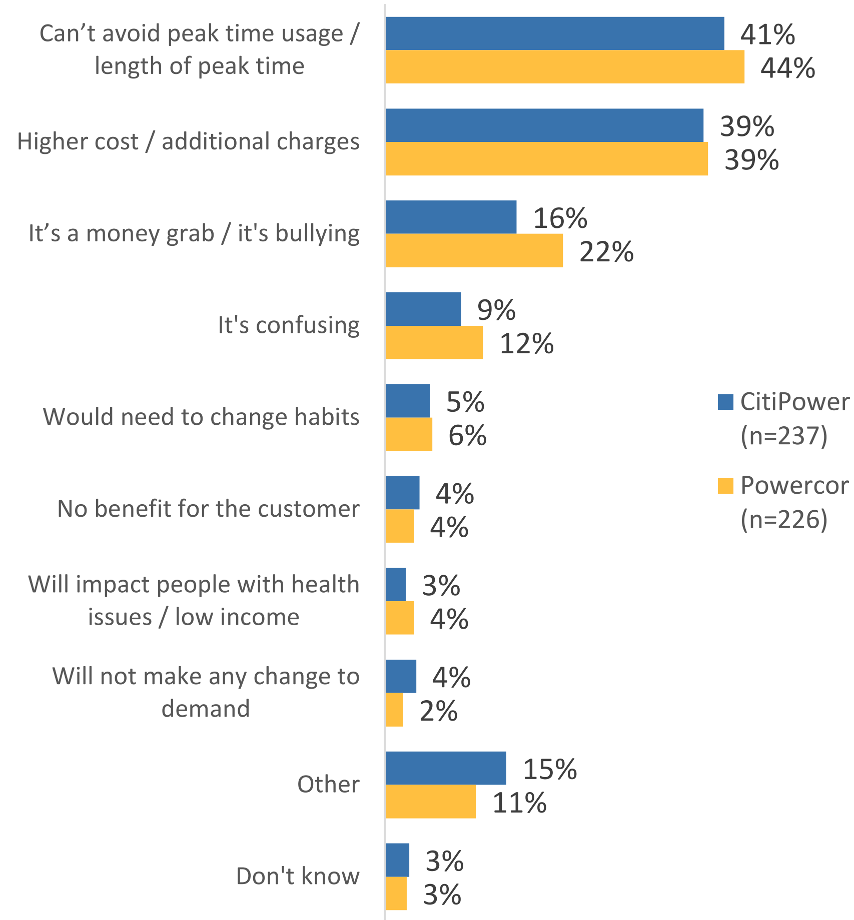
▲ = significantly above average
▼ = significantly below average

Customers are most strongly divided on perception of control / choice and the impact of the new tariffs on electricity costs, with these being both the most appealing and most unappealing things about the new tariff structure.

Particularly Appealing



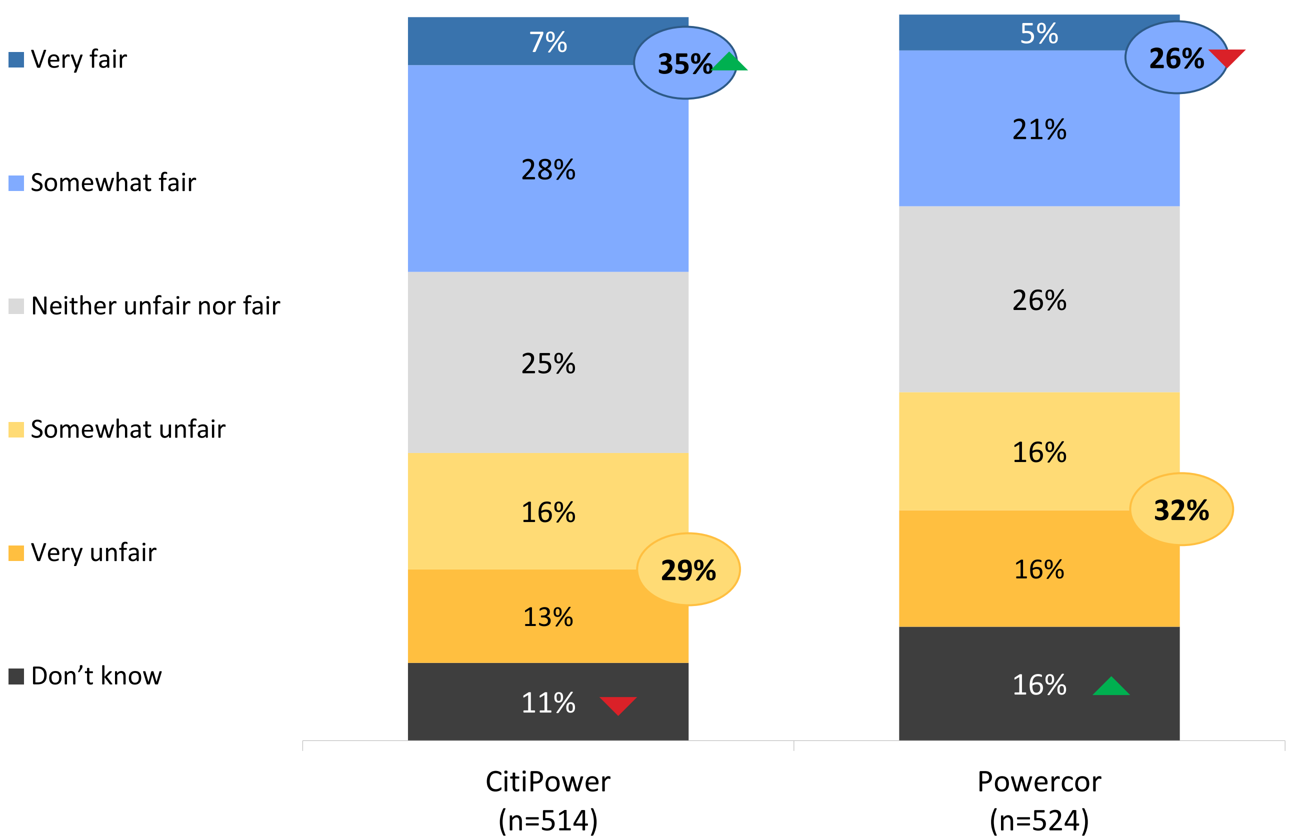
Particularly Unappealing

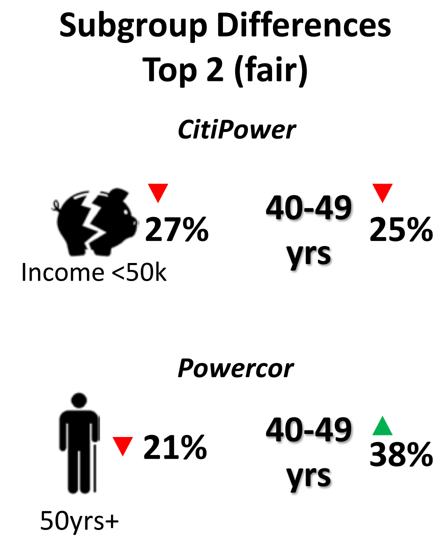


QC3. What (if anything) would you say is particularly appealing about the new network tariff structure?
QC4. And what (if anything) would you say is particularly unappealing about the new network tariff structure?
Base: All respondents who thought something was particularly appealing or unappealing about the new tariff structure

= significantly above average
= significantly below average

Opinions on fairness of the new structure are split, with 1 in 3 seeing as both fair and unfair. It is seen as more unfair by Powercor customers, however proportionately higher uncertainty ('don't know') may be having an impact.



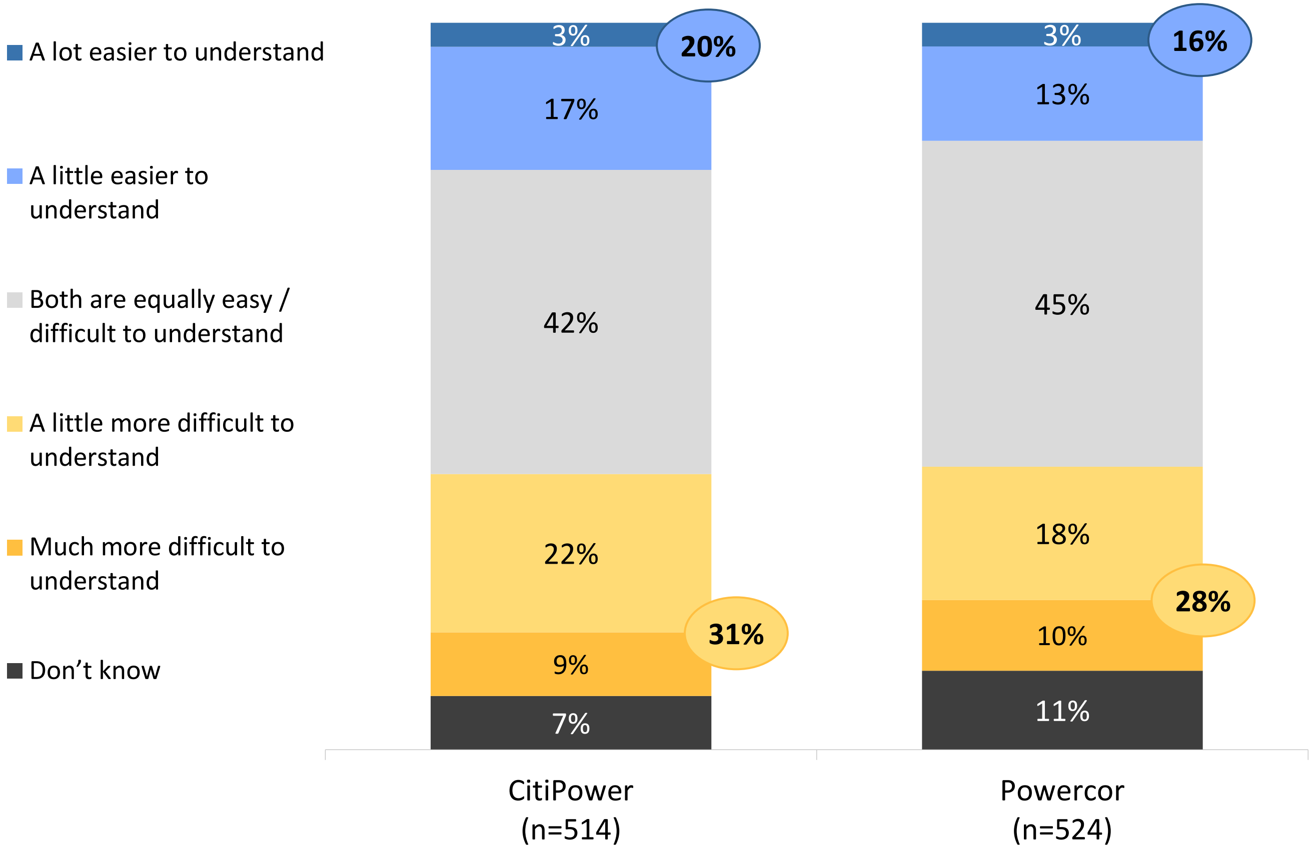


QC5. Compared to the current network tariff structure how fair would you say the new network tariff is?
Base: All respondents

= significantly above average
= significantly below average

Similar to appeal, the majority find the new structure at least as easy to understand as the current structure, although a higher proportion find it 'more difficult' than 'easier'. This appears to be limiting the level of appeal for the new structure.

Ease of Understanding the New Tariff Structure



Subgroup Differences
More difficult to understand

CitiPower

53%

New tariff = Less appealing

48%

Income <50k

19%

With Kids

Powercor

41%

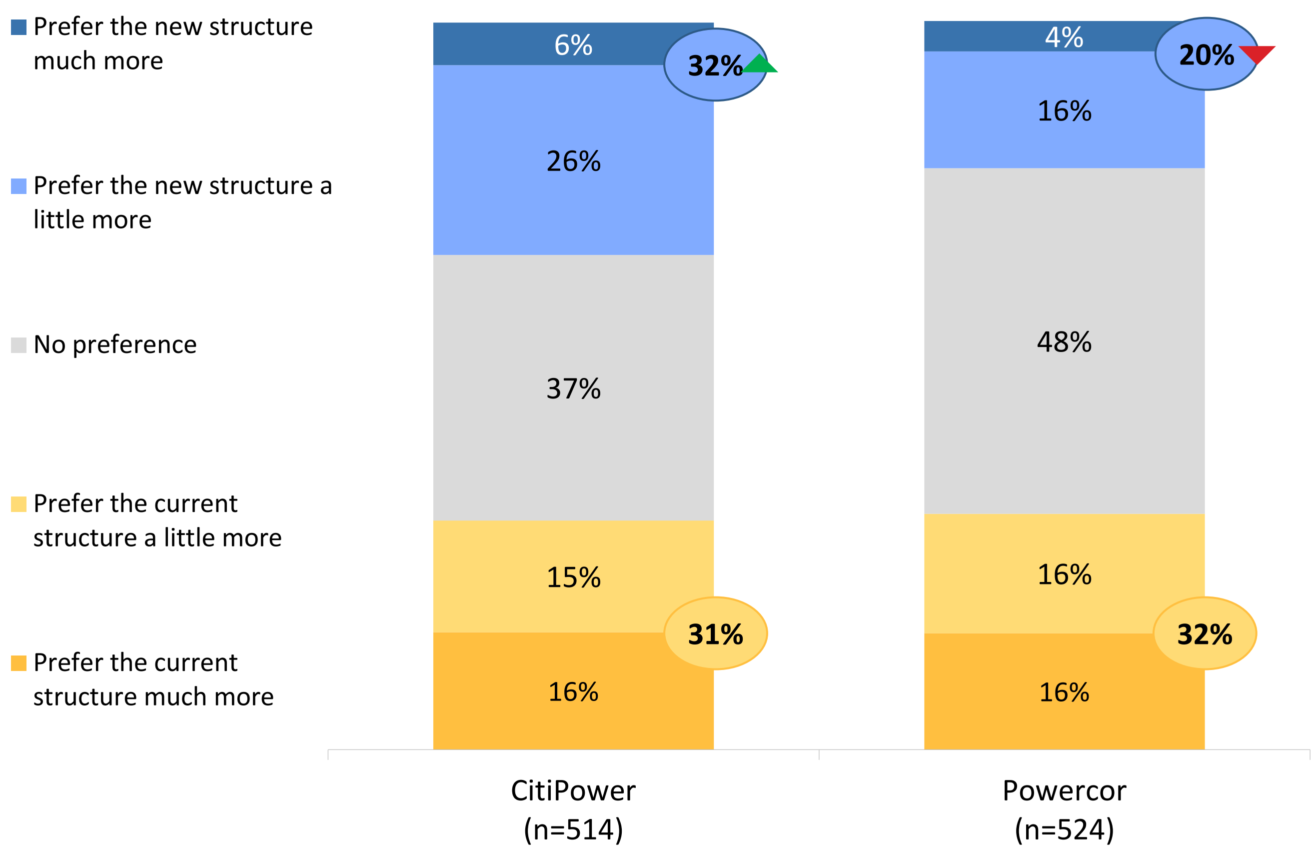
New tariff = Less appealing

QC6. How easy is it to understand this new network tariff structure compared to the current network tariff structure?
Base: All respondents

= significantly above average
= significantly below average

Despite slightly higher appeal for the new tariff structure amongst CitiPower customers, preference is split. However, for Powercor customers, there remains a preference for the current, more familiar structure.

Tariff Structure Preference



Preference x New Tariff Appeal

	Appeal - 'Don't know' CitiPower	Appeal - 'Don't know' Powercor
New structure	8%	4%
No Preference	74%	87%
Current structure	18%	9%

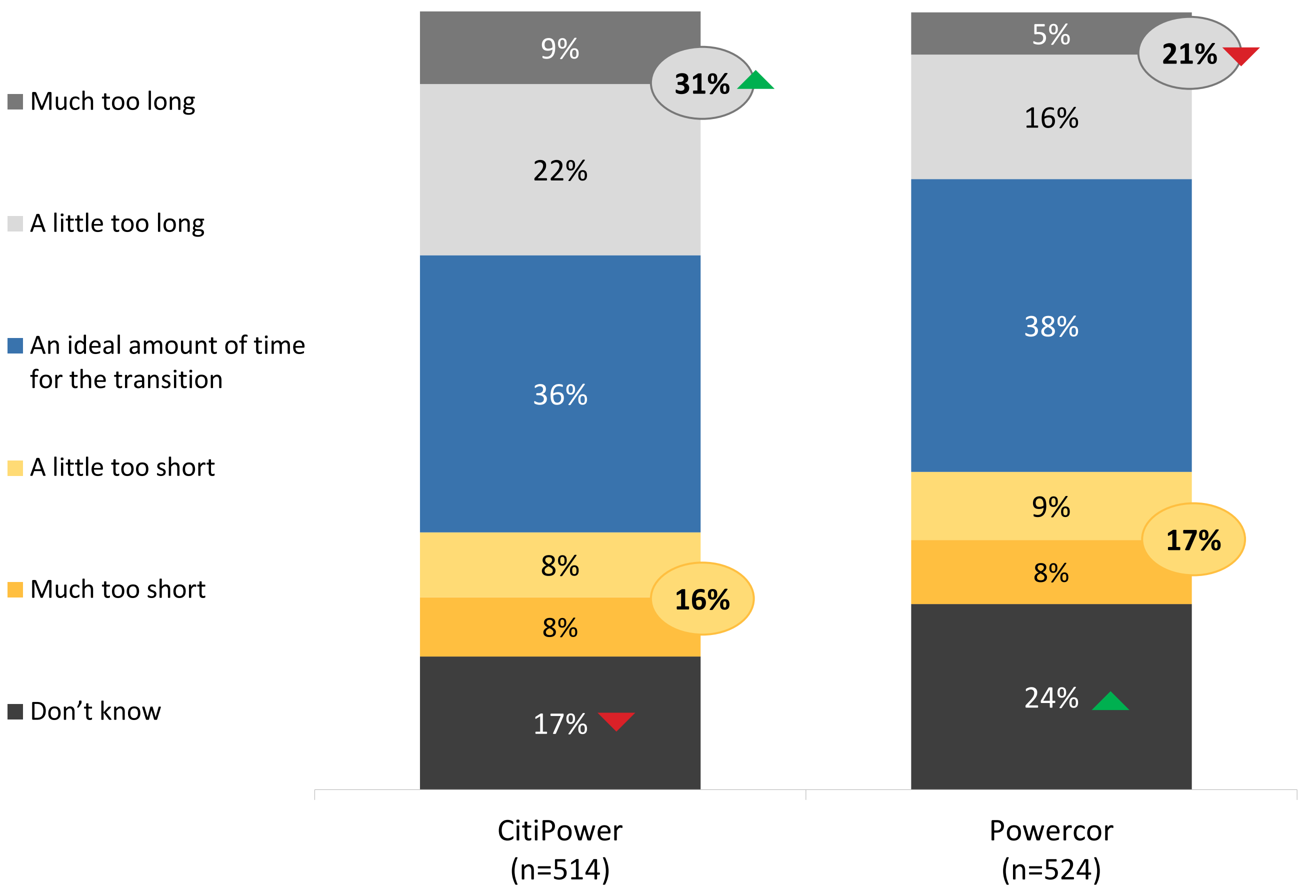
	Appeal - 'About the same' CitiPower	Appeal - 'About the same' Powercor
New structure	13%	5%
No Preference	65%	73%
Current structure	22%	22%

QC7. Which of these two network tariff structures do you prefer?
Base: All respondents

▲ = significantly above average
▼ = significantly below average

Over 1 in 3 customers perceive the 5 year transition period to be ideal and positively, amongst others, there is a preference for a shorter transition period.

Opinion of Transition Timing of the New Tariff



Preferred Timing
If proposed is not ideal

Proposed is too long — **Ave. 2.9yrs**

Proposed is too short — **Ave. 18.5 yrs**

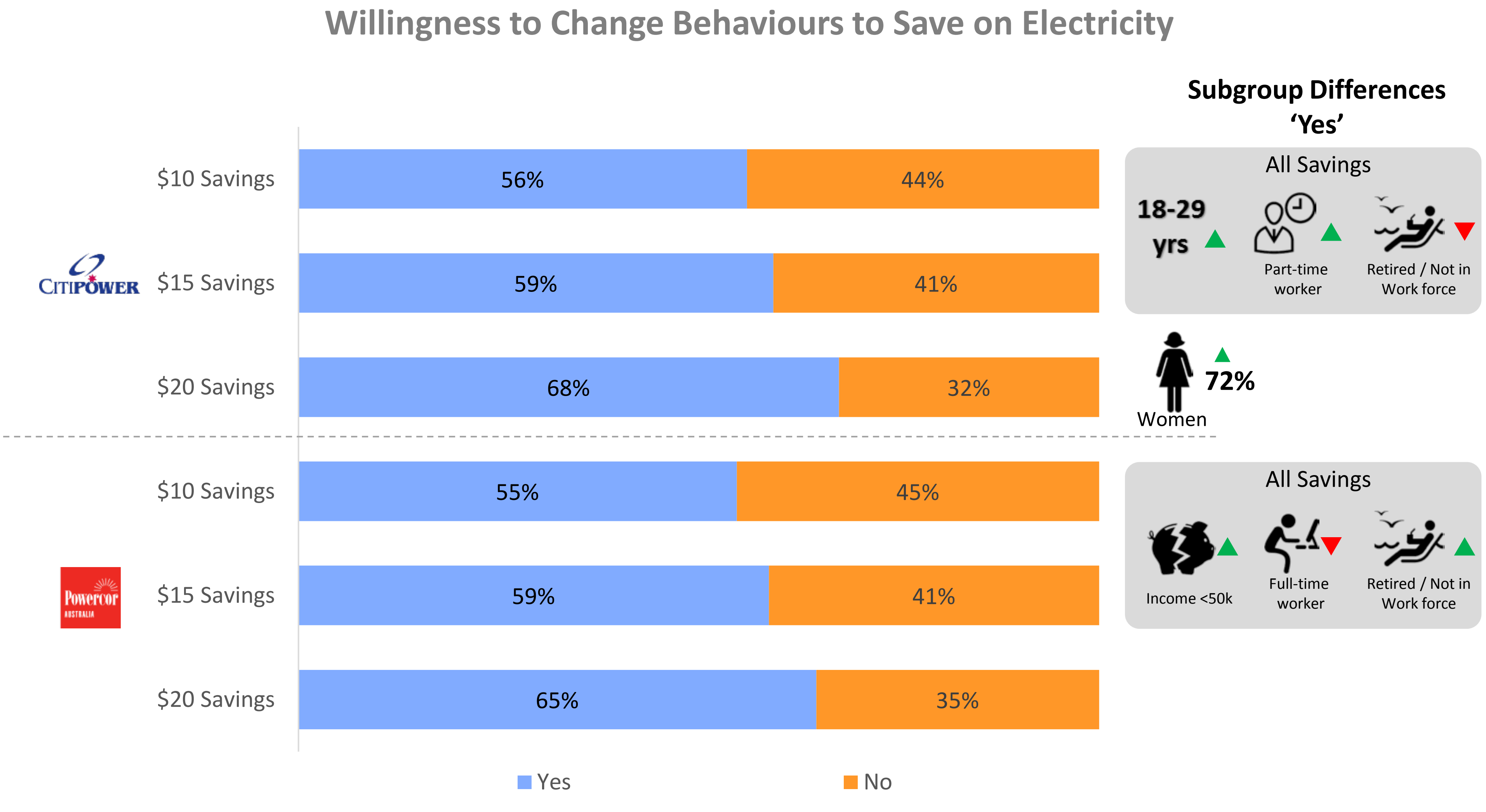
With 1 in 5 not able to give an opinion about the planned tariff transition, it would appear this is also an area of confusion / uncertainty that needs greater clarity when communicated to customers, particularly for Powercor customers.

QC10. Which of the following best describes your opinion of the length of the 5 year transition period from the current to the new network tariff structure?
Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

Although customers are willing to make changes to their behaviour for savings of even small amounts of money, behavioural change is limited to appliances that are less likely to be used during this peak.

Customers are seemingly willing to change when given the option to save even a small amount of money.

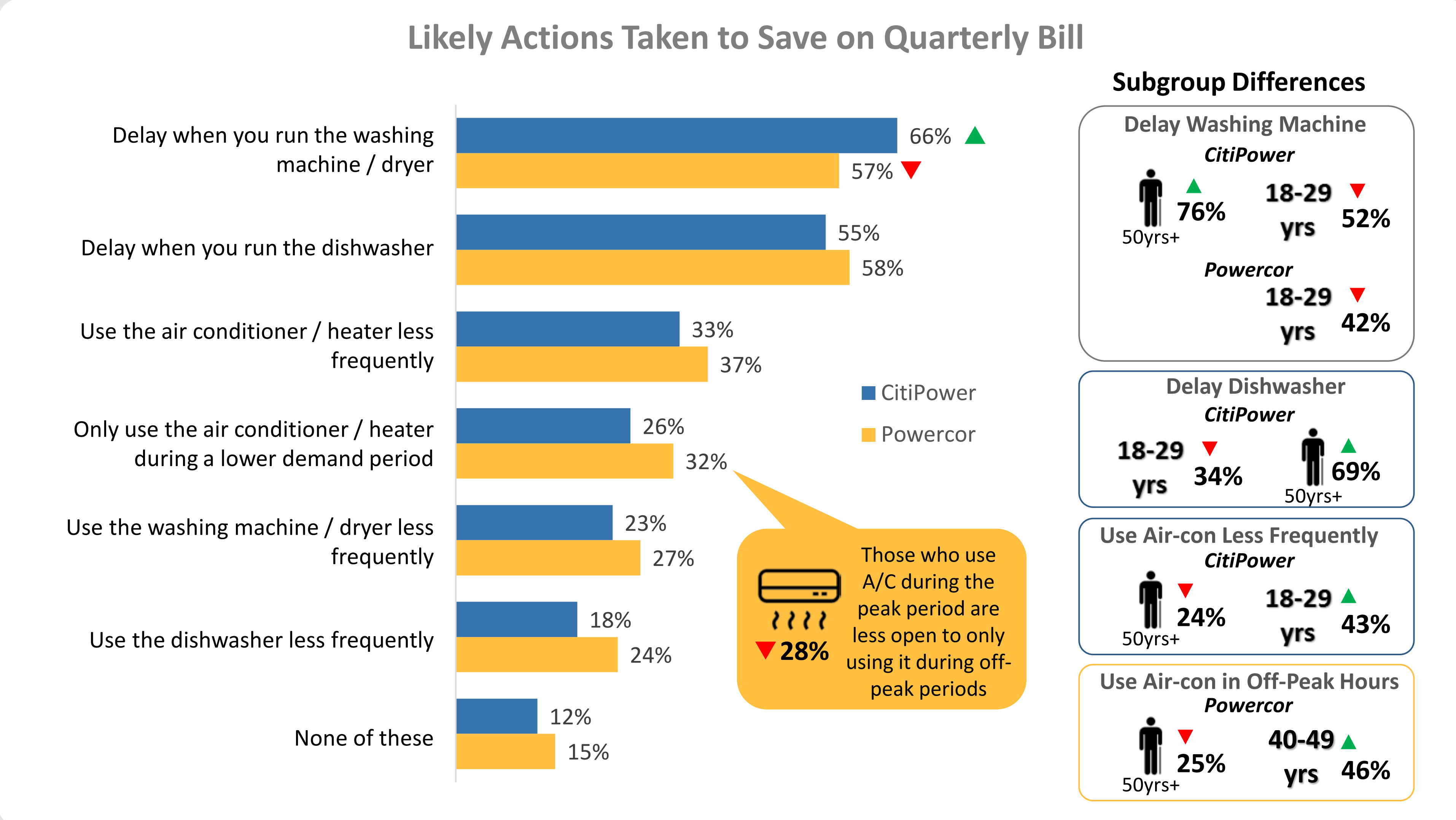


QC8a. Assuming the new network tariff structure was to come into effect, would you make changes to how you use electricity / electric appliances if you were able to save $10 per quarterly bill? Base: All Respondents, CitiPower customers (n=514), Powercor customers (n=524)

▲ = significantly above average
▼ = significantly below average

nature

Customers would be most open to delaying the time that washing machines or dishwashers are run in order to save money. However, few are willing to make changes around air-conditioners / heaters (which are commonly used during peak hour).



QC9. Again, assuming the new network tariff structure was to come into effect, which (if any) of the following actions would you be likely do in order to save <$10/$15/$20> on your quarterly bill? Base: Willing to make changes in behaviour to save (range n=37 to n=402)

▲ = significantly above average
▼ = significantly below average

nature

4. Going Forward

Going Forward

1

Introduce yourself & start with the basics

There is a definite need to increase customer understanding around electricity bills and the role of distributors.

Not only would this encourage greater customer engagement, but it should also help comprehension of the new tariff structure, as customers will have a better understanding of how the electricity system currently works.

2

Educate on the new tariff structure

- Be conscious that this is currently a low engagement category. Communications need to be **innovative and fresh to grab attention and maintain interest.**
- However, given that comprehension of the new tariff structure is linked to its appeal, communications need to be **simple and easy to understand.**

3

Empower your customers to make changes

Customers are open to changing electricity usage behaviour for even a limited reward.

- Educate customers on tools and methods available that would allow them to be the ‘master of their own destiny’ (how to use timers to spread the load and how to monitor usage).
- Consider partnering with appliance companies to offer discounts on appliances with timers (to encourage further up-take).

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5. Appendix