CSIS Customer Engagement: Phase 3

Research Findings

Prepared for: CitiPower, Powercor and United Energy

Date: 25th August, 2020

Contents

Research Roadmap, Objectives and Methodology

CitiPower Powercor Australia united energy | forethought®

How we got there...

1

Understanding and Contextualising What Customers Value
(Qualitative Phase)

Completed in May, 2020

2

Informing Incentive Design
(Quantitative Research)

Completed in July, 2020

3

Support of Incentive*
(Qualitative Research)

Objective: Canvas the proposed incentive to customers for support and gather feedback on design of the scheme option.

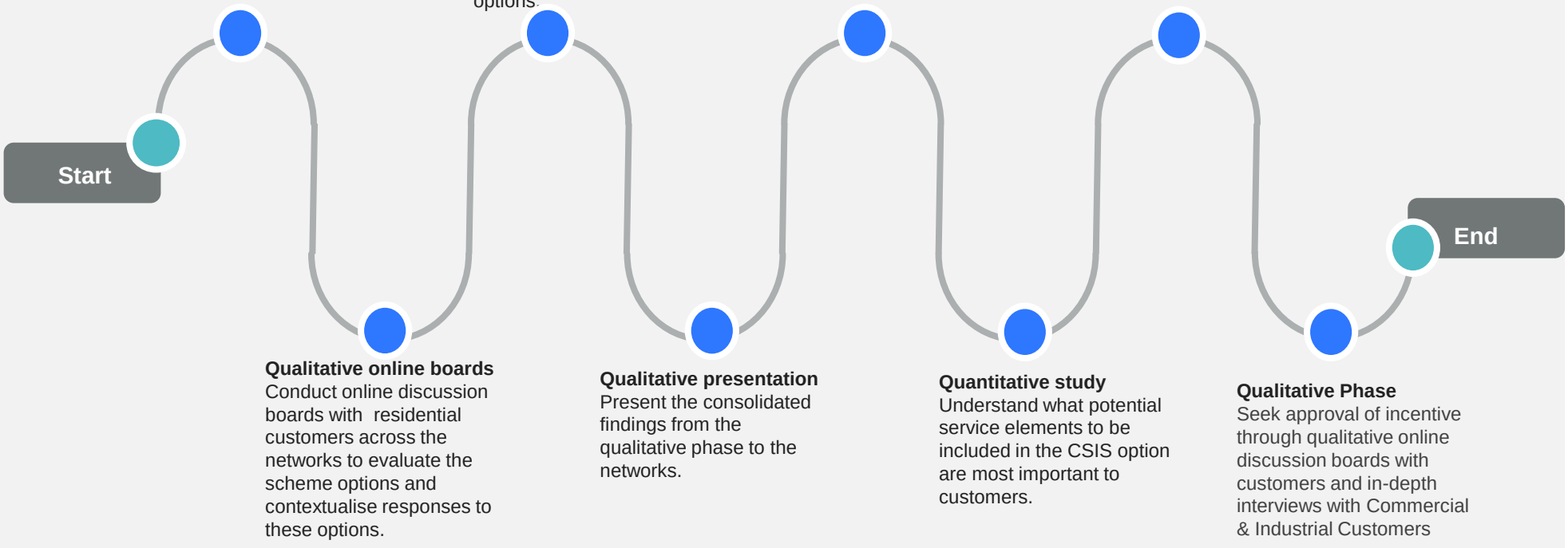
Note: Not in the current scope of the research.

Detailed Roadmap

Phase 1: Understanding and Contextualising What Customers Value

Phase 2: Informing Incentive Design

Phase 3: Support of Incentive



Phase 1 Kick-off
Present the key findings from the insights review and workshops to align on stimulus to be tested in qualitative research.

Qualitative online boards
Conduct online discussion boards with residential customers across the networks to evaluate the scheme options and contextualise responses to these options.

Qualitative in-depth interviews
Conduct iDi's with small business decision makers across the networks to evaluate the scheme options and contextualise responses to these options.

Qualitative presentation
Present the consolidated findings from the qualitative phase to the networks.

Engage with Steering Committee
Networks to present findings and options to steering committee

Quantitative study
Understand what potential service elements to be included in the CSIS option are most important to customers.

Quantitative presentation and qualitative kick off
Present findings from quantitative phase.

Qualitative Phase
Seek approval of incentive through qualitative online discussion boards with customers and in-depth interviews with Commercial & Industrial Customers

Phase 3: Business Challenge and Research Objectives

Business Challenge

- Develop a Customer Service Incentive Scheme (CSIS) for CitiPower, Powercor and United Energy that meets the principles outlined by the Australian Energy Regulator (AER); and
- Enhance the value of the CitiPower, Powercor and United Energy networks by understanding the value that customers place on their services and what influences perception of these services.

Research Objectives

- Identify the CSIS option that appeals the most to customers and why;
- Seek the support of customers for the new draft CSIS option.

Phase 3: Qualitative Research Approach

Who we spoke to:

	Methodology	CitiPower	Powercor	United Energy	Total
Residential customers	Two-day online discussion boards	15	15	15	45
C&I Customers	In-depth interviews	3	3	3	9
TOTAL		18	18	18	54

Research Objectives

- **Fieldwork was conducted August 11-21st, 2020.**
- **At least 50% of residential customers also engaged in phase 1 of the stakeholder engagement.**

Detailed Findings

CitiPower Powercor Australia united energy | forethought®

Recap: Phase 1 summary

Residential customers expected adequate notice and advice regarding planned outages from their power distributors

> “Communication in advance is important in terms of the structure of my business and resources.”
>
> - *CitiPower SMB Customer*

Overall, customers were conscious and respectful of the need for planned outages to carry out grid maintenance or improvements.

This was particularly true for Powercor and United Energy customers who had the most experience with planned outages.

Customer communications regarding planned outages included:

- Use of multiple communication channels for initial notification and reminder closer to planned outage. There was a **preference for the use of digital / electronic channels such as email or SMS**, as these were seen to be more reliable and more environmentally friendly than physical letters;
- **Advice and provision of technology** to help customers respond to outages;
- **Accurate information on ETR** and reason for outage;
- **Flexibility on when the outage would occur** for high-sensitivity customers.

Customers across the three networks were asked what three areas they would invest in if they were the new CEO of their local distributor…

These are the areas that you can invest in:

- Reducing the number of planned outages that customers experience
- Reducing the number of minutes of a planned outage on average

Hard
(Assets)

- Reducing how long it takes the distributor to on average answer their phones when customers call them
- Improving the quality of information customers get during outages
- Improving the speed at which customers get information on outages

Comms

- Reducing the amount of effort that a customer has to put in to get information about their outages
- Reducing the amount of effort a customer has to put in to find out details about electricity supply to their home

Effort

Soft
(Customer interface)

- Something else

CitiPower Powercor Australia united energy | forethought®

Customers from all networks prioritised more effective and efficient communications during outages

		Powercor	CitiPower	United Energy	Total
Hard (Assets)	Reducing the number of planned outages that customers experience				
Hard (Assets)	Reducing the number of minutes of a planned outage on average				
Soft (Customer interface) – Comms	Reducing how long it takes the distributor to on average answer their phones when customers call them				
Soft (Customer interface) – Comms	Improving the quality of information customers get during outages				
Soft (Customer interface) – Comms	Improving the speed at which customers get information on outages, i.e. how fast SMSs is received				
Soft (Customer interface) – Effort	Reducing the amount of effort that a customer has to put in to get information about their outages				
Soft (Customer interface) – Effort	Reducing the amount of effort a customer has to put in to find out details about electricity supply to their home				
	Something else (if so, what is it?)				

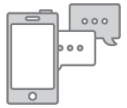
- High value placed on by customers
- Moderate to high value placed on by customers
- Moderate to low value placed on by customers
- Low value placed on by customers

Three services in particular were prioritised by customers of the three networks.

Three services were more frequently valued highly by customers:

1. Improving the **quality of information** customers get during outages

2. **Improving the speed at which customers get information on outages**



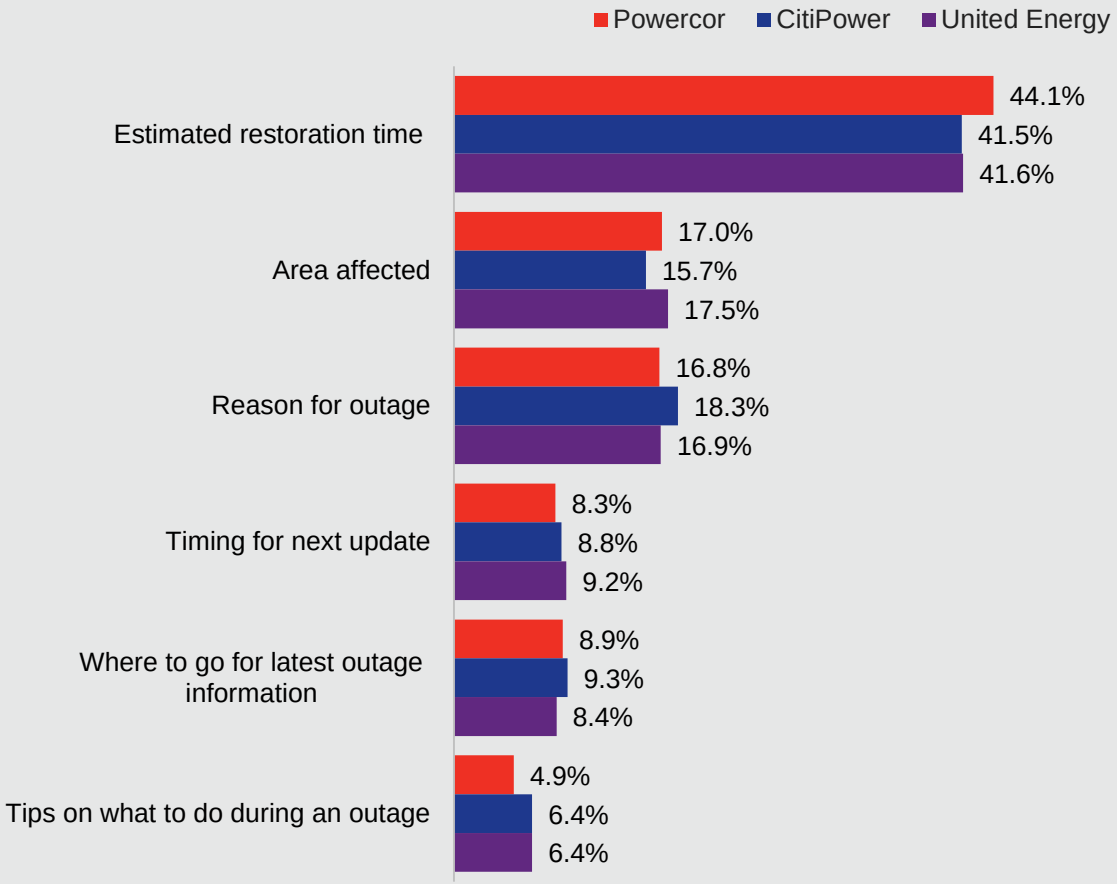
3. **Reducing the number of minutes** of a planned outage on average.

Recap: Phase 2 Summary

Estimated restoration time was the most important information to receive for customers of all networks…

Overall

During an electricity outage, how would you prefer to receive communications from your electricity distributor?

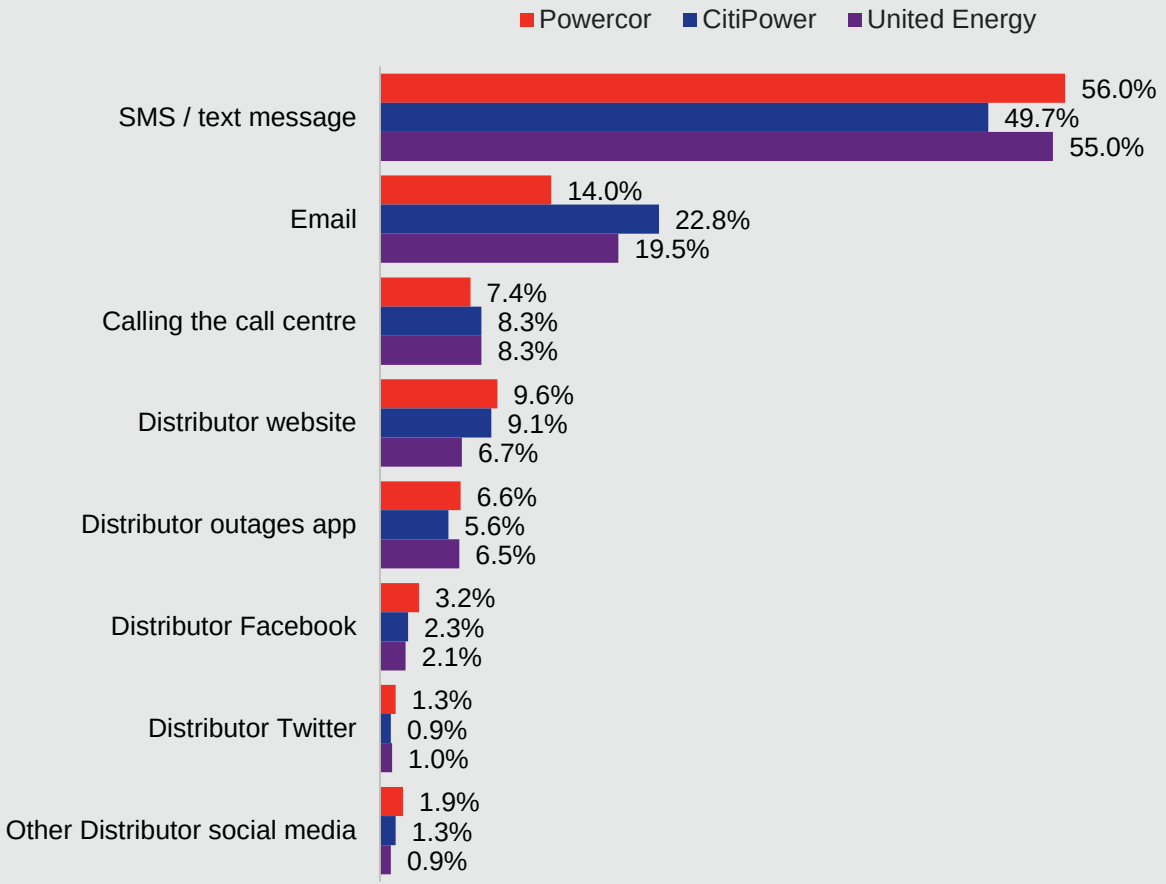


Significance testing was conducted between Powercor and the other suppliers at the 5% level of significance. No significant differences were found.

At an overall level, SMS was the most preferred communication channel during an outage

Overall

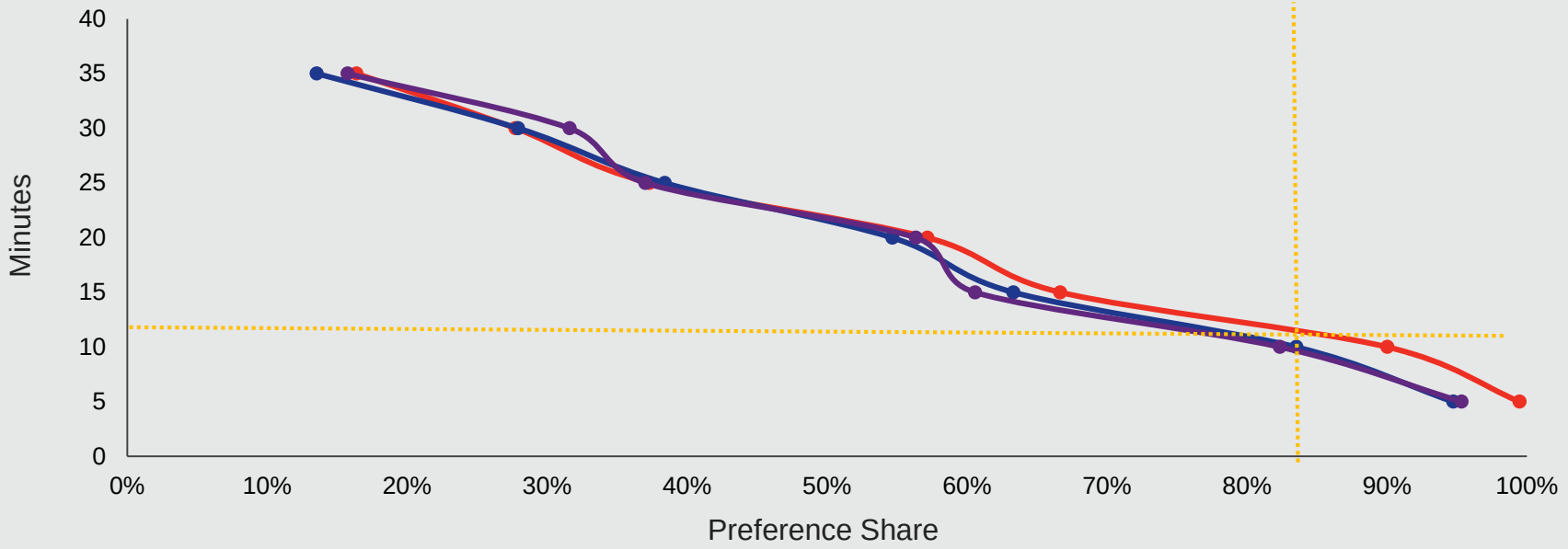
During an electricity outage, how would you prefer to receive communications from your electricity distributor?



The threshold between unacceptable and acceptable wait times to receive information during an outage was approximately 12 minutes

Overall

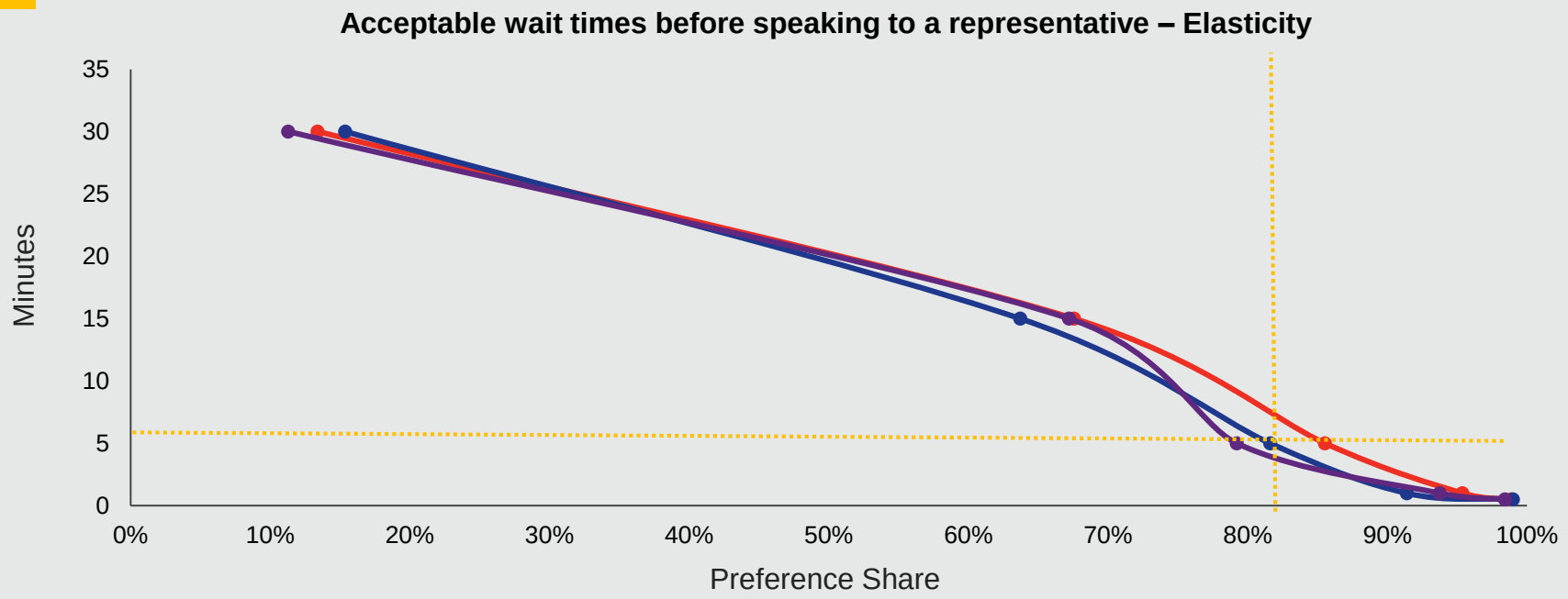
Acceptable wait times before receiving information during an outage – Elasticity



Wait Time in minutes	Powercor	CitiPower	United Energy
35	16.4%	13.5%	15.7%
30	27.7%	27.9%	31.6%
25	37.3%	38.4%	37.0%
20	57.2%	54.7%	56.3%
15	66.7%	63.3%	60.6%
10	90.0%	83.5%	82.4%
5	99.5%	94.7%	95.3%

The threshold between unacceptable and acceptable wait times to speak to a representative was approximately 5 minutes

Overall

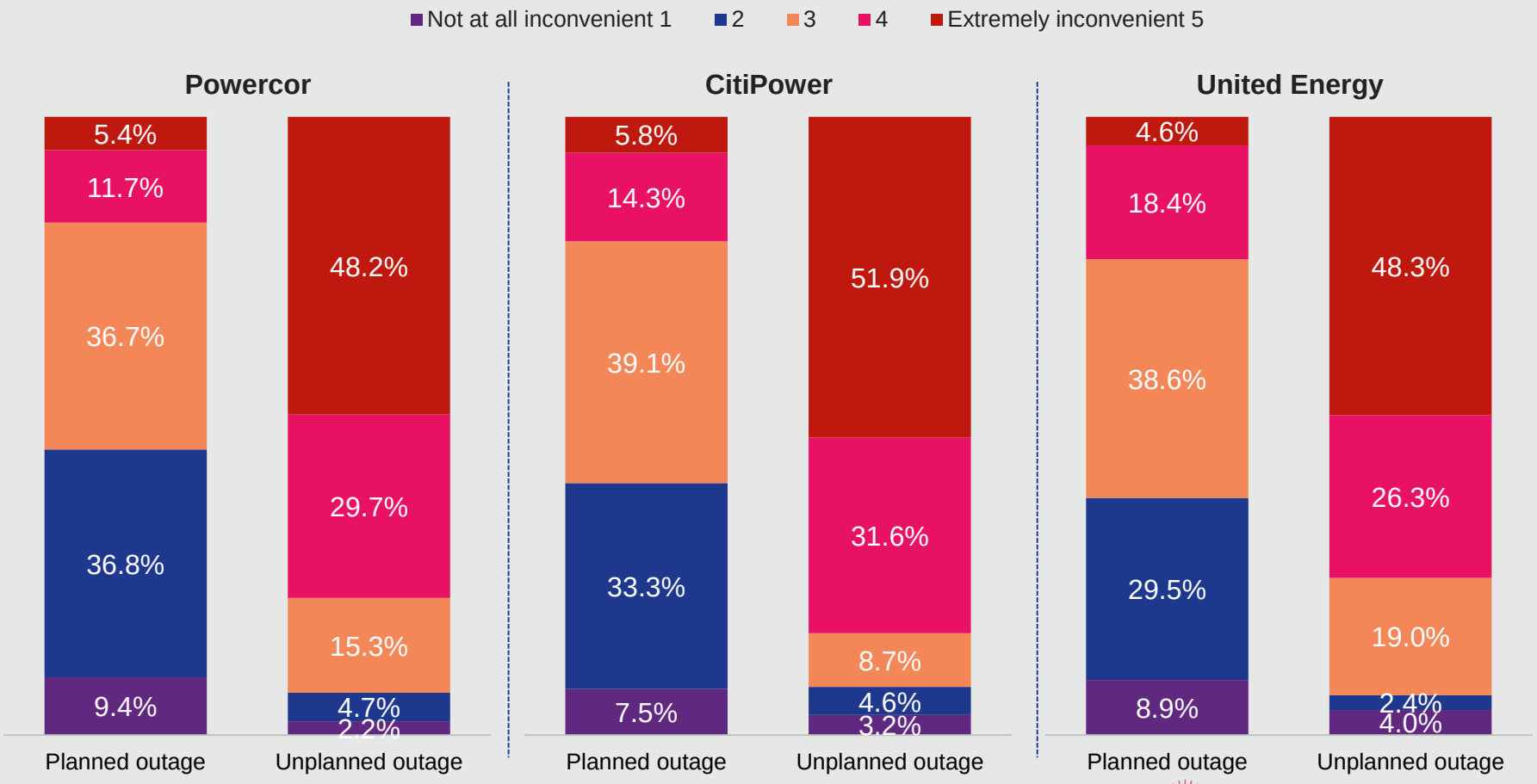


Wait Time in minutes	Powercor	CitiPower	United Energy
30	13.4%	15.4%	11.3%
15	67.6%	63.7%	67.2%
5	85.5%	81.6%	79.2%
1	95.4%	91.4%	93.8%
0.5	98.9%	99.0%	98.4%

On average a majority of customers found outages inconvenient however unplanned outages were seen as more inconvenient

Overall

Thinking about any disruption these two types of outages may cause to your business operations / life, how inconvenient would the following be?



Phase 3 Findings

Residential customers feedback on new scheme

Customers were introduced to the current incentive scheme (phone answering) and asked to provide their thoughts on it...

As expected, customers responded to the current incentive with queries about the incentive itself. Most notably:

- Who pays for the incentive scheme?; and
- Why is it needed? Shouldn't they be providing excellent customer service regardless of an incentive?

Many saw the **scheme as being outdated** and not reflective of their preferences for customer service. Customers preferred the incentive scheme to take digital channels into consideration with phone answering being a last resort or safety net.

> "Incentives help to get some people focused. However, with these days with mobile phones and locations being readily available, the best way to be able to advise customers of outages would be notifications on mobile phones - updates would also be able to be sent via mobile phones."
> *- United Energy Customer*

> "It sounds quite good and beneficial for all involved but what about text messages instantly with constant updates instead so it doesn't clog up the phone lines?"
> *- CitiPower Customer*

Customers were then presented with the new scheme options and asked to give their feedback...

The proposal presented to customers:

1

Reducing the number and duration of planned outages on average

Presented to customers of:

Powercor AUSTRALIA, united energy

2

Faster SMS updates to more customers during outages

Presented to customers of:

CITIPOWER, Powercor AUSTRALIA, united energy

3

Further improvements to phone answering

Presented to customers of:

CITIPOWER, Powercor AUSTRALIA, united energy

CITIPOWER, Powercor AUSTRALIA, united energy | forethought®

Plans to reduce the number and duration of planned outages were well-received by customers with only a few having concerns

1 Proposal inclusion: Reducing the number and duration of planned outages on average

The inclusion of a reduction to the duration and frequency of planned outages received a **positive response** from customers. The greater time spent on-supply was valued by customers and seen to benefit them in the long-run. Powercor customers in particular liked this inclusion as they experienced a high level of planned outages compared to other networks. For some, a scheme that reflected improvements in unplanned outage experience was of greater importance as planned outage experience did not create great inconvenience to their life. The main concern was still around how customers would be communicated to during planned outages.

> Nice, I really liked this idea. I don't mind the amount of planned outages if the time required is less. Outages are important for servicing electricity lines and keep providing us with the benefits. So I don't mind the number of outages for a short time period."
> *- Powercor Customer*

> This would benefit me such that I will get my electricity supply back much sooner (for shorter duration outages) and more continuous supply (in the case of lesser number of outages per year), and the energy distributor will be likewise incentivised for reducing these numbers."
> *- Powercor Customer*

There were however some concerns about the effect a decrease in the number and duration of planned outages would have on grid integrity and stability

As in Phase 1, some were concerned that a decrease in the number of **planned outages would in-turn increase the number of unplanned outages**.

There were concerns that reducing the number of planned outages would mean that essential maintenance services would be avoided, potentially leading to further unplanned outages in future.

However, many of **these customers assumed and hoped that the planned maintenance would be conducted with greater efficiency than before,** and would not impact unplanned outages.

> My concern would be would they actually maintain their lines properly if they were told to have less planned outages?"
> *- United Energy Customer*

> I am concerned that eventually the distributor being penalised or rewarded could have a detrimental effect on the lines resulting in unplanned outages. The regulator needs to ensure that the number of planned outages is sufficient to ensure that the distributor is undertaking sufficient repair/monitoring of the lines."
> *- CitiPower Customer*

Faster SMS service to more customers during outages was the most popular proposed inclusion

2 Faster SMS updates to more customers during outages

The inclusion of SMS updates received a very positive response from customers. This was seen as a step in the right direction for modernising the service offered by distributors and ensuring that anxiety during outages was quelled.

The main concern about including this in the scheme was that the SMS update would not reach all customers. This was particularly relevant for those who did not already subscribe to the service. Further to this, there was some concern that the speed of communications would compromise the quality of information received in the SMS.

> Any response under 6 minutes may be unachievable even with incentives, but penalising distributors for a significant delay in communications will be a great way to improve service standards."
> *- CitiPower customer*

> I think is very important if the service is improved, because more people can be communicated about what is happening while an outage. It is always good if systems are improved in order to offer better customer service."
> *- CitiPower customer*

> My concern about adopting this scheme measure is that the electricity distributor might be in such a haste to get the SMS out within 6 minutes, that they omit useful/vital information in the SMS."
> *- Powercor customer*

Including improvements to telephone answering in the scheme was seen to be a vital safety-net for many people if digital channels did not work

Further improvements to phone answering

Despite being seen as outdated in nature, including improvements to telephone answering as part of the incentive scheme was seen to be a **vital safety-net** for many people if digital channels did not work.

Further to this, older customers were more likely to benefit from this inclusion as it **reflected their need to speak to a human**.

Much like the SMS option, there was slight concern that the quality of information delivered may be compromised if the speed of answering calls improved.

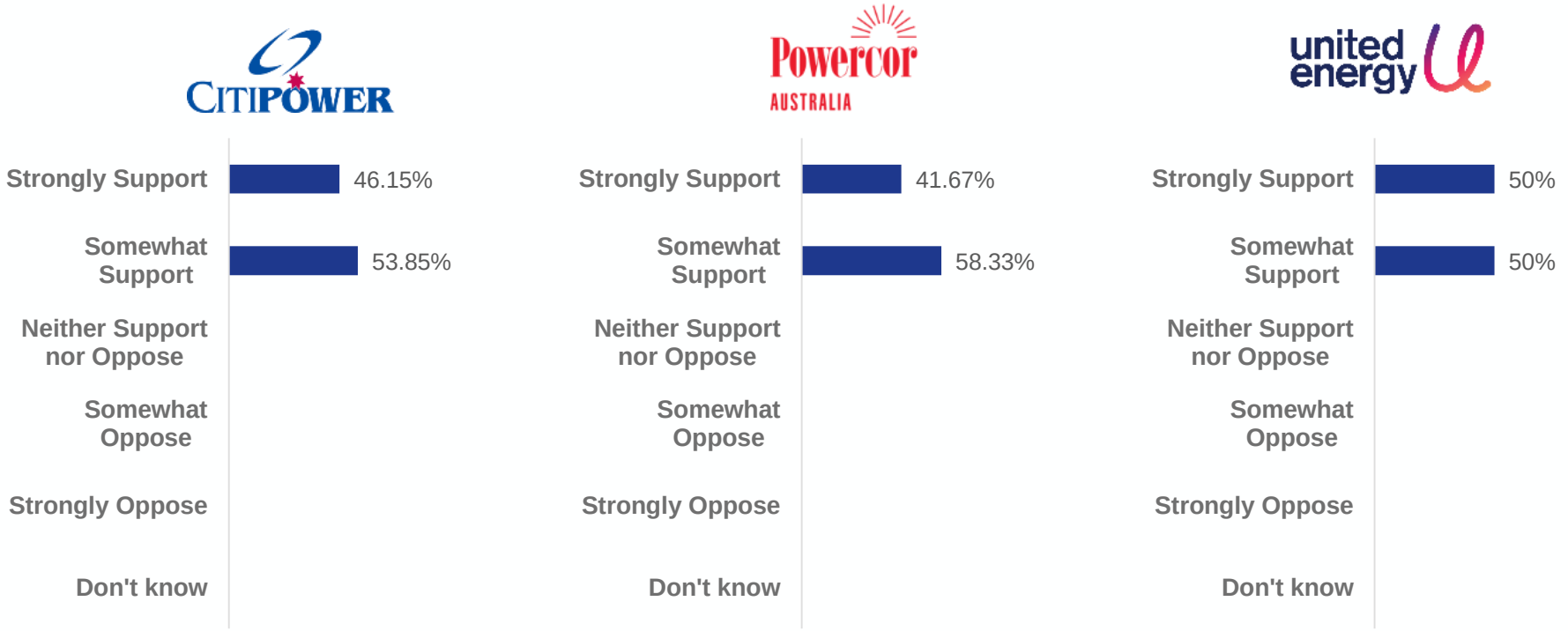
> “I would prefer sourcing the information via the website or text instantly, as it is commonly assumed that call centres take a long time to get through. I do think that older people would prefer to have access to a fast call centre. However, if there was an emergency situation or an outage goes on for a while, it would definitely make my life better as I would be frustrated at the outage at this point.”
> *- CitiPower customer*

> I think in today's day and age, multi-channel services are in high demand. People want choice as to call in, text, chat online or email. With that in mind, even as a millennial I often just want to talk to a human on the phone, especially when there may be intricate details that I want to discuss that may be more difficult to convey online.
> *- CitiPower customer*

Sentiment towards the new scheme

After consideration of all information, participants were asked if they support or oppose the new incentive scheme

Sentiment towards new Scheme



Question: Thinking about everything that we've spoken about, would you support your distributor adopting a new incentive for customer service improvements or oppose the new incentive?
Sample sizes: CitiPower: n=13, Powercor: n=12, United Energy: n=12.

In summary, there was unanimous support for the new scheme by customers with only a few concerns presented…

Benefits and Concerns of the New Incentive Scheme

1 Reducing the number and duration of planned outages on average

- More time spent on-supply.
- Will less outages mean essential services are avoided, leading to further outages?

2 Faster SMS's to more customers during outages

- More relevant and modern service.
- Will all customers receive this service, or only some?
- Will quality of information or service be compromised?

3 Further improvements to phone answering

- Ensures a diversity of communication channels are improved. Serves as a great back up if digital communications are not working.
- Will quality of information or service be compromised?

C&I customers perspective on new proposed scheme

The proposed scheme was generally welcomed and supported by C&I customers but not necessarily seen as relevant to them, as it did not encapsulate the full realm of their service relationship.

Many reasoned that the benefits of the scheme were largely aimed at residential or small business customers rather than C&I customers, however they were largely supportive of the new scheme.

C&I customers had more frequent and diverse touchpoints than residential customers, with many dealing with infrastructure upgrades and new connections, on top of managing communications on load and outages. Therefore, incentives relating strictly to outages were not seen to be of high importance to these customers.

> “There is a bunch of projects going on and they can be anything from knocking out a toilet block to building a metro tunnel and we are part of that. As part of that you are often disconnecting, reconnecting, abolishing, relocating meters. It’s not just outages.”
> *- United Energy customer*

Despite this, the inclusion of text messages to the proposal was well-received, providing it went to the right person

2 Faster SMS updates to more customers during outages

The inclusion of the SMS service to the incentive scheme was well-received by Commercial & Industrial customers. The main benefit that this manifested was the ability to decipher whether a fault was internal or external and enabled swiftness of action to correct that fault.

However, this inclusion was only seen to be beneficial if the SMS went to the person that was accountable or responsible for ensuring backup generators or those in charge of mobilising resources to roll-out contingency plans.

> For us it confirms whether it [the outage] is a network problem or a local problem."
> *- United Energy customer*

> It's a great inclusion if the text message goes to the right person."
> *- Powercor customer*

Phone answering was not seen to be relevant to C&I customers, with many preferring *more* channels of digital communication to be included, such as the provision of information on websites and apps.

3 Further improvements to phone answering

Many Commercial & Industrial customers had their own case managers who they called during emergencies, so the phone answering inclusion was not seen to be relevant to them.

C&I customers placed greater value in ensuring that there was a greater diversity of communications channels with real-time information available during an outage such as websites, emails and apps.

> Calling when there is thousands of other people calling in is not a great advantage. Having real time information on the internet is much more valuable."
> *- CitiPower customer*

CitiPower Powercor Australia united energy | forethought®

Less frequent and shorter planned outages were very popular amongst Commercial & Industrial customers

1 Proposal inclusion: Reducing the number of duration of planned outages on average

The inclusion of a reduction to the duration and frequency of planned outages received a **positive response** from customers. Planned outages were seen to be a great inconvenience to Commercial & Industrial customers, as back-up generators and rigorous contingency planning was needed to ensure that the loss of productivity and profits were mitigated as much as possible.

Like residential customers, there was some concern that incentivising fewer and shorter outages may have negative ramifications for the structural stability of the grid as essential maintenance may be avoided.

> "I am challenged a bit by that. Planned outages are usually placed around upgrades and improvements to the network. Would not like to think that this measure could dictate an unintended consequence of not carrying out the work as planned outages need to improve reliability and supply."
> *- Powercor customer*

> "That would be an appreciated improvement.' I'm unsure of the amount of United Energy outages but I can see how on a wider scale that would be a valuable change."
> *- United Energy customer*

Contact Us

Asia Pacific

Level 5 550 Bourke St
Melbourne VIC 3000
AUSTRALIA
+ 61 3 9614 3000

North America

Level 5 400 Madison Avenue
New York NY 10017
USA
+1 929 239 3080

www.forethought.com.au