



# Customer and Stakeholder Engagement Activities and Findings Part A



# Part A

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# Research and Establishment Phase Summary of findings

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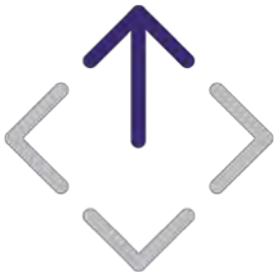


**NEWGATE**  
AUSTRALIA

**STRATEGIC REVIEW**  
**ENDEAVOUR ENERGY'S**  
**CUSTOMER ENGAGEMENT**  
**APPROACH**

Final Report

July 2016



## **NEWGATE COMMUNICATIONS**

Newgate brings together Australia's most experienced team in financial and corporate communications, government relations, stakeholder and community engagement, and social and market research. Today we are more than 50 people servicing around 80-90 clients, with offices in Sydney, Melbourne, Canberra, Brisbane and affiliates in other capitals and regional areas.



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## EXECUTIVE SUMMARY

This summary sets out the topline results of desktop research, internal executive interviews and external stakeholder interviews conducted by Newgate Research for Endeavour Energy in June 2016.

This report has been developed with the objective of reviewing Endeavour Energy's past approach to stakeholder engagement, identifying particular strengths or areas from improvement and outlining ways any gaps can be addressed.

The report seeks to develop recommendations that will ensure Endeavour Energy's Customer Engagement Approach supports and enhances its critical community relationships into the future.

## DESKTOP RESEARCH

Newgate Communications undertook a review of publically available materials relevant to Endeavour Energy's past engagement activities by a wide range of stakeholders such as the Australian Energy Regulator (including the Consumer Challenge Panel), the NSW Council of Social Services, the Ethnic Communities Council of NSW, the Public Interest Advocacy Centre, the Total Environment Centre, and the Energy and Water Ombudsman NSW. This review also included a brief analysis of online materials relating to consumer engagement from Western Power Distribution (UK), Scottish Power Energy Networks (UK), Ausgrid, Energex, SA Power Networks, Jemena and TransGrid.

Key findings were as follows:

- ◆ Stakeholder criticism of Endeavour Energy's past engagement centres around a number of key issues:
  - ◆ That past engagement was not considered 'genuine' - both in terms of the effort made to ensure issues were 'tangible' to consumers and the efforts to act on feedback provided;
  - ◆ Past engagement appeared rushed;
  - ◆ Engagement activities were not adequately resourced;
  - ◆ CALD communities were not properly engaged; and
  - ◆ Engagement activities focussed too closely on the 'Inform' end of the IAP2 spectrum.
- ◆ The common characteristics of successful consumer engagement among network companies include:
  - ◆ Early engagement to allow time for findings to be reflected in decision-making;
  - ◆ A significant role for stakeholder advisory councils;
  - ◆ Extensive stakeholder mapping that ensures all relevant groups and individuals are incorporated into engagement plans;
  - ◆ Senior executives who are committed to engagement;
  - ◆ Robust internal feedback processes to ensure findings are reflected in decision-making;
  - ◆ Some use of digital and social media channels to attempt to reach a broad audience;
  - ◆ A mix of research methodologies, with deliberative forums held up as a particularly successful tool; and
  - ◆ A commitment to building knowledge and capacity to engage on complex issues, often via the creation of simple, easy to understand communications materials.



## INTERNAL RESEARCH

Newgate Research conducted 16 face-to-face in-depth interviews with executives from Endeavour Energy to gather their feedback on the organisation's engagement approach to date and their ideas for engagement going forward, including the best ways to embed it within the organisation. Key findings were as follows:

- ◆ Endeavour Energy executives are aware of the need to develop a more proactive longer-term strategy for engagement with key stakeholders and customers that is genuine and part of 'business as usual' rather than driven by the regulatory process.
- ◆ In retrospect, Endeavour Energy executives appreciate that engagement undertaken for the last revenue reset was more reactive and ad hoc than it should have been, but noted that the work had been handled professionally, and with good intentions based on their understanding of what was required at the time. The recent TSS engagement was seen as an improvement, despite acknowledgement of some issues and the limited time available for consultation.
- ◆ While many of the executives interviewed appreciate the benefits of giving customers a voice and proactively seeking stakeholder and customer opinions on the way they approach their work, a few are still unsure of should be considered 'negotiables' and what end-consumers can really say that would have a meaningful impact on decision-making, given the complexity of the business.
- ◆ Executives were keen to see a range of initiatives undertaken internally to assist with the process of cultural change. These including better resourcing of the engagement function, stronger senior involvement in engagement, broadening the range of staff involved in engagement, consideration of a requirement to document consumer implications in advance of any new policy being approved, including engagement as part of all senior executive KPIs, ensuring clear lines of responsibility around engagement, internal education on the differences between customer service and engagement and the benefits of genuine engagement, and a refocus of the internal Executive Customer Focus Forum meeting to encompass the results of engagement.
- ◆ The majority of executives' ideas for improvement in stakeholder and consumer engagement were consistent with those offered by key stakeholders themselves as part of the external research study.

## EXTERNAL RESEARCH

Newgate Research conducted 21 in-depth telephone interviews with external stakeholders representing Government, Consumer Advocate, Environment, Council, Industry and Retailer segments on their perceptions of Endeavour Energy's reputation, past engagement activities and suggestions for the future. Key findings were as follows:

- ◆ Stakeholders rated Endeavour Energy on a number of metrics to provide a benchmark to allow tracking over time. They rated its reputation an average of 6.3 on a scale of 0 to 10 where 0 meant very poor and 10 meant excellent. The organisation's performance score, which is the proportion of stakeholders who rated its reputation as 7 or more out of 10, is 52%. Quality of relationships had an average rating of 7.2 and a performance score of 75% and quality of consultation had an average rating of 5.5 with a performance score of 50%. The net advocacy score, reflecting likelihood to speak well of the organisation, was -30%.
- ◆ Stakeholders believe Endeavour Energy's quality of engagement is a key contributor to its overall reputation, meaning improvement in engagement is likely to lead to higher reputation scores.
- ◆ Despite describing relationships with Endeavour Energy staff as professional and responsive, stakeholders felt much of past engagement had been 'one way', 'reactive' or 'tokenistic', primarily as results appear to have had no impact on decision-making. There was considerable frustration with the



recent TSS consultation for this reason. They now generally feel that the organisation is on the right track with its approach but that it still has a long way to go.

- ◆ Stakeholders are not looking for Endeavour to undertake any particular engagement “activity” but rather are looking for much more senior executive involvement, evidence of genuine engagement and feedback on how their contribution has influenced decision-making and implementation of a long-term plan.
- ◆ Those who were members of the Customer Consultative Committee reported positive experiences but were keen to see a more collaborative approach going forward.
- ◆ Council stakeholders also reported positive engagement, particularly around conversion to LED street lighting. They suggested the ‘Light My Way’ project received some publicity.



## RECOMMENDATIONS

Following the completion of the desktop review, internal and external research, Newgate provides the following recommendations:

### 1. Essential

1. Improve resourcing and budget for engagement activities.
2. Respond to this report by updating the Endeavour Energy Customer Engagement Plan. Publish it on the website and then move quickly to implement it.
3. Increase staff participation in engagement activities, with a focus on the Executive Leadership Team.
4. To help ensure feedback is reflected in decision-making, introduce a consistent engagement report template for use in all engagement activities and consider these at the renamed 'Executive Stakeholder and Customer Focus Forum' meeting. This template should include a section on how feedback is taken on board and published on the website.
5. Refresh the Endeavour Energy Customer Consultative Council membership and revert to four meetings a year - consider it Endeavour Energy's core engagement activity.
6. Develop an updated and more detailed stakeholder matrix.
7. Introduce a program of one-on-one relationship building with key stakeholders.
8. Hold a series of topic-specific workshops with a wide range of stakeholders, ensuring clear feedback loops are in place.
9. Introduce a modest program of regular consumer engagement research.
10. Explore options for professional development relevant to engagement activities.

### 2. Important

1. Proactively engage with CALD communities through inclusion of appropriate participants in research and by supporting the NSW Ethnic Community Commission's work in educating community leaders on energy issues.
2. Develop themes or narratives to Endeavour Energy's engagement and identify some showcase initiatives.
3. Expand engagement with retailers from operational to more strategic issues.
4. Help facilitate internal cultural change through a range of initiatives including introduction of engagement-related KPIs for senior executives, introducing a requirement to consider consumer impact for new policies.

### 3. Beneficial

1. Improve Endeavour Energy's digital presence by establishing a more comprehensive 'Have Your Say' section on the website and considering use of Facebook.
2. Continue to focus on engagement with Councils and consider occasional workshops with guest speakers and explanation of opportunities to value-add.
3. Be more visible at industry and stakeholder events and actively engage in AEMC consultation processes.
4. Consider ways to reduce the engagement burden on stakeholders by coordinating some elements of engagement with other network businesses.
5. Consider ways to proactively engage with young consumers.

# INTRODUCTION

Newgate Communications was commissioned to review Endeavour Energy’s current Customer Engagement Plan 2014-19 and develop recommendations to ensure Endeavour Energy’s Plan supports and enhances its critical community relationships into the future.

# OBJECTIVES

The overarching objectives of this project are to:

- ◆ Ensure Endeavour Energy continues to manage its electricity network in a way that meets the long term interests of its customers and stakeholders;
- ◆ Improve stakeholders’ perception of Endeavour Energy as a network service provider and as a business partner; and
- ◆ Help ensure that Endeavour Energy’s approach to customer engagement meets the AER’s expectations, thereby helping to maximise future return to Endeavour Energy and reduce public criticism.

Endeavour Energy requires the review to:

- ◆ Undertake research with internal and external stakeholders to identify and address any gaps between the AER’s Consumer Engagement Guideline for Network Service Providers and the structures, policies and resources currently in place at Endeavour Energy for managing customer engagement;
- ◆ Provide recommendations for Endeavour Energy’s customer and stakeholder engagement program to support future regulatory proposals; and
- ◆ Recommend ways that community engagement can be embedded in Endeavour Energy’s business activities as ‘business as usual’, ensuring all decision-making considers the needs or priorities of Endeavour Energy’s customers and stakeholders.

# APPROACH



# PART 1: DESKTOP RESEARCH

## METHODOLOGY

For the purpose of this review, Newgate considered the following documents:

- ◆ The AER's Better Regulation: Consumer Engagement Guideline for Network Service Providers
- ◆ Endeavour Energy's Customer Engagement Plan 2014-19
- ◆ Endeavour Energy's Regulatory Proposal to the AER, and the accompanying overview of the proposal
- ◆ The AER's draft determination regarding Endeavour Energy's 2015-19 Regulatory Proposal
- ◆ Submissions to the AER regarding Endeavour Energy's Regulatory Proposal from:
  - ◆ The Consumer Challenge Panel (CCP)
  - ◆ NSW Council of Social Services (NCOSS)
  - ◆ Ethnic Communities Council of NSW (ECC)
  - ◆ Public Interest Advocacy Centre (PIAC)
  - ◆ Total Environment Centre (TEC)
- ◆ Endeavour Energy's Tariff Structure Statement (TSS) and the accompanying overview of the statement
- ◆ Submissions to the AER regarding Endeavour Energy's TSS from:
  - ◆ The Energy and Water Ombudsman NSW (EWON)
  - ◆ NCOSS
  - ◆ Origin Energy
  - ◆ PIAC
- ◆ Online materials relating to consumer engagement from Western Power Distribution (UK), Scottish Power Energy Networks (UK), Ausgrid, Energex, SA Power Networks, Jemena and TransGrid.

## STAKEHOLDER FEEDBACK

Newgate reviewed recent feedback from the AER, the CCP and a range of other stakeholders, as listed above. This feedback related primarily to Endeavour Energy's most recent Revenue Reset Proposal and Tariff Structure Statement.

The key strengths, weaknesses and areas for improvement outlined in those documents are summarised below.

### AER Feedback

- ◆ The AER praised Endeavour Energy's attempts to engage with, and seek feedback from, various consumer cohorts. However, its report suggested there was little evidence that the regulatory proposal aligned with, or took into account, consumer expectation and preferences. They noted that gathering feedback, but not acting on it, suggested the engagement was not genuine or meaningful.
- ◆ The AER urged Endeavour Energy to do more to make issues tangible to consumers. The regulator suggested it should "make more effort to provide various consumer groups with the information they

need to participate”.<sup>1</sup> In particular, the AER identified several specific areas where it believed stakeholders were not equipped to participate or where issues were not made tangible to consumers. These included the following:

- ◆ **Street lighting:** the desire to protect confidentiality was raised by Endeavour Energy as a barrier to engagement but other similar companies presented this information in the public domain.
- ◆ **Metering charges:** the AER did not believe Endeavour Energy provided enough options for consideration by stakeholders.
- ◆ **Rate of return:** there appeared to be little to no engagement on this issue.

## Consumer Challenge Panel Feedback

- ◆ The CCP’s primary concern was the use of a WTP survey to justify ongoing high reliability related network expenditure. Their report notes that “WTP... can provide useful insights on consumer preferences about competing priorities, but only where there is a legitimate business case for the expenditure in the first instance.”<sup>2</sup>
- ◆ The CCP urged Endeavour Energy to consider engagement activities from *across* the IAP2 spectrum, with a greater focus on “Involve” and “Collaborate”. Their report suggested practices were too closely focussed on “Inform”, demonstrating a lack of commitment to the IAP2 principles.
- ◆ The CCP also expressed concern that engagement was not genuine. In particular, their report articulated a fear that consumers did not properly understand the cost implications of the preferences they expressed. As a result, they questioned the effectiveness of these engagement activities.
- ◆ The CCP noted some consumer representative groups (notably the TEC) felt they had not been adequately consulted and others (notably PIAC) felt their role in or the objectives of engagement were unclear.

## Other Feedback

### The Ethnic Communities Council of NSW (ECC)

- ◆ The ECC argued that Endeavour Energy should do more to engage with consumers from culturally and linguistically diverse backgrounds. In this context they did note that the size and complexity of network proposals is a barrier to any consumer engaging with the subject matter, or making a meaningful contribution.
- ◆ The ECC also noted it felt the plain English versions of the reset proposal read like advertisements, and asked the AER to look closely at these documents to ensure they are balanced and factual.
- ◆ It should be noted that the ECC has published a paper called ‘Cultural Connections: Engaging CALD energy consumers’ that sets out its advice on engaging with CALD communities.

### Public Interest Advocacy Centre (PIAC)

#### *Regulatory Reset*

- ◆ PIAC noted that Endeavour Energy invested significant money and time in engagement, and that “there have been instances where the consumer engagement has been conducted in good faith and with the best intentions.” Despite these efforts, PIAC felt “most doubtful” that the WTP research could

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<sup>1</sup> AER Draft Decision, Endeavour Energy 2015-19, p. 68

<sup>2</sup> CCP report, p. 6

be used “as a justification for undertaking long term investment decisions that will impact customers both now and in the future.”<sup>3</sup>

- ◆ PIAC notes that “information asymmetry” in the revenue reset proposal process is a real issue for the regulator, so it must be even more significant for the consumer. Specifically, PIAC points to the WTP survey and notes they are “highly sceptical of the value” of this type of research in the regulatory process. They suggest a WTP study boils very complex questions that require a sophisticated knowledge of the industry down to a simple binary choice. They believe that basing investment decisions on the outcome of this research does not benefit consumers.
- ◆ To remedy this, PIAC urged Endeavour Energy to focus on consumer representatives *as well as* consumers, to ensure engagement is as informed and as meaningful as possible. PIAC notes consumer representatives are more educated on the complex nature of a regulatory reset proposal than an average member of the public and the views of a relatively small number of representatives should be held in the same, if not higher, esteem as a research study of 2,000 members of the public.
- ◆ PIAC also questioned the tone of some engagement and suggested engagement activities were too focussed on the ‘Inform’ end of the IAP2 spectrum.

#### *Tariff Structure Statement (TSS)*

- ◆ PIAC noted the engagement process on the TSS was extensive and commended Endeavour Energy for making staff available for detailed conversations on its proposal. PIAC also praised the inclusion of the Alternative Technology Association and Energy Consumers Australia, who were not previously engaged as part of the revenue reset consultations.
- ◆ PIAC noted “the process to be a vast improvement on previous engagement efforts” and suggested Endeavour Energy use this model in future engagement activities.
- ◆ PIAC also suggested greater resources be dedicated to engagement activities and recommended that Endeavour Energy give responsibility for consumer engagement to an appropriately senior staff member, with sufficient time and resources to carry out the task.

#### **Total Environment Centre (TEC)**

- ◆ The TEC felt they had not been engaged in relation to the regulatory reset proposals and were not made aware of events or meetings where they could have participated.

#### **NSW Council of Social Service (NCOSS)**

- ◆ NCOSS provided a submission on the TSS noting that it had not been aware of any public consultation or engagement regarding the TSS, and as such argued that the engagement undertaken was not “as full as the businesses are claiming”.<sup>4</sup>

#### **The Energy and Water Ombudsman NSW (EWON) and Origin Energy**

- ◆ EWON and Origin Energy provided submissions regarding Endeavour Energy’s proposed TSS, but did not reference consumer engagement.

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<sup>3</sup> A missed opportunity? Submission to the Australian Energy Regulator’s Draft Determination for Ausgrid, Endeavour Energy and Essential Energy, PIAC, 13 February 2015, p. 54

<sup>4</sup> NCOSS Submission: Electricity Tariff reform in NSW, October 2015, p. 6

## CHARACTERISTICS OF SUCCESSFUL ENGAGEMENT

As part of this desktop review Newgate undertook a brief review of engagement conducted by network companies currently operating in similar jurisdictions. This desktop research sought to identify the key characteristics of successful consumer engagement and any new or different approaches to engagement that Endeavour Energy may consider implementing in the future.

Newgate looked to the UK – a jurisdiction with a similar regulatory, media and political landscape – to examine the approaches of two organisations that are considered leaders in engagement. These were Western Power Distribution (WPD), operating in Western England and Wales, and ScottishPower Energy Networks (SPEN), operating in Scotland, Northern Wales and Northern England.

The table on the following page sets out a snapshot of key elements of interest drawn from publicly available information on these two organisation's approaches. In reviewing these it is important to note that engagement has been a key aspect of energy regulation in the UK for some time, with financial incentives offered to businesses based on their stakeholder engagement methodology.<sup>5</sup> This regulatory environment will no doubt have strongly influenced the business' focus on meaningful engagement.

Many of the initiatives or approaches identified are already in use in various energy businesses across Australia to some degree, but the UK-based businesses appear to have a more mature approach with better funding and resourcing.

### Overseas Examples

#### ORGANISATION

#### EXAMPLES OF GOOD PRACTICE

##### Western Power Distribution

Western Power Distribution (WPD) is the company responsible for electricity distribution in the Midlands, South West and Wales in the UK. The business serves over 7.8 million customers and employs over 6,000 members of staff.

- ♦ **Long-term engagement plan:** WPD has developed a long-term, five-stage stakeholder consultation plan that will be rolled out between 2010 and 2023. The plan recognises the long lead time required to work collaboratively with stakeholders to identify priorities, identify how these can be addressed internally, present options to stakeholders, communicate how feedback has been incorporated and finally, implement changes.
- ♦ **Use of Willingness to Pay Study:** International network businesses are also finding these studies somewhat fraught. WPD undertook a WTP study that found customers were willing to pay more to ensure greater reliability. These findings were strongly rejected by WPD's expert Customer Panel. WPD notes in their RIIO-ED1 Business Plan that the study was "an important part of determining our programme, and we have used it to identify detailed customer priorities" however, they also note it was not used "simply as a blanket justification for increased expenditure."<sup>6</sup>

<sup>5</sup> The UK Office of Gas and Electricity Markets operates a Stakeholder Engagement Incentive Scheme that drives network companies to engage effectively with stakeholders to inform how they plan and run their businesses. The incentive provides an annual reward of up to 0.2% of annual allowed revenues per operator. The allocation is based on an assessment by a panel of independent experts. Western Power Distribution received the highest score (8.75 out of 10) and an incentive of £2.63m, Scottish Power Energy Networks received the third highest score (6.5 out of 10) and an incentive of £0.75m. More information available here -

[https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/stakeholder\\_engagement\\_14-15\\_decision\\_letter\\_dnos\\_0.pdf](https://www.ofgem.gov.uk/sites/default/files/docs/2015/09/stakeholder_engagement_14-15_decision_letter_dnos_0.pdf)

<sup>6</sup> RIIO-EDI Business Plan, SA-01 Supplementary Annex – Stakeholder Engagement, April 2014, <https://www.westernpower.co.uk/docs/About-us/Stakeholder-information/Our-future-business-plan/Seperate-documents/Stakeholder-Engagement.aspx>, p. 23

- ◆ **Clear articulation of how feedback has been incorporated:** In addition to publishing consultant reports that outline the outcomes of individual workshops, WPD also publishes its own summary documents that outline how feedback gathered at engagement activities has been interpreted and how it will be addressed by WPD.
- ◆ **Significant investment in engagement:** WPD engaged with over 4,200 stakeholders on its RIIO-ED1 (regulatory reset proposal) Business Plan. In 2014-15, WPD invested £3.74m in stakeholder engagement activities.
- ◆ **Engagement with students and other younger stakeholders:** As WPD's engagement plan stretches to 2023, they have committed to engaging with young people. WPD ran a series of workshops with university students to give future bill payers the opportunity to influence outcomes and provide feedback. This approach sought to address the fact that young people are often difficult to engage via more traditional research and engagement methods.

### ScottishPower Energy Networks

ScottishPower Energy Networks (SPEN) is part of the ScottishPower Group of companies. It provides electricity to 2 million customers in Central and Southern Scotland and an additional 1.5 million customers in Merseyside, Cheshire, North Wales and North Shropshire. It is both a distribution and transmission business.

- ◆ **Strong engagement with top tier stakeholders with buy in from senior management:** SPEN manages two Strategic Stakeholder Panels, one representing Scotland, the other England and Wales. The Panels are designed to bring together representatives from a wide range of sectors and interests, including national government, local government, industry and the non-government organisations. Each panel delivers regular reports to the Chief Executive and SP Energy Networks Board of Directors to provide external influence over future plans and operations. The Panels are designed to:
  - ◆ Invite challenge, feedback, advice and support on decisions proposed by the SP Energy Networks Board of Directors;
  - ◆ Provide a forum for open and in-depth discussion with a discrete group of stakeholders who become very well-informed about its business operations; and
  - ◆ Build relationships and identify opportunities for partnership.<sup>7</sup>
- ◆ **Independently verified plan:** SPEN's approach to stakeholder engagement is built around the AA1000 Stakeholder Engagement Standard, similar in style to the IAP2 spectrum. This Standard has been developed by AccountAbility and prioritises open engagement, transparency and innovation.<sup>8</sup> SPEN's annual engagement plan is also reviewed by DNV GL, an international risk management company.
- ◆ **Significant internal capability:** Over time, SPEN has increased their stakeholder engagement capability. In 2014-15 SPEN introduced a new business model that highlights the importance of stakeholder engagement throughout the organisation. The new model included the appointment of additional stakeholder engagement teams for each specific distribution area, over and above the central stakeholder team.

<sup>7</sup> SP Energy networks Strategic Stakeholder Panels, [http://www.spenergynetworks.co.uk/pages/stakeholder\\_panels.asp](http://www.spenergynetworks.co.uk/pages/stakeholder_panels.asp)

<sup>8</sup> AA1000 Stakeholder Engagement Standard 2015, <http://www.accountability.org/images/content/8/7/875/AA1000SES%202015.pdf> p. 2



- ◆ **Good use of online channels:** SPEN manages a strong online community, where a wide range of stakeholders can provide their views on “a series of topics, discussions, surveys and polls”.<sup>9</sup> The information gathered is used to assess stakeholder attitudes to current services, identify areas for improvement and engage on specific plans or issues. The online community, updated fortnightly, is used for both targeted stakeholder engagement (i.e. engagement with a specific audience, on a specific issue) and more general engagement (i.e. general engagement or education).

## Domestic Examples

In addition to the review of stakeholder engagement activities undertaken by international bodies, Newgate has also reviewed documents that outlined the approach to consumer engagement by other network companies in Australia. Specifically, we reviewed publicly available materials published by Ausgrid, Energex, Jemena, SA Power Networks and TransGrid.

The table below sets out a number of key themes that have emerged as common characteristics of strong consumer engagement. Broadly, these are:

- ◆ Early engagement;
- ◆ Advisory councils;
- ◆ Extensive stakeholder mapping;
- ◆ Strong commitment from senior executives and good internal feedback processes;
- ◆ Some use of digital and social media channels;
- ◆ The appropriate choice of research methodologies; and
- ◆ The development of clear, easy to understand communications materials that explain complex issues.

These themes have been informed by both the review of publicly available information and also Newgate’s own experience in and knowledge of the sector. They are not listed in order of priority.

## CHARACTERISTICS OF GOOD PRACTICE

### Early engagement

- ◆ The best engagement is completed early. Early engagement allows a business to gather feedback from consumers in sufficient time to inform decision-making. Early engagement is essential if it is to be meaningful and genuine. When engagement is rushed or done at the last minute many stakeholders interpret it as simply seeking justification for decisions that have already been made.

### Advisory councils

- ◆ Increasingly energy network companies are using advisory councils as the core of their customer and stakeholder engagement. Many are refreshing their council membership to make it broader and involving their most senior executives. The topics being discussed are broadening and becoming more long-term rather than a simple focus on the upcoming regulatory reset proposal or tariff structure statement. They are also being

<sup>9</sup> SP Energy Networks, Join Our Online Community, [http://www.spenergynetworks.co.uk/pages/online\\_community.asp](http://www.spenergynetworks.co.uk/pages/online_community.asp)

## CHARACTERISTICS OF GOOD PRACTICE

	used to road test approaches to broader end-consumer engagement.
<b>Extensive stakeholder mapping</b>	<ul style="list-style-type: none"> <li>◆ It is important that all key stakeholders are reached during engagement. A failure to engage with some key groups can, at best, result in a perception that consultation was not comprehensive or, at worst, in a negative submission to the AER.</li> <li>◆ The most successful stakeholder mapping is undertaken in consultation with stakeholders – asking them how they would like to be engaged, when and on what issues. A best practice stakeholder map should reflect this information. Stakeholder maps should be updated regularly to reflect changes in personnel or in an organisation’s internal priorities.</li> </ul>
<b>Strong commitment from senior executives and good internal feedback processes</b>	<ul style="list-style-type: none"> <li>◆ Organisations that engage well typically have strong leaders who lead by example and are actively involved in engagement activities.</li> <li>◆ Their organisations have strong processes in place that ensure feedback from engagement activities is shared within the organisation and influences decision-making.</li> </ul>
<b>Digital and social media</b>	<ul style="list-style-type: none"> <li>◆ ‘Have your say’ style websites are being used by some network companies as a way to engage with the broader community. A few companies are using social media to attract interest and drive people to these websites to comment.</li> <li>◆ Digital and social media appears to be a cost-effective method of engagement and have potential, however, as far as we are aware, there has only been very limited meaningful engagement from these channels. This is likely to be partly due to resourcing and partly related to the community’s real level of interest in these issues.</li> <li>◆ Current use of digital media could be considered closer to the ‘Inform’ side of the IAP2 spectrum, where stakeholder (including the AER) are pushing for engagement closer to the ‘Involve’ and ‘Collaborate’ end of the scale.</li> </ul>
<b>Choice of end-consumer research methodologies</b>	<ul style="list-style-type: none"> <li>◆ Multiple studies have shown that while many end-consumers are very interested in ways in which they can reduce their energy bill, they have little if any interest in the business and pricing plans of network energy companies and very few will attend a consultation session unless they are financially incentivised.</li> <li>◆ Even if quantitative WTP studies are done well, there is some concern about whether the findings are meaningful given the inherent limitations of the approach in terms of ensuring those consumers who complete it have the necessary understanding of the issues and the implications of their responses.</li> <li>◆ Many network businesses are finding that the most effective approaches to end-consumer engagement at the ‘Involve’ stage of the IAP2 spectrum involve qualitative research methodologies conducted amongst a good cross-section of the community that allow gathering of initial feedback, as well as more informed feedback on trade-offs and preferences following education. These usually take the form of four to six hour deliberative forums. Importantly, any information and options shown to consumers must be as simple as possible with clear cost implications. Where possible, these materials should be informed by feedback from consumer</li> </ul>



## CHARACTERISTICS OF GOOD PRACTICE

	groups and tested in focus groups.
<b>Making complex issues tangible to ensure feedback is meaningful</b>	<ul style="list-style-type: none"> <li>◆ Feedback from PIAC, the CCP and other consumer groups highlights the importance of presenting what is typically very complex information in the simplest possible way. Significant internal resources should be given to working out how complex issues can be explained to a layperson in a balanced way in order to build their capacity to respond. Critically, it must ensure that participants can readily understand the cost implications of the preferences they express.</li> <li>◆ As mentioned above, some organisations have found great benefit in testing proposed communications or engagement materials with consumer representatives, their Advisory Councils or in focus groups.</li> </ul>
<b>Clear objectives of engagement</b>	<ul style="list-style-type: none"> <li>◆ It is important to begin each engagement exercise with clear articulation of the objectives of that engagement and how the research findings will be used.</li> </ul>
<b>Feedback on how results of engagement have been used</b>	<ul style="list-style-type: none"> <li>◆ Network companies must clearly articulate the results of engagement and the extent to which feedback has been taken on board in decision-making. Where feedback has not been followed then reasons for this must be clearly articulated.</li> </ul>
<b>Acknowledging stakeholders' capacity to contribute</b>	<ul style="list-style-type: none"> <li>◆ It is important for network companies to acknowledge that many different organisations are seeking input from the same set of stakeholders, often on similar issues. Consideration must be given to ways to reduce demand on their time through maximising the effectiveness of consultation time, use of technology and cooperation between network companies.</li> </ul>

At the heart of the AER's guidelines is the idea that consumer engagement should be used to ensure that the views and preferences of consumers are heard and, critically, that they *influence* service providers' decisions. It is Newgate's understanding that this cultural shift, with an emphasis on the genuineness of engagement, is far more important than choice of any specific engagement methodology or activity.

## PART 2: INTERNAL STAKEHOLDER RESEARCH

Newgate Research conducted a series of unattributable interviews with 16 executives from Endeavour Energy as follows:

- ◆ Rod Howard, Acting Chief Executive Officer
- ◆ Bruce Rowley, General Manager, People & Services
- ◆ Ty Christopher, General Manager, Asset Management
- ◆ Michael Ghattas, General Manager, Finance & Compliance
- ◆ David Neville, General Manager, Strategy & Transformation
- ◆ Mike Martinson, Group Manager Network Regulation
- ◆ Jon Hocking, Manager Network Regulation
- ◆ Patrick Duffy, Regulator Strategy Manager
- ◆ Kate McCue, Manager, Corporate Affairs
- ◆ James Tydd, Stakeholder & Community Relations Manager
- ◆ Peter Payne, Media Manager
- ◆ Catherine Hockley, Communications Manager
- ◆ Meghan Bibby, Acting Manager, Customer Service
- ◆ Stu Medbury, Customer Advocacy Manager
- ◆ Danielle Manley, Chief Information Officer
- ◆ Amitabh Shukla, Senior Engineer – Lighting Solutions

The interviews explored perceptions of past stakeholder and customer engagement activities including what has been done well and what could be improved, and the ways in which the organisation approaches, resources and takes on board stakeholder and consumer feedback. Each interview took between 30 and 60 minutes and was conducted face-to-face by Sue Vercoe from Newgate Research in early June 2016.

### OVERVIEW

Overall it was clear that Endeavour Energy executives are aware of the need to develop a more proactive longer-term strategy for engagement with key stakeholders and customers.

In speaking about the process of cultural change underway in the organisation, many observed that staff have always had good intentions when it comes to customers, noting they have been focused on delivering and maintaining a distribution network that meets customer needs, particularly when it comes to technical excellence, safety and keeping the lights on. They acknowledged that, after the retail business was sold to Origin Energy in 2011, there was a general feeling amongst staff that the retailer owned the customer relationship and that the distributor should be getting on with its job of running the network while keeping prices as low as possible. Some commented that the general view among Endeavour Energy staff at that time was ‘we run a network business and know better than the customer’ – some say this is still the view of many within the organisation.

Most understand that the regulatory process is asking them to give customers a voice and proactively seek stakeholder and customer opinions on the way they approach their work. With the Australian Energy Regulator’s (AER’s) Consumer Engagement guidelines only available a few months before Endeavour submitted its 2014 – 2019 draft regulatory proposal many executives felt the organisation had done a

reasonable job with engagement. Now, having reviewed their approach and considering the feedback from the AER, the CCP and other stakeholders, and having reviewed what other network companies are doing, all appreciate that Endeavour Energy has a lot more work to do. They understand they must embrace engagement and pay it more than simple lip service.

They feel the organisation subsequently did a much better job with the Tariff Structure Statement (TSS) consultation but that it suffered as a result of limited resources and was done too late in the process.

At the moment it appears that some staff believe that better engagement with customers will not only improve the regulatory outcome, but also the customer experience, the organisation's reputation and ultimately its profitability, as it starts to offer a broader range of non-regulated services to meet customer needs. They accept that customers have a right to have a say and that many have an intelligent view of what is happening, particularly in the context of the massive technological disruption that is already underway. They want to see Endeavour Energy working hard to understand and deliver based on a more detailed understanding of customers' drivers and preferences early in decision making processes across the business, rather than limiting the benefits of genuine engagement by taking a 'decide, announce, defend' stance.

However, some senior executives admit they are still unsure of what end-consumers in particular can really say that would have a meaningful impact on decision-making, given the complexity of the business. They wonder about the return on investment of money spent on consumer engagement and whether it will make any difference in terms of the AER's or consumer advocates' response. They worry about choosing the right engagement methodologies and making sure all feedback is captured. They worry about whether they should be focusing on engaging more with consumer representatives or end-use customers and whether consumer representatives are actually reflecting the opinions of the broader community or just of vulnerable customers. Some confuse customer service and engagement. These people know engagement needs to happen but are unsure of the dynamics and what elements of their operations should be considered 'negotiables'.

Looking forward, there is a consistent view that Endeavour needs to improve its approach by institutionalising consumer engagement processes and pursuing a long-term stakeholder and customer engagement strategy that is part of 'business as usual' and not just driven by the regulatory process. In this context engagement is not about compliance or an add-on to decisions already made but rather a commercial imperative. In this approach, engagement is customer centric with a goal of improved outcomes for customers and the business, rather than 'for the network'.

Reflecting on Endeavour Energy's engagement at this point in time there was a widespread sense that while the consultation activities that had been undertaken were done relatively well and handled professionally, the organisation's overall approach had been reactive and suffered from insufficient budget and resourcing. A few commented that engagement was, at times, conducted fairly late and appeared to be ad hoc, often with intense consultation over a limited time period. The TSS was presented as an example. There was also a sense that relationships with consumer advocates were transactional, with Endeavour only engaging when it needed feedback for regulatory purposes.

Some said that engagement needed to continue to move away from 'inform' activities to more 'consult' and 'engage' activities and ensure transparent feedback loops are in place to explain what changes were made as a result of feedback and what was not changed and the reason for that. While many were complimentary of the plain English consultation summary documents prepared by the Corporate Affairs team, some felt the organisation could do a better job of promoting engagement to external stakeholders through a series of meetings and/or via a dedicated consumer engagement website, similar to SA Power Networks' Talking Power.

The next section of the report summarises what executives believe Endeavour does well in stakeholder and customer engagement and opportunities for improvement in the way the organisation resources and approaches stakeholder and consumer engagement to ensure it informs decision-making.

Executives also had some specific suggestions on stakeholder and customer engagement mechanisms and these are set out alongside stakeholders' own suggestions in Part 3 of this report to allow ready comparison between internal and external stakeholders on the same topics.

## WHAT ENDEAVOUR DOES WELL

In discussing what Endeavour Energy does well in the area of stakeholder and consumer engagement, the following key themes emerged.

- ◆ **Revenue reset consultation felt right at the time.**

Many participants felt that Endeavour Energy, in its work partnering with Networks NSW's stakeholder engagement team, conducted reasonable engagement around the last revenue reset proposal based on their understanding of the consultation guidelines at that time. They now understand that more is required.

- ◆ **Did better job on TSS consultation.**

Many felt the organisation did a better job on TSS consultation in a compressed timeframe and with limited resources. A few noted that some consumer advocates had acknowledged this improvement and the willingness of staff to engage and provide information.

- ◆ **Good community engagement around projects.**

Many felt the organisation does a good job in consultation around major network infrastructure projects, using a framework that is set by the corporate affairs team and implemented by front-line staff. This is seen as an area of expertise that has been developed over many years.

- ◆ **Responds well in a crisis.**

The interviews were conducted immediately after severe storms on the weekend of 4 – 5 June 2016 and the majority of participants commented that Endeavour Energy's staff are particularly good at customer service and communication about outages in times of crisis and that the team demonstrates genuine empathy and concern.

- ◆ **Professional approach to stakeholder engagement.**

Many noted that the organisation's approach to stakeholder engagement had always been very professional and of good quality, albeit significantly hampered by lack of resources. In this context a few described the team as 'great scramblers'. A few mentioned good quality plain English reports of engagement initiatives and plain English customer summaries of complex regulatory determinations.

- ◆ **Good consultation where there is already dedicated engagement resources.**

Around half said they felt Endeavour does a relatively good job at engagement in three areas where a specific staff member is responsible for liaison and planning regular engagement – with councils on public lighting, with retailers on operational matters, and with Accredited Service Providers (ASPs).

- ◆ **Good quality end-consumer research.**

Several noted that the three four-hour deliberative planning sessions with a good mix of end-consumers conducted for the last revenue reset were a useful way of seeking feedback. Some noted they felt the qualitative and quantitative willingness to pay research had been worthwhile despite some stakeholder criticism of its use in the regulatory proposal to justify operating expenditure decisions

- ◆ **Improving focus on customer service.**

A few participants noted the organisation is working hard to improve its customer service approach and processes.

- ◆ **Executive Leadership Team (ELT) is focusing more on the customer.**

A few noted the Acting CEO set up a regular internal meeting, known as the Executive Customer Focus Forum, more than a year ago, with the intention of providing a regular forum to discuss customer issues. This was noted as a good step forward.

- ◆ **Lighting The Way project.**

A few mentioned the 'Lighting the Way' project in which Endeavour Energy worked with Western Sydney Regional Organisation of Councils on a project funded by the Federal Government to replace mercury street lights with LED lights.

- ◆ **The regulatory team knows its key stakeholders.**

A few participants noted that the regulatory team knows the key stakeholders that the organisation needs to be talking to but is looking for help with a process to facilitate engagement.

## OPPORTUNITIES FOR IMPROVEMENT

Participants identified the following internal initiatives to help ensure the appropriate structures, mechanisms and resourcing is in place to ensure the organisation can continue its process of organisational change and ensure that stakeholder and consumer feedback is actively used to inform decision-making.

- ◆ **Improve resourcing of engagement activities.**

Virtually all participants noted that Endeavour's approach in the past has been limited by a lack of resources and there was a widely held view that more resources need to be dedicated to engagement. Indeed, some described the function as being 'massively under resourced'. Some added that this would be exacerbated now Endeavour Energy is no longer sharing this function with other businesses as part of Networks NSW.

At minimum, most felt this should take the form of a new Stakeholder Engagement Manager position plus additional budget for research and engagement activities such as the Customer Consultative Committee as well as for the website and social media. A few suggested the appointment of a digital or social media specialist.

One participant suggested the establishment of a centralised research or insights function that would service various parts of the business. They saw it as potentially encompassing customer service and engagement research as well as research into customer needs that could be used by the Network Services business to target new revenue streams.

- ◆ **Identify clear lines of responsibility around engagement.**

A few staff suggested that responsibility for engagement is currently unclear and split between the corporate affairs, customer service and regulatory team. Most felt responsibility should sit with the corporate affairs team and that it should be tasked with establishing and implementing an appropriate framework, with a dotted line to the regulatory team.

- ◆ **Clarify the difference between 'customer service' and 'stakeholder and consumer engagement'.**

In several interviews it appeared that some executives were not clear on the difference between customer service and stakeholder and consumer engagement and the fact that customer service involves more operational interactions with customers while engagement is more about a two-way

conversation on issues of importance to the consumer and their preferences in relation to Endeavour Energy's services and pricing.

Internal titles compound this problem – for example there is a role in the customer service team entitled 'consumer engagement officer' and this person handles customer satisfaction reporting. It is Newgate's view that clarification on this matter will be a useful step in improving the organisation's approach to engagement.

- ◆ **Build understanding of the benefits of genuine engagement.**

While only a minority of those interviewed, some staff are clearly unsure about the real benefits of engagement. In moving forward it will be critical to build internal understanding on this issue as part of the cultural transformation process.

- ◆ **Broaden the focus of the Executive Customer Focus Forum.**

The Executive Leadership Team and representatives from Customer Service and Corporate Affairs meet for two hours every two months to examine customer issues from an operational perspective, looking at customer touch points including the results of the customer satisfaction survey and monthly service reports and then focusing on one or two specific topics.

Rather than set up a new mechanism to discuss and share feedback from engagement, many felt the focus of this forum should be broadened to encompass these points on a regular rather than ad hoc basis.

- ◆ **Strong focus on stakeholder and consumer engagement in Regulatory Reset Steering Group.**

A few participants suggested that the results of stakeholder and consumer engagement must also be a key agenda point for meetings of this group.

- ◆ **Stronger senior involvement in engagement.**

Many participants were keen to see members of the Executive Leadership Team leading by example and actively engaging with key stakeholders and customers. They suggested this could take the form of more senior attendance at Customer Consultative Committee meetings (ideally with the Acting CEO attending), at topic-specific consultation sessions, in one-on-one meetings with key stakeholders and through attendance at any deliberative planning events with residential customers. A few participants suggested that some senior executives may need support to feel confident undertaking these roles.

- ◆ **Broaden the base of staff involved in engagement activities.**

Some suggested the organisation should seek to broaden the base of staff involved in stakeholder and consumer engagement activities. Specific suggestions included inviting more staff to attend CCC meetings, topic-specific consultations or observe deliberative planning sessions. It was also suggested that field staff be trained on how to have conversations with customers and of the importance of door knocking and speaking face-to-face with people on life support, for example.

- ◆ **Include requirement to consider consumer implication on any new policy.**

Many participants suggested the key to making stakeholder and consumer engagement 'business as usual' is to require any new policy being considered by the Executive Leadership Team to include a section on 'Stakeholder and Consumer Implication'.

In order to avoid this leading to unnecessary bureaucracy, some suggested the minimum default action would be to consult with the Manager Corporate Affairs and Manager Customer Service. These two individuals could then advise on likely impact and what kind of engagement may be required and what form it could take.

- ◆ **Consider introduction of engagement KPIs for all senior managers.**

Some, but not all, participants felt that the introduction of a stakeholder and consumer engagement KPI into Endeavour Energy's strategic plan, and then into senior managers' performance measures



would be a powerful mechanism to drive cultural change. At the moment there are reportedly only relevant KPIs for some members of the Corporate Affairs and Customer Service team.

♦ **Improve access to data for use in stakeholder and consumer engagement.**

A few participants noted that the organisation appeared to find it difficult to provide some of the kinds of data that are required for use in stakeholder and consumer consultation, particularly the implications of different approaches on the average quarterly consumer bill. This situation is reportedly compounded by siloed thinking, with many focused primarily on what's going on in their own division rather than the priorities of the organisation as a whole.

This situation was seen as hampering the efforts of those involved in consultation, making it harder to provide stakeholders and consumers with the information they need to make informed decisions.

Similarly, some spoke of the difficulties faced by the customer service team in getting timely responses on matters to allow them to update customers and respond to queries.

This was seen as something could be partially addressed through broader introduction of engagement KPIs.



## PART 3: EXTERNAL STAKEHOLDER RESEARCH

Newgate Research conducted a series of unattributable interviews with 21 of Endeavour Energy's key stakeholders from organisations as follows:

STAKEHOLDER GROUP	ORGANISATIONS
<b>Government (n=4)</b>	<ul style="list-style-type: none"> <li>◆ Australian Energy Market Commission</li> <li>◆ Australian Energy Regulator</li> <li>◆ Independent Pricing and Regulatory Tribunal</li> <li>◆ Office of the Minister for Energy, NSW</li> </ul>
<b>Consumer Advocates (n=6)</b>	<ul style="list-style-type: none"> <li>◆ Energy Consumers Australia (3 representatives)</li> <li>◆ Energy and Water Ombudsman of NSW</li> <li>◆ Ethnic Communities Council</li> <li>◆ Public Interest Advisory Council</li> </ul>
<b>Councils (n=3)</b>	<ul style="list-style-type: none"> <li>◆ Blacktown City Council</li> <li>◆ Macarthur Regional Organisation of Councils (MACROC)</li> <li>◆ Western Sydney Regional Organisation of Councils (WSROC)</li> </ul>
<b>Environment (n=2)</b>	<ul style="list-style-type: none"> <li>◆ Solar Citizens</li> <li>◆ Total Environment Centre</li> </ul>
<b>Industry (n=3)</b>	<ul style="list-style-type: none"> <li>◆ Houston Kemp Economists</li> <li>◆ National Electrical and Communications Association</li> <li>◆ NSW Business Chamber</li> </ul>
<b>Retailers (n=3)</b>	<ul style="list-style-type: none"> <li>◆ AGL</li> <li>◆ Origin Energy (2 representatives)</li> </ul>

The interviews explored perceptions of Endeavour Energy's overall reputation, its relationship with its stakeholders, its stakeholder and customer engagement activities and recommendations for improvement. Each interview comprised a mix of open-ended questions and ratings on key metrics that will allow for tracking of opinion over time. Interviews took between 15 and 40 minutes and were conducted by telephone by Sophie Travers and Katherine Kailis in June 2016.

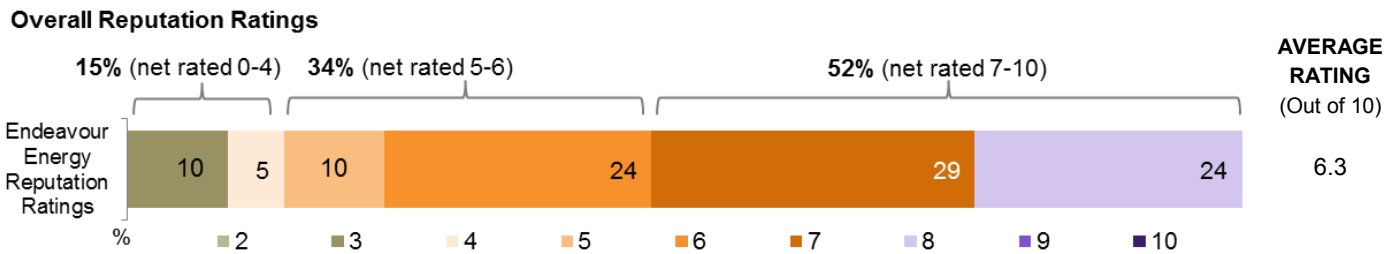
## ENDEAVOUR ENERGY BENCHMARK METRICS

While the research study was focussed on exploring perceptions of Endeavour’s approach to engagement, it also took the opportunity to benchmark the organisation’s overall reputation, quality of relationships, quality of engagement and net advocacy score using some quasi-quantitative measures to allow for future tracking.

### Reputation

Stakeholders rated Endeavour Energy’s reputation an average of 6.3 on a scale of 0 to 10 where 0 meant very poor and 10 meant excellent. The organisation’s performance score, which is the proportion of stakeholders who rated its reputation as 7 or more out of 10, is 52%.

Those who gave high scores typically mentioned Endeavour Energy’s technical expertise and the good personal relationships they have with individual members of staff. Some also mentioned good experiences as members of the Customer Consultative Committee. Those who gave lower scores typically pointed to its poor approach to stakeholder and consumer engagement, suggesting this is a key driver of the organisation’s reputation.

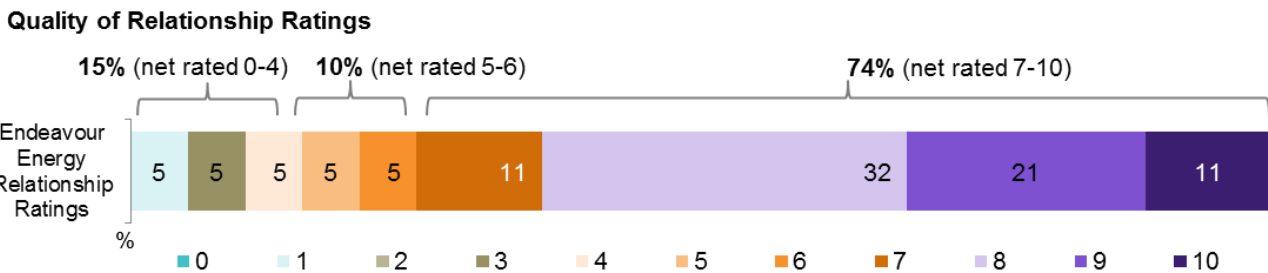


Base: All respondents, n=21 excluding ‘don’t knows’. Q: How would you rate the overall reputation of Endeavour Energy as an organisation? Please base this on experiences you’ve had with the organisation and anything else you’ve seen, heard or read about it. (Scale 0-10; 0=very poor reputation, 10=excellent reputation)

### Quality of Relationships

Endeavour Energy’s performance on the quality of its relationships with stakeholders is a particular strength, with an average score of 7.2 and a performance score of 75%, representing those who gave a score of 7 or more out of 10.

Across all segments, most participants are happy with the quality of their direct relationships with Endeavour Energy staff. Those who gave lower ratings suggested genuine engagement with them had been very limited.

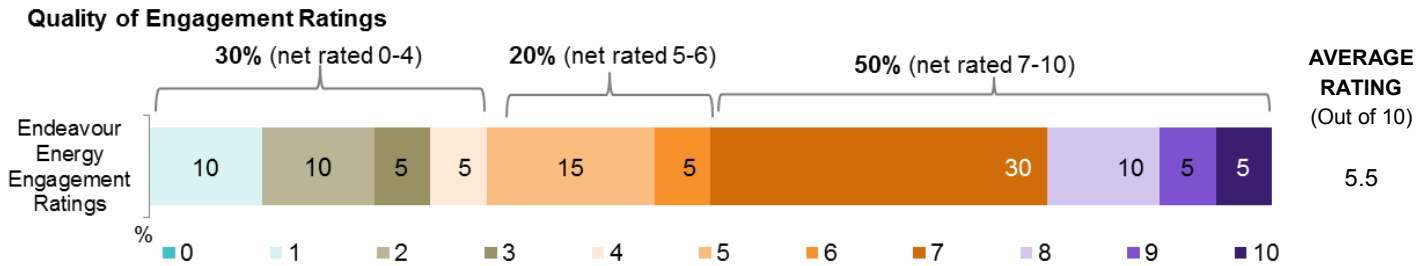


Base: All respondents, n=19 excluding ‘don’t knows’. Q: How would you rate the overall quality of the relationship it has with you? (Scale 0-10; 0=very poor relationship, 10=excellent relationship)

## Quality of Engagement

Stakeholders rated Endeavour Energy's engagement an average of 5.6 and its performance score is 50%, representing the proportion who gave a score of 7 or more out of 10. Half of the stakeholders interviewed rated the quality of Endeavour Energy's past engagement a 6 or less, with several giving very low scores.

Stakeholders' comments on engagement are explored in more detail in the next section of this document.



Base: All respondents, n=20 excluding 'don't knows'. Q: How would you rate the overall quality of its engagement? Please base this on experiences you've had with the organisation and anything else you've seen, heard or read about it. (Scale 0-10; 0=very poor relationship, 10=excellent relationship)

## Net Advocacy Score

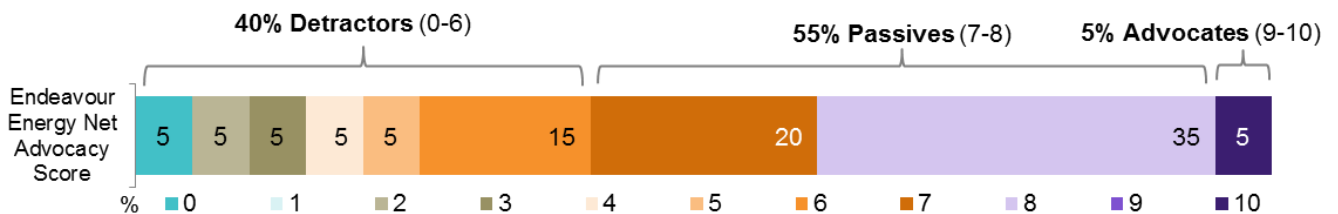
An important component of measuring reputation is gaining a strong understanding of what outcomes it generates. One important outcome is how likely participants are to speak well of Endeavour Energy if it comes up in a conversation with a peer or colleague.

This action-oriented measure is known as a Net Advocacy Score (NAS). It classifies respondents into three categories:

- ◆ **Advocates:** Those who rated their likelihood to speak well of Endeavour Energy as an 9 or more out of 10 (this is the standard methodological approach for the NAS and is a *different measure* to performance scores discussed elsewhere in this report)
- ◆ **Passives:** Those who gave a rating of 7 or 8 out of 10
- ◆ **Detractors:** Those who gave a rating of 6 or less out of 10

The calculation of the NAS requires subtraction of the proportion of Detractors from that of Advocates, resulting in either a positive or negative score. The key when interpreting these results is to understand what can be done to convert passives into advocates and address what is driving detraction.

### Endeavour Energy's Advocacy



Base: All respondents, n=20. Based on your experiences with Endeavour Energy, how likely would you be to speak well of it to a peer or colleague if asked, using a scale of 0 to 10 where 0 means not at all likely and 10 means extremely likely? (Scale 0-10).

Only one stakeholder was considered an advocate, 11 were considered passives and eight were detractors. As such, Endeavour’s overall Net Advocacy Score is -30%. While the NAS may be negative, it is important to note that the proportion of passives is sizeable indicating significant potential for conversion to advocates by addressing some of the key areas for improvement outlined in this report.

Higher NAS scores were typically given by stakeholders in the Government, Councils and Retailers segments, with the lowest scores from the consumer segment.

### Analysis by Stakeholder Group

There was significant variation on each of the metrics between stakeholder groups. The results are shown in the table below.

Higher scores were generally given by Council stakeholders and lower scores tended to come from Consumer Advocates and Environment stakeholders, many of whom were involved in the Tariff Structure Statement roundtables.

	PERFORMANCE SCORE	OVERALL AVERAGE RATING	CONSUMERS n=6*	GOVERNMENT n=4*	BUSINESS n=3*	RETAILERS n=3*	COUNCILS n=3*
Overall Reputation (n=21)	52%	6.3	6	6.5	5.7	7.3	7.7
Quality of its Relationship with you (n=19)	74%	7.2	8	7.3	8	7	8.7
Quality of its Engagement (n=20)	50%	5.6	4.6	6	5.3	6.7	8
Net Advocacy Score (%)	-30%	-	-80	-25	-33	0	33

*Questions: How would you rate the overall reputation of Endeavour Energy as an organization? Please base this on experiences you've had with the organisation and anything else you've seen, heard or read about it. The scale I'd like you to use goes from 0 to 10 where 0 means you think Endeavour Energy has a very poor reputation and 10 means you think it has an excellent reputation, n=21; How would you rate the overall quality of the relationship Endeavour Energy has with you on a scale of 0 to 10 where 0 means very poor and 10 means excellent, n=19; How would you rate the overall quality of Endeavour Energy's engagement on a scale of 0 to 10 where 0 means very poor and 10 means excellent? (n=20). NOTE: Due to very small base sizes, quantitative results should be interpreted as indicative only throughout. "Don't know" responses have been removed to calculate percentages.*

## STAKEHOLDER AND CONSUMER ENGAGEMENT IN MORE DETAIL

This section of the report summarises key themes in external stakeholder’s comments on what Endeavour Energy does well in engagement and areas of improvement.

### What Endeavour Does Well

#### ◆ Professionalism of its staff.

There was praise for individual staff’s responsiveness to requests and willingness to share information, particularly amongst stakeholders in the Council, Government, Business to Business and Retailer segments.

Many stakeholders said that day-to-day as well as ad hoc requests for information were always met quickly and that individuals within Endeavour Energy were always happy to pick up the phone to provide informal, transparent and professional updates. Those stakeholders who had one point of

contact with Endeavour tended to be the most positive. One Government stakeholder commented that Endeavour Energy was 'a standout' throughout the AER benchmarking process in terms of responsiveness.

Almost across the board, the staff at Endeavour Energy were considered professional and a 'good bunch to deal with'. A few stakeholders noted that if it weren't for the well-intentioned individuals they deal with, Endeavour's overall reputation rating would be much lower.

◆ **Early signs of improving approach to engagement and more customer focus.**

Many noted they have observed a marked shift at Endeavour Energy towards more proactive and meaningful engagement. Although some felt these changes were very preliminary, it instilled confidence that the organisation is heading in the right direction.

Examples cited included Endeavour Energy's vulnerable customer workshop, the Customer Consultative Committee, consumer-facing deliberative planning forums and the reference to the Ethnic Communities Council guidelines in its latest TSS document. Some Government stakeholders noted they had been pleased to see that some cost savings had been passed on to customers.

While stakeholders were glad that Endeavour was seeking stakeholder feedback through this research process, many noted that its focus should quickly turn to taking action in response.

◆ **Improvements to the Tariff Structure Statement process, despite feedback not having been taken on board.**

Some participants noted an improvement in the engagement activities undertaken by Endeavour Energy during the recent TSS process. Stakeholders felt that the time and resources committed to the TSS roundtables was commendable and that the presentations were effective in outlining Endeavour's proposal.

However it is important to note that this consultation was also the subject of strong criticism. Stakeholders from consumer advocate and environment segments were particularly vocal, suggesting the engagement was not genuine as there was no evidence that any action had been taken as a result of the feedback provided. Despite this, stakeholders acknowledged that many of the staff involved were professional and were trying to do the right thing.

◆ **Professionally-run Customer Consultative Committee.**

The four members of the Customer Consultative Committee interviewed as part of this study were positive about the way in which the Consultative Committee has been run and felt it was a particularly effective way of sharing information about the issues facing the sector, including how the regulatory process works. These individuals typically cited the Consultative Committee as a key reason for high reputation ratings.

Members felt that the meetings were well-organised and appreciated that minutes were distributed afterwards. One stakeholder noted that their participation in the Consultative Committee had made them feel respected.

◆ **Strong consultation and customer service on street lighting.**

Council representatives singled out Endeavour's engagement around street lighting as a key strength, with the 'Lighting the Way' project, which involved a transition from mercury lighting to more energy-efficient LED lighting, seen a highly successful and popular initiative. It was felt that the partnership could be publicised further as a success story due to the considerable benefits provided to the Council.

One stakeholder was particularly impressed when LED lights were installed in a much quicker timeframe than expected. Another said they felt their quarterly, minuted conversations with Endeavour Energy were a particularly effective engagement mechanism.

## Opportunities for Improvement

When asked about issues with Endeavour Energy's approach to consultation and suggestions on how it could be improved, many focused on its overall approach rather than specific initiatives. The key themes mentioned by participants are outlined below in descending order of importance.

- ◆ **Ensure engagement is genuine and a long-term plan is in place.**

Overwhelmingly stakeholders are keen to see ongoing, regular engagement that is genuine and not driven by compliance around regulatory reset proposals.

Some stakeholders believe that, historically, the Networks NSW businesses haven't taken engagement seriously and that it has been undertaken begrudgingly as a "tick-a-box" exercise. Several commented that Endeavour Energy has suffered from a deep sense of inertia and an assumption that it knows what's best for its consumers. Some noted that the fact previous engagement activities have largely focused on the 'Inform' side of the spectrum is evidence of this attitude. A few commented that some presentations or written materials tend to try to 'convince' its audience of an outcome and that this does not constitute consultation.

There is a belief that, while there are certainly individuals at Endeavour Energy who value engagement, there is a long road ahead before the organisation is truly customer-focused. Some warned that failure to embrace engagement will ultimately impact Endeavour Energy's bottom line – either because its revenue reset proposal will be rejected, because opportunities to develop new unregulated income streams will be missed or because customers will choose to go 'off grid' because Endeavour Energy is not offering the services they are looking for.

Many stakeholders recommended Endeavour Energy establish a long-term engagement plan that extends beyond or across regulatory reset periods. It was suggested this would help to ensure a strong customer voice in decision-making and reduce the burden of the regulatory reset, both financially and on internal resources. A couple of participants suggested Endeavour Energy set up a structured reference group to help it establish this engagement plan.

- ◆ **Increase the involvement of Endeavour Energy's senior team in consultation.**

Stakeholders suggested that a key element of the cultural change piece within Endeavour Energy would be to ensure senior executives are more visible in consultation. Many noted that their absence to date has given the impression that engagement is not a priority for the organisation. A few noted that this inevitably means those executives are ill-equipped to understand the needs and wants of customers and to make decisions in their best interest.

Looking ahead, stakeholders would like to see senior Endeavour Energy representatives attending Customer Consultative Committee meetings, consumer research forums, regulatory workshops and industry events. Some stakeholders believe this 'on the ground' presence at key events would go a long way towards driving cultural change within the organisation.

- ◆ **Demonstrate how Endeavour Energy has taken feedback on board.**

As noted, one of the strongest criticisms of Endeavour Energy's engagement was that it was not genuine and that feedback was not taken on board in decision-making. Several pointed to the TSS process, saying they had participated in good faith, only to find out that "not a single thing changed in their approach as a result of it". A few added that the process was rushed and the content was not well thought through as a result. Some consumer stakeholders were frustrated that Endeavour Energy had been reluctant to explore the issues they had raised.

Some stakeholders suggested a new focus on incorporating structured feedback loops into all engagement activities, clearly articulating where feedback has been taken on board, where intended actions have been modified and, if feedback hasn't been taken on board, the reasons for this.

It is clear that further transparency on how the results of engagement are used to inform decision-making would improve Endeavour's overall reputation amongst all stakeholders.

◆ **Engage early.**

Many stakeholders suggested Endeavour Energy should distribute relevant materials, particularly around regulatory resets and tariff reform, as early as possible in advance of when feedback is required. They noted that, in the past, there has not been sufficient time for them to make a contribution and timelines have placed undue pressure on their organisation.

◆ **Appropriately resource engagement.**

Some stakeholders commented that Endeavour Energy does not appear to have the necessary internal resources to undertake the required level of stakeholder and consumer engagement.

Some specific suggestions included engaging an independent facilitator to support the Customer Consultative Committee and encourage further participation, employing a former consumer advocate to manage consumer engagement, and ensuring that a regulatory manager is responsible for developing communications materials on specific issues.

◆ **Take a more collaborative approach to the Customer Consultative Committee.**

Overall, members of the Community Consultative Committee were happy with how it is currently managed, but some felt it was overly dominated by Endeavour Energy presentations and topics it wanted to discuss. They suggested a more collaborative approach is taken, allowing, for example, participants to suggest items they would like to discuss.

Two participants noted it would be helpful if agendas and background documents were provided further in advance of meetings, to allow more time to review them closely and, where appropriate, consult with others in their organisation before attending.

A couple felt that, due to the Council's diverse membership, the topics covered weren't always relevant to them. It was suggested that consideration be given to the introduction of additional, tailored, topic-specific forums for those who are interested.

When talking more broadly about effective Committees run by other organisations, the key elements for success included:

- ◆ Providing clear background information that facilitates meaningful participation;
- ◆ Developing a fluid agenda that allows for emerging issues to be explored and for participants to put items on the agenda;
- ◆ Allowing time to explain how feedback has been taken on board; and
- ◆ Senior involvement at the highest possible levels.

It is worth noting that two participants who are not currently members of the Consultative Committee said they would be interested in participating.

◆ **Proactively position Endeavour Energy at the forefront of changes in the energy industry.**

Some stakeholders commented that Endeavour Energy is not seen as a particularly innovative organisation. They recommended it do more to proactively respond to threats and opportunities arising from changes to the energy industry.

Stakeholders felt, to some degree, this would naturally follow from efforts to build a deeper understanding of its customers and their needs. Around a quarter of stakeholders specifically suggested that the organisation should be actively exploring new product options around battery storage, with one mentioning the potential for battery storage trials in solar homes as SA Power Networks, Ergon and Energex have done.



A couple mentioned that companies like AGL and Energy Australia are proactively promoting products focused on energy efficiency and that this has reflected positively on their overall reputation.

◆ **Don't worry too much about selection of 'the best' or 'the correct' engagement tool.**

It is important to note that majority of stakeholders were mode-agonistic and did not have firm views on what engagement tools worked best, although several mentioned deliberative forums. Their clear focus was that process be genuine, that senior management attend, that feedback be taken on board in decision-making and that a range of approaches be used.

Many stakeholders noted that good consumer engagement "is not rocket science" and that it is for Endeavour Energy to decide what approaches to engagement it feels will be most effective by building a deep understanding of its diverse customer base and their engagement preferences. Some noted that this can be a process of trial and error. Others noted that it is an ongoing process and that, once Endeavour has established a better understanding of its customer base, it should look to consumer advocates to get further guidance on how to engage with the diverse groups within it.

◆ **Make sure engagement encompasses all key stakeholders.**

The stakeholders who were most dissatisfied with Endeavour Energy's engagement performance to date were those who felt they had not been adequately consulted in the past. This highlights the importance of identifying and engaging all key stakeholders in some way.

It is also important to note that, while some stakeholders were particularly negative of Endeavour Energy's past engagement activities, all agreed Endeavour Energy could improve and were open to participating constructively in future genuine engagement opportunities. One stakeholder noted that their opinion of Endeavour had improved significantly since it proactively approached their organisation to acknowledge past mistakes and seek advice on how to improve.



## SUGGESTIONS FROM EMPLOYEES AND STAKEHOLDERS

The table below summarises stakeholders' and employees' ideas on how Endeavour Energy could best improve its approach to stakeholder and consumer engagement. The table notes where the feedback from stakeholders and employees aligns and where it differs. It is important to note, the majority of feedback was very consistent, providing a clear direction for future activities.

	FROM BOTH STAKEHOLDERS AND EMPLOYEES	FROM EMPLOYEES ONLY	FROM STAKEHOLDERS ONLY
<b>Overall approach to engagement</b>	<ul style="list-style-type: none"> <li>◆ Introduce long-term and ongoing approach to engagement</li> <li>◆ Consult early to allow feedback to lead to change</li> <li>◆ Seek deeper engagement with and build understanding of customer advocate's positions</li> <li>◆ Use a range of engagement tools, taking into consideration stakeholder and consumer preferences</li> <li>◆ Significantly improve resourcing for engagement</li> </ul>		<ul style="list-style-type: none"> <li>◆ Create a reference group to inform the establishment of a long-term engagement plan</li> <li>◆ Create a road map that shows exactly where stakeholders and consumers fit in to the engagement process</li> <li>◆ Speak to consumers in a language consumers understand, look to current tone of engagement on Twitter for guidance</li> </ul>
<b>Customer Consultative Committee (CCC)</b>	<ul style="list-style-type: none"> <li>◆ Refresh and expand membership, employees suggested including ECA, EWON, the Small Business Commissioner and any others who regularly comment on revenue reset and TSS proposals. Note that the ECC expressed interest in participating.</li> <li>◆ Revert to quarterly meetings</li> <li>◆ Regularly ask members what topics they would like to engage on and let them help drive internal work focus</li> <li>◆ Engage on broader long-term issues rather than</li> </ul>	<ul style="list-style-type: none"> <li>◆ Ask members where they would prefer to meet – in the CBD or Parramatta rather than at Endeavour's offices?</li> <li>◆ Consider an independent chair as this would allow the CCC to be able to make recommendations back to the business</li> <li>◆ Publish CCC minutes on website</li> </ul>	<ul style="list-style-type: none"> <li>◆ Invite guest speakers to present</li> <li>◆ Present complex information in a way that is easier for members to understand and respond to</li> <li>◆ Provide draft regulatory documents at least three weeks' in advance</li> </ul>



FROM BOTH STAKEHOLDERS AND  
EMPLOYEES

FROM EMPLOYEES ONLY

FROM STAKEHOLDERS ONLY

- just on the revenue reset and TSS proposals
- ◆ Continue to work on moving from 'inform' to a 'consult' and 'collaborate' approach
- ◆ Ensure better attendance from senior executives, ideally including the Acting CEO
- ◆ Publish agendas on Endeavour Energy's website well in advance and provide brief discussion papers for each agenda item that explain relevant background and identify key areas on which feedback is being sought

**Topic-specific stakeholder workshops**

- ◆ Hold a series of topic-specific workshops on issues of most interest to stakeholders
- ◆ Ensure there is a feedback loop in place, using early workshops to gather insights and identify information needs and later workshops to report back on work undertaken, further test proposed approach and explain why certain feedback will not be taken on board

**One-on-one stakeholder meetings**

- ◆ Seek more regular constructive one-on-one meetings with key stakeholders to better understand their positions, gather relevant insights and build long-term relationships

**Retailer engagement**

- ◆ Place greater importance on retailer engagement
- ◆ Expand retailer engagement from a focus on operational issues into a more senior information-sharing relationship to help inform position on tariffs and ensure that network service providers and retailers are not working at cross-purposes



FROM BOTH STAKEHOLDERS AND  
EMPLOYEES

FROM EMPLOYEES ONLY

FROM STAKEHOLDERS ONLY

<b>Council engagement</b>	<ul style="list-style-type: none"> <li>◆ Continue current approach of consulting on lighting issues via one-on-one meetings with councils</li> </ul>	<ul style="list-style-type: none"> <li>◆ Consider occasional use of workshops to supplement one-on-one meetings to share latest advances in technology, discuss common issues and explore opportunities to provide additional value-added and differentiated services</li> </ul>	<ul style="list-style-type: none"> <li>◆ Leverage the success of LED lighting projects as a good news story to share with stakeholders and consumers</li> <li>◆ Ensure local government is consulted prior to pruning activity</li> <li>◆ Consider a media campaign to build awareness amongst the community around the reasons for pruning</li> </ul>
<b>Website and social media</b>	<ul style="list-style-type: none"> <li>◆ Better resource digital channels, perhaps after research to explore preferences for these types of channels, particularly amongst young people</li> <li>◆ Be more active in social media and use it creatively to seek consumer feedback</li> </ul>	<ul style="list-style-type: none"> <li>◆ Consider establishment of specific consultation website to host information about all stakeholder and consumer engagement, including CCC activities</li> <li>◆ Expand from use of Twitter and set up a Facebook page</li> </ul>	<ul style="list-style-type: none"> <li>◆ Consider an app to educate consumers and business on how to be more energy efficient</li> </ul>
<b>Market research</b>	<ul style="list-style-type: none"> <li>◆ Continue to use formal research to explore the opinions of end-consumers using methodologies like the deliberative planning workshops</li> </ul>	<ul style="list-style-type: none"> <li>◆ Get a better understanding of the make-up of Endeavour Energy's customer base with a focus on their cultural background and communications preferences</li> </ul>	<ul style="list-style-type: none"> <li>◆ Involve senior executives in research activities</li> <li>◆ Consider a dedicated consumer research panel to keep up to date with what the customer wants</li> </ul>
<b>CALD communication</b>	<ul style="list-style-type: none"> <li>◆ Work closely with NSW Ethnic Communities Council (ECC) to identify cost effective ways to reach CALD communities</li> <li>◆ Consider championing the ECC-recommended approach of helping train and support opinion leaders who are already engaging with their communities on energy issues.</li> </ul>		



## PART 4: RECOMMENDATIONS

Below are a number of recommendations for consideration by Endeavour Energy. These have been divided into three categories 'Critical', 'Important' and 'Beneficial'. These categories reflect the importance of each recommendation and are listed in broad descending order of importance. While our strong advice is to implement at least the 'Essential' and 'Important' recommendation, this approach recognises that budget and resourcing constraints may mean that is not possible.

<p><b>1. Essential</b></p>	<ol style="list-style-type: none"> <li>1. Improve resourcing and budget for engagement activities.</li> <li>2. Respond to this report by updating the Endeavour Energy Customer Engagement Plan. Publish it on the website and then move quickly to implement it.</li> <li>3. Increase staff participation in engagement activities, with a focus on the Executive Leadership Team.</li> <li>4. To help ensure feedback is reflected in decision-making, introduce a consistent engagement report template for use in all engagement activities and consider these at the renamed 'Executive Stakeholder and Customer Focus Forum' meeting. This template should include a section on how feedback is taken on board and published on the website.</li> <li>5. Refresh the Endeavour Energy Customer Consultative Council membership and revert to four meetings a year - consider it Endeavour Energy's core engagement activity.</li> <li>6. Develop an updated and more detailed stakeholder matrix.</li> <li>7. Introduce a program of one-on-one relationship building with key stakeholders.</li> <li>8. Hold a series of topic-specific workshops with a wide range of stakeholders, ensuring clear feedback loops are in place.</li> <li>9. Introduce a modest program of regular consumer engagement research.</li> <li>10. Explore options for professional development relevant to engagement activities.</li> </ol>
<p><b>2. Important</b></p>	<ol style="list-style-type: none"> <li>1. Proactively engage with CALD communities through inclusion of appropriate participants in research and by supporting the NSW Ethnic Community Commission's work in educating community leaders on energy issues.</li> <li>2. Develop themes or narratives to Endeavour Energy's engagement and identify some showcase initiatives.</li> <li>3. Expand engagement with retailers from operational to more strategic issues.</li> <li>4. Help facilitate internal cultural change through a range of initiatives including introduction of engagement-related KPIs for senior executives, introducing a requirement to consider consumer impact for new policies.</li> </ol>
<p><b>3. Beneficial</b></p>	<ol style="list-style-type: none"> <li>1. Improve Endeavour Energy's digital presence by establishing a more comprehensive 'Have Your Say' section on the website and considering use of Facebook.</li> <li>2. Continue to focus on engagement with Councils and consider occasional workshops with guest speakers and explanation of opportunities to value-add.</li> <li>3. Be more visible at industry and stakeholder events and actively engage in AEMC consultation processes.</li> <li>4. Consider ways to reduce the engagement burden on stakeholders by coordinating some elements of engagement with other network businesses.</li> <li>5. Consider ways to proactively engage with young consumers.</li> </ol>

Each recommendation is outlined in further detail below.



## 1. ESSENTIAL

### 1.1 Improve resourcing and budget for engagement activities

There was broad agreement on the need for Endeavour Energy to allocate greater resourcing and budget for engagement activities. At minimum, this should include the hire of a new Stakeholder Engagement Manager who sits in the Corporate Affairs team but works closely with the Regulatory team, plus additional budget for research, engagement activities and website updates and management. Additionally, consideration could also be given to appointing a digital or social media specialist and setting up a centralised research function.

### 1.2 Respond to this report by updating the Endeavour Energy Customer Engagement Plan

Newgate recommends that Endeavour Energy respond to this report by:

- ◆ Uploading it to the Endeavour Energy website; and
- ◆ Responding to the report and updating the Customer Engagement Framework to reflect the findings and recommendations outlined in this report.

Equally important, Endeavour Energy should draw key stakeholders' attention to the report and updated plan and move quickly into action, showing evidence that feedback is being implemented quickly.

### 1.3 Increase staff participation in engagement activities, with a focus on the Executive Leadership Team

Direct participation in engagement activities is the most effective way for staff to fully understand the needs and wants of consumers. Participation in these types of events is visceral. It creates lasting impressions that will filter through to impact decision-making processes. It is an essential element of a sound engagement program.

Endeavour Energy should increase the participation of all team members in engagement activities, with a focus on the Executive Leadership Team. We recommend the Acting CEO at least co-chair the refreshed Consultative Committee and that other senior executives attend regularly where relevant. They should actively participate in relationship building meetings with key stakeholders and be visible at stakeholder and consumer engagement and research workshops and forums as well as at industry events.

### 1.4 Introduce a consistent engagement report template for use in all engagement activities and consider these at the renamed 'Executive Stakeholder and Customer Focus Forum'

Endeavour Energy should develop a consistent template for reporting on all engagement activities. This template should clearly outline what was discussed, what feedback was provided and by which stakeholders, and outline how this feedback has been considered in decision making.

These reports should be collated and provided to the Executive Leadership Team at regular intervals. It is understood the Executive Leadership Team currently meets to discuss customer service matters at the Executive Customer Focus Forum, every two months. We suggest this Forum be renamed the 'Executive

Stakeholder and Customer Focus Forum' to reflect the importance of stakeholders as well as consumers and that the agenda be expanded to include discussion of engagement activities and how feedback is being taken on board in decision-making. To help embed this way of thinking into the organisation we suggest the frequency of meetings be increased to monthly.

Note that use of a template approach means that engagement reports can be readily published on the website and results more readily synthesised for inclusion in revenue reset proposals.

## 1.5 Refresh the Endeavour Energy Customer Consultative Council – consider it Endeavour Energy's core engagement activity

Endeavour Energy should refresh the CCC to ensure it includes senior representatives from a broader range of stakeholder segments and is regularly attended by members of the Executive Leadership Team, with the Acting CEO taking on the role of Chair. The CCC could potentially be renamed the 'Endeavour Energy Advisory Council' to reflect a more strategic two-way approach.

Other more specific recommendations relating to the Council include:

- ◆ Increase the frequency of meetings to one per quarter, from two or three per year, noting that these will be supplemented by one-on-one meetings and topic and stakeholder specific workshops as relevant.
- ◆ Reconsider various administrative aspects of the Council, such as:
  - ◆ Asking members where they would prefer meetings to be held and perhaps rotation locations between the CBD, Huntingwood and Parramatta.
  - ◆ Ensuring agendas are developed and distributed sufficiently ahead of time to ensure they can be properly considered, potentially publishing these on the website.
  - ◆ Distributing accompanying materials (for example one to two page policy papers or background documents that highlight key questions for discussion) ahead of time to ensure members are sufficiently informed about an issue, allowing for more considered discussion.
- ◆ Review the terms of reference to ensure the Council meets the needs of both Council members and Endeavour Energy;
- ◆ Continue work to move the approach away from the 'Inform' side of the IAP2 spectrum to include more 'Consult', 'Involve' and 'Collaborate' activities. This would include asking Council members to suggest agenda items or issues to discuss.
- ◆ Introduce appropriate payments for advisory council members, recognising the impost on their time and the value placed on their feedback.

## 1.6 Develop an updated and more detailed stakeholder matrix

Endeavour Energy would benefit from the development of an updated detailed stakeholder matrix that:

- ◆ Identifies all relevant stakeholders and stakeholder groups;
- ◆ Maps their importance and their influence;
- ◆ Outlines how and when Endeavour Energy intends to engage them; and
- ◆ Outlines who will manage each relationship.

The language used to identify each stakeholder group (for example, retailers, consumer advocates, local Councils etc.) should be consistent across all of Endeavour Energy's materials and presentations.

This matrix should be included in the updated Endeavour Energy Customer Engagement Approach.

### 1.7 Introduce a program of one-on-one relationship building with key stakeholders

Endeavour Energy should commit to a series of 1:1 informal meetings with key stakeholders to build and improve personal and working relationships, especially with those who have been critical of Endeavour Energy's past engagement activities or where there has been little to no past engagement.

Improving these personal relationships will help to improve the tone of engagement and demonstrate a commitment to developing meaningful and constructive partnerships. These meetings will also help Endeavour Energy develop deeper insight into key stakeholders' needs, challenges and ideas.

### 1.8 Hold a series of topic-specific workshops with a wide range of stakeholders, ensuring clear feedback loops are in place

Endeavour Energy should develop and implement a series of regular topic-specific workshops to engage with stakeholders across the sector. The workshops would cover a wide range of topics and be held at regular periods throughout the year, with differing formats and lengths depending on the nature of the topic and level of interest.

These workshops must be conducted in such a way that recognises that stakeholders' time is at premium and, where possible, options should be given on ways to participate. A brief discussion paper published in advance of the workshop and subsequent engagement report would help gather feedback from those unable to attend. While there is some role for stakeholder specific workshops on issues such as street lighting, inviting a mix of stakeholders in most events will be useful in airing different perspectives.

These workshops must include clear feedback loops. As such, the early workshops should be used to gather insights and identify information needs and later workshops used to report back on work undertaken, further test a proposed approach and explain why certain feedback may not have been taken on board.

The topics for discussion at these workshops should be agreed with stakeholders based on feedback at the CCC and from one-on-one meetings. Indicatively these may include pricing, vegetation management, battery storage, non-regulated services, vulnerable customers and so on.

### 1.9 Introduce a modest program of regular consumer engagement research

Endeavour Energy should commission independent research to periodically track stakeholder opinions of the organisation and its engagement efforts and as a mechanism to regularly engage with end consumers.

- ◆ **Stakeholder Tracking Research:** Endeavour Energy should undertake regular stakeholder tracking research to monitor perceptions of the organisation and the quality of its engagement approach and activities. This research should be undertaken among key stakeholders on a regular basis, once every one to two years. Newgate recommends an in-depth interview methodology is used in the short term. Consideration should be given to a supplementary online survey amongst the broader stakeholder base in the future.
- ◆ **Consumer Research:** Newgate believes the most effective way to engage effectively with a good cross-section of end consumers is via research. We recommend that Endeavour Energy partner with a



research organisation to develop an ongoing research program. At minimum we suggest this program comprise qualitative research in the form of:

- ◆ Regular online research forums held approximately once every six months, covering a range of topics; and
- ◆ At least two deliberative forums – one in urban Sydney and one in a regional area – to test the proposed approach to the regulatory reset proposal.

Recruitment of participants in qualitative research must be handled carefully to ensure it is broadly representative of Endeavour Energy's customer base and includes key segments such as vulnerable customers, those from relevant Culturally and Linguistically Diverse Backgrounds and small and medium businesses.

Consideration could also be given to refreshing the ongoing quantitative Consumer Satisfaction Survey approach and conducting an occasional quantitative Consumer Engagement Survey to provide further insight into the organisation's customer base. This engagement study would explore knowledge and perceptions of Endeavour Energy, identify issues of importance and communications and engagement preferences, gather feedback on proposed policies or specific elements of Endeavour Energy's revenue reset proposals and profile its customer base. We do not suggest use of a Willingness to Pay study at this time.

### 1.10 Explore options for professional development relevant to engagement activities

Endeavour Energy should consider ways to provide professional development for staff responsible for customer and stakeholder engagement activities where needed. This could include attendance at International Association of Professional Development (IAP2) courses, with some staff working towards Certificates in Engagement. Note that IAP2 training modules can also be tailored specifically for Endeavour Energy and delivered in-house.

Additionally, Endeavour Energy should consider developing internal training materials, manuals or guidelines that would support staff responsible for delivering engagement activities.



## 2. IMPORTANT

### 2.1 Proactively engage with CALD communities

Endeavour Energy has a very diverse customer base and should identify ways to engage more effectively with consumers from culturally and linguistically diverse backgrounds. The NSW Ethnic Communities Council recommends Endeavour Energy supports and participates its 'train the trainer' approach which involves educating leaders in each community. Endeavour may be able to assist by coordinating other NSW networks companies to join this initiative. Effort should also be made to include members of the CALD community with good English skills in regular qualitative and quantitative research.

### 2.2 Develop themes or narratives to Endeavour Energy's engagement and identify showcase initiatives

Following the dissolution of Networks NSW, it is important for Endeavour Energy to re-establish itself as a stand-alone business and promote its unique points of difference through an overarching narrative with supporting key themes. Some possible examples for areas that Endeavour Energy may place at the centre of their unique narrative include:

- ◆ Street lighting (with a focus on the Leading the Way project);
- ◆ Battery storage;
- ◆ Hardship provisions (particularly if a social tariff is implemented);
- ◆ Vegetation management (noting the importance of managing this important task in areas like the Blue Mountains); or
- ◆ The management of population growth (noting Endeavour Energy's distribution area covers two key growth areas).

### 2.3 Expand engagement with retailers from operational to more strategic issues.

Endeavour Energy should consider ways to engage at a more strategic level with retail businesses. This is particularly important when it comes to approaches to tariffs as the action that Endeavour Energy takes will ultimately be filtered by retailers. Also, retailers typically have a deeper understanding of customer needs and may be able to share some insight with Endeavour Energy.

### 2.4 Help facilitate internal cultural change through a range of initiatives including introduction of engagement-related KPIs for senior executives, introducing need to consider consumer impact for new policies

Endeavour Energy should consider introducing both qualitative and quantitative KPIs directly relevant to engagement for members of the Executive Leadership Team and any other staff involved in engagement.

- ◆ **Recommended qualitative KPI:** This KPI would involve asking staff to set out their individual contribution to engagement activities and show how stakeholder and consumer feedback has been taken on board in their specific part of the business. Potential responses could range from presenting to the CCC or at a deliberative forum, to attending industry functions or assisting with the development of materials for engagement activities. A measure such as this would seek to encourage all members of the ELT to meaningfully participate in engagement activities without the use of artificial quotas such as number of CCC meetings attended.

- ◆ **Recommended quantitative:** This report includes benchmark scores on a number of metrics from a cross-section of key external stakeholders. These include scores for overall reputation, quality of relationship, quality of engagement and a Net Advocacy Score (likelihood to speak well of Endeavour). Newgate could assist Endeavour identify targets for the organisation that would be shared across the ELT, the engagement team and members of the regulatory reset team.
- ◆ **Introduce a range of performance measures to be applied to engagement events:** In addition to these KPIs, Endeavour Energy should implement a range of measures to track the outcomes of engagement activities. Indicatively these could include:
  - ◆ Number of attendees;
  - ◆ Number of meetings; and / or
  - ◆ Performance ratings from participants taken via feedback forms or surveys.

We recommend Endeavour Energy engage with the Customer Council to discuss and finalise these performance measures.



## 3. BENEFICIAL

### 3.1 Improve Endeavour Energy's digital presence

While digital engagement does not currently appear to generate much feedback from end-consumers on complex issues such as those faced by network businesses, it still has an important role to play in facilitating broad community engagement and as a readily accessible source of information for key stakeholders on Endeavour Energy's policies, proposals and engagement activities.

Budget permitting, we advise that Endeavour Energy improves its digital presence. Consideration should be given to the following:

- ◆ **Development of a stand-alone Endeavour Energy engagement webpage.** Separating engagement information from other corporate / media information is beneficial, particularly as it allows information to be more easily navigable and accessible. Alternatively, the current engagement webpage could be expanded.
- ◆ **Development of an Endeavour Energy Facebook page.** Energy distributors typically engage and respond well during a crisis, as shown in the recent East Coast Low weather event. Research participants have noted they would like to see this conversational approach extend beyond emergency situations and become "business as usual". We note that Networks NSW had a positive experience with the Facebook campaign it ran during the last regulatory reset process but that it was very resource intensive. As such, we do not see it as a strong priority for Endeavour Energy with resources better channelled to other more important activities noted in this list of recommendations.

### 3.2 Continue to focus on engagement with Councils and consider occasional workshops with guest speakers and explanation of opportunities to value-add

While Endeavour Energy's relationships with Local Councils are already strong, there appears to be an opportunity for the organisation to leverage this to enhance the organisation's reputation more broadly and to engage Councils on a more strategic level as part of efforts to develop a new stream of non-regulated income.

Consideration could be given to hosting a workshop or summit with key representatives from relevant Councils to discuss best practice in street lighting, potentially inviting guest speakers, and taking the opportunity to showcase the 'Lighting the Way' project. It would be a good opportunity to explain other ways that Endeavour Energy could potentially provide value-added services, opening the way for more detailed discussion of opportunities at regular one-on-one meetings.

### 3.3 Be more visible at industry and stakeholder events and actively engage in AEMC consultation processes

Endeavour Energy should undertake an audit of upcoming industry events and build a program of attendance for senior members of staff that covers all relevant stakeholder groups. Engagement should not all be on Endeavour Energy's own terms. Participating in these events would demonstrate a commitment to meaningful, two-way engagement.

Consideration should also be given to more regular participation in AEMC consultation as this appears effective in improving government and regulatory opinions of the organisation and also brings additional opportunities to engage with other key stakeholders. It will help raise Endeavour Energy's profile within

the industry and position the organisation as an open, transparent business, committed to improving the sector.

### 3.4 Consider ways to reduce the engagement burden on stakeholders by coordinating some elements of engagement with other network businesses

Endeavour Energy should engage with other New South Wales electricity transmission and distribution network businesses to explore ways to reduce the engagement burden on stakeholders by coordinating some engagement and research tasks as appropriate. Consideration could be given to involving an industry body like ENA in this process.

### 3.5 Consider ways to proactively engage with young consumers

As network planning has a long-term focus, Endeavour Energy may wish to consider ways it could engage with young people. One way to undertake this type of engagement would be to partner with a local university. Some ideas for consideration are listed below:

- ◆ A university sponsored “hack-a-thon” where university students come together with Endeavour Energy staff and their professors to discuss challenging issues in the sector (for example, the emergence of electric cars, managing battery storage, or the future of the grid);
- ◆ Deliberative forums for young people aged 18-24 held on campus;
- ◆ Online forums dedicated to young people and the issues of most concern to them; and/or
- ◆ Inclusion of young people in any deliberative forums run by Endeavour, noting that over-recruitment will be required.



# ENGAGEMENT AND ENDEAVOUR ENERGY'S STRATEGIC PLAN

The engagement principles, activities and KPIs listed in this document each recognise the objectives and priority actions outlined in the Endeavour Energy Strategic Plan 2016/17. Particularly, it speaks to the objective of “[embedding] effective customer and stakeholder engagement in our daily operations and [placing] customers’ interests at the centre of everything we do”.

The plan lists the objective of consumer and stakeholder engagement as “[driving] engagement to better respond to customer needs, influence regulatory outcomes, and build a trusted brand.” The activities and KPIs all seek to meet this objective.

The key initiatives for customer and stakeholder engagement are:

1. Transform customer and stakeholder engagement following an independent assessment of the effectiveness of Endeavour’s current approach, and compliance with the AER guideline.
2. Embed a business-wide focus on customer and stakeholder engagement by developing company-wide guidelines, training and self-service materials.
3. Re-design Endeavour Energy’s customer and stakeholder research program to support future business opportunities and regulatory proposals.
4. Improve stakeholders’ perception of Endeavour Energy as a trusted energy industry participant, business partner, employer and customer advocate by participating in energy policy formulation, promoting ethical and responsive business processes and participative and inclusive decision making processes.

The table below shows how the recommended actions relate to each initiative.

KEY INITIATIVE	RELEVANT RECOMMENDED ACTIVITY
Transform customer and stakeholder engagement following an independent assessment of the effectiveness of Endeavour’s current approach, and compliance with the AER guideline.	1.1, 1.2,
Embed a business-wide focus on customer and stakeholder engagement by developing company- wide guidelines, training and self-service materials	1.3, 1.4, 1.10
Re-design Endeavour Energy’s customer and stakeholder research program to support future business opportunities and regulatory proposals.	1.9, 3.4
Improve stakeholders’ perception of Endeavour Energy as a trusted energy industry participant, business partner, employer and customer advocate by participating in energy policy formulation, promoting ethical and responsive business processes and participative and inclusive decision making processes.	1.5, 1.6, 1.7, 1.8, 2.1, 2.2, 2.3, 2.4, 3.1, 3.2, 3.3, 3.5, 3.6

# APPENDICES

## APPENDIX 1: INTERNAL STAKEHOLDER RESEARCH QUESTION LINE

### Endeavour Energy: Review of Customer Engagement Approach

#### Final Interview Question Line (Internal Stakeholders) – May 2016

##### Introduction

- ◆ Newgate has been engaged to conduct a research study to help inform Endeavour's approach to customer engagement going forward.
- ◆ This phase of the research will involve 10-15 interviews with Endeavour staff.
- ◆ Newgate is also conducting interviews with a broad range of Endeavour's stakeholders to get their feedback on Endeavour's customer engagement approach.
- ◆ The interviews will be conducted on an unattributable basis which means that what you say won't be linked with your name. We are preparing a brief high-level report that is focussed on key themes.

##### Key Questions

1. Can you briefly explain your role and the extent to which what do you do is influenced by interaction with customers and stakeholders?
2. How would you rate Endeavour's overall approach to customer engagement using a scale of 0 to 10 where 0 means very poor and 10 means excellent?
  - a. Could you tell me your thinking behind that rating?
  - b. In terms of stakeholder engagement, what do you think Endeavour does particularly well?
  - c. What doesn't Endeavour do so well?
  - d. In general how do you feel about the area of customer engagement?
3. How would you say Endeavour's customer engagement performance compares to that of other network companies?
  - a. When you look at the industry more generally, who do you think engages well with stakeholders? Why? What activities in particular do you admire and think are particularly effective?
  - b. Who doesn't do it well? Why?
4. Looking forward, what approach would you like to see Endeavour take to customer engagement?
  - a. What should it keep doing?
  - b. What should it stop doing?



- c. What should it start doing?
  - d. What would you say are the main barriers to Endeavour doing a better job at customer engagement?
  - e. *Probe gently on resourcing and organisational structure if not mentioned*
  - f. What do you hope to happen?
  - g. What do you expect to happen?
5. *[If not mentioned]* Are there any lessons that you think Endeavour needs to take on board based on feedback from the last regulatory reset process or from recent engagement activities around the TSS?
- a. Some of the criticism of Endeavour, and indeed of several other network companies, was that the results of customer engagement didn't appear to have a significant impact on the organisation's business, its revenue reset proposal or TSS. Do you think this is true?
  - b. What ideas do you have for addressing this?
  - c. What are the main barriers to be overcome?
6. Thinking back on all we've spoken about, what would you say are the three most significant action points for Endeavour when it comes to consumer engagement?





## APPENDIX 2: EXTERNAL STAKEHOLDER RESEARCH QUESTION LINE

### Endeavour Energy: Review of Customer Engagement Approach

#### Final Interview Question Line (External Stakeholders) – June 2016

##### Introduction

- ◆ Thank you for agreeing to participate in this research. Endeavour Energy has asked us to conduct this study to gather feedback on its reputation and its approach to consumer and stakeholder engagement in order to identify areas for improvement.
- ◆ The interview will go for around 20-30 minutes depending on how much you have to say.
- ◆ Importantly, your participation is confidential which means your name and organisation will not be linked to what you say in our report and your feedback will instead be aggregated under stakeholder type. Newgate Research is an independent market and social research firm and a member of the market research industry associations. We operate under very strict privacy laws, so please do give me your frank and honest views.
- ◆ Endeavour Energy will publish a summary of the research findings.

##### Key Questions

1. Reputation Rating: How would you rate the overall reputation of Endeavour Energy as an organisation? Please base this on experiences you've had with the organisation and anything else you've seen, heard or read about it. The scale I'd like you to use goes from 0 to 10 where 0 means you think Endeavour Energy has a very poor reputation and 10 means you think it has an excellent reputation.
  - a. What made you give that rating?
  - b. *If participant mentions written materials, the website, events or workshops, prompt and ask them to explain how that impacts Endeavour Energy's reputation.*
2. Net Advocacy Score: Based on your experiences with Endeavour Energy, how likely would you be to speak well of it to a peer or colleague if asked, using a scale of 0 to 10 where 0 means not at all likely and 10 means extremely likely?
  - a. What made you give that rating?
3. Overall quality of relationship: How would you rate quality of relationship Endeavour Energy has with you on a scale of 0 to 10 where 0 means very poor and 10 means excellent?
  - a. What made you give that rating?
4. Overall quality of engagement: How would you rate the overall quality of Endeavour Energy's engagement on a scale of 0 to 10 where 0 means very poor and 10 means excellent?
  - a. What made you give that rating?

- b. What are the main ways that Endeavour Energy engages with you? What other engagement activities have you observed?
  - c. What are the things Endeavour Energy does particularly well in the engagement space? Have they ever done anything that has impressed you?
  - d. What don't they do as well? Have they ever done anything that has disappointed you?
  - e. Over the past few years, would you say the quality of Endeavour Energy's engagement has got better, worse or stayed about the same? Why do you say that?
  - f. *If not already mentioned, check whether participant has read any of Endeavour Energy's written communications, visited the website or attended any of its events or workshops. If yes, probe for thoughts on quality including what they do well and what could be improved upon.*
5. Comparison with other companies: How would you compare Endeavour Energy's approach to stakeholder and consumer engagement to that of others network companies you engage with? Is it better, worse or about the same?
- a. Who does it best? What do they do that Endeavour Energy could learn from, noting Endeavour Energy's relatively small size?
6. Areas for improvement: What advice would you give Endeavour Energy on how it could improve its reputation and the way it engages or communicates with you and your organisation and consumers?
- a. What would you like to see it:
  - b. Start doing?
  - c. Stop doing?
  - d. Continue doing?
  - e. *Probe for specific improvements to issues raised for anything specific to the revenue reset proposal or Tariff Structure Statements. If they are a member of Endeavour Energy's Customer Consultative Committee then probe on its effectiveness.*
7. Any other comments: Is there anything else you'd like to add?

Thank you so much for your time today.





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**FRAMEWORK &  
APPROACH  
ISSUES PAPER  
2019-24  
REGULATORY  
PROPOSAL**

.....  
SEPTEMBER 2016  
.....



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## 1.0 PURPOSE

The purpose of this paper is to set out Endeavour Energy's thinking on the Framework and Approach (F&A) for our next regulatory determination i.e. 2019-24, and invite feedback from key stakeholders.

We want to understand your thinking on three key areas and use your feedback to shape our 2019-24 plans.

## 2.0 OUR NETWORK

Endeavour Energy is an electricity distribution company serving some of the largest and fastest growing regional economies in the state.

We are a 'poles and wires' business, responsible for the safe and reliable supply of electricity to 951,801 customers or 2.3 million people in households and businesses across Sydney's Greater West, the Blue Mountains, Southern Highlands, Illawarra and the South Coast.

With an estimated asset value of \$6.2 billion, our network spans 24,800 square kilometres and is made up of more than 416,000 power poles, 185 major substations and 32,000 distribution substations connected by 47,000 kilometres (more than the distance from Sydney to London and back) of underground and overhead cables.

This area includes Sydney's north west and south west growth centres, which combined will include land for more than 180,000 homes, 2,500 hectares of employment land, and at least \$7.5 billion in new infrastructure.

Over the past few years, we've kept a strong focus on improving our safety performance, maintaining the reliability of our network and keeping downward pressure on the cost of electricity.

Our customers continue to be central to our plans. We're committed to making a serious and sincere effort to deliver better value for customers by reducing our costs, without compromising safety or services.

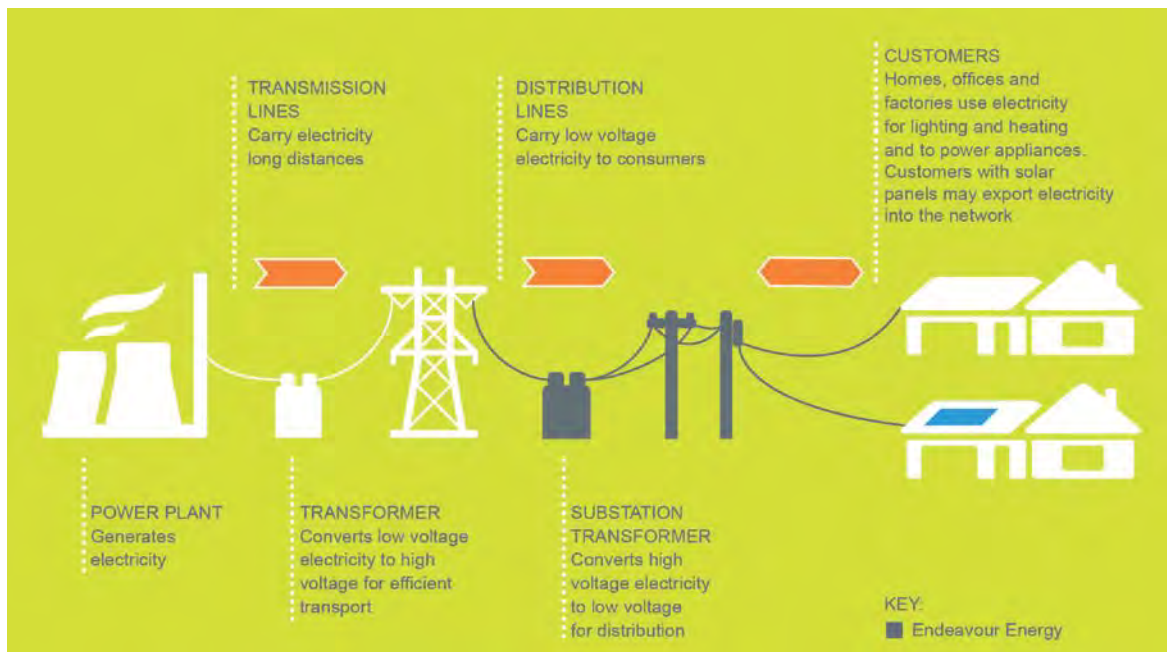
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### 3.0 OUR BUSINESS

Endeavour Energy builds and operates the network that transports electricity from the high voltage transmission system to customers' homes and businesses. We are one of three electricity distribution businesses operating in NSW along with Ausgrid and Essential Energy.

We also provide a 'two way' service which enables customers with solar photovoltaic panels to export electricity generated into our network. More than 13 per cent of our residential customers have solar PV installed.

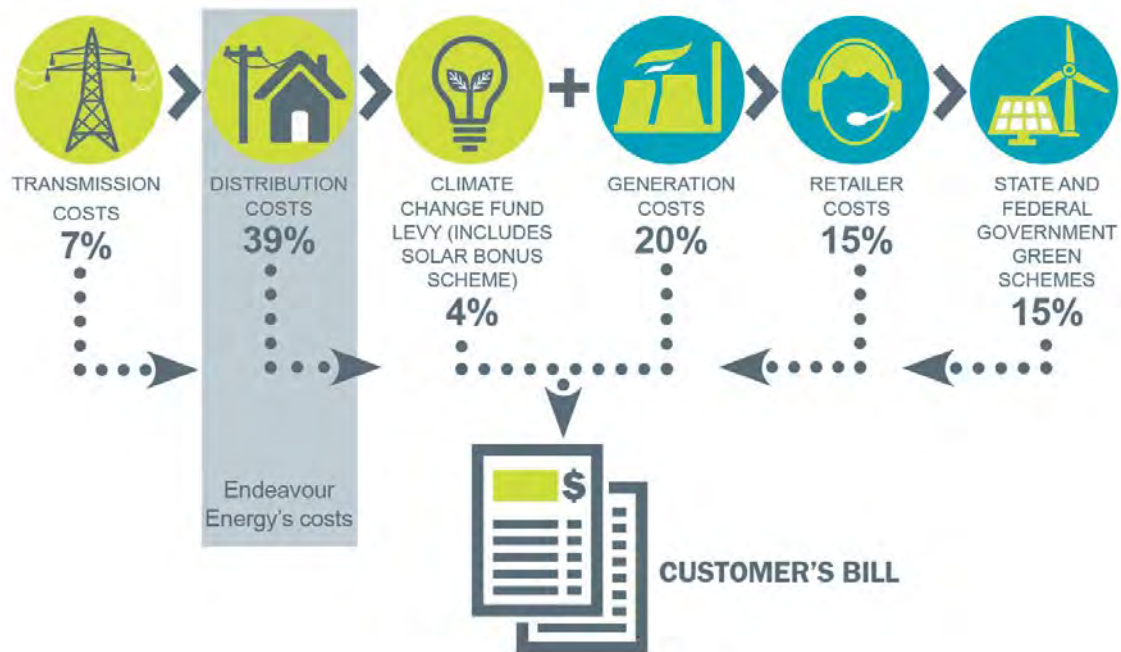
As a 'poles and wires' business, we also restore power after storms, keep trees away from power lines and design and maintain public lights for local councils.



## 4.0 HOW CUSTOMERS ARE CHARGED

There are significant costs in maintaining a network of our size and complexity. This includes investing in new assets, replacing older assets, vegetation management to reduce bushfire and supply outage risks and maintaining the existing assets so 'we keep the lights on'.

We recover costs from retailers through network tariffs. Network tariffs comprise about 40 per cent of a typical customer's electricity bill as seen the figure below.





## 5.0 WHAT IS A FRAMEWORK & APPROACH PAPER

The Australian Energy Regulator (AER) administers the National Electricity Rules (NER or The Rules) to determine the revenue we require to operate our network safely, reliably and efficiently. It also determines the level and prescription of regulation that is required.

This F&A paper is the first step in the 2019-24 regulatory determination process. The F&A determines which services the AER will regulate and certain aspects of the regulatory determination set out under the Rules. It provides clarity on the AER's approach to key issues before we develop our forecasts and submit our regulatory proposal in January 2018.

This discussion paper provides an overview of the F & A process and sets out our initial positions. Through this paper we are seeking to obtain and understand the initial views of customers in developing our proposal to the AER.

The AER is required to set out its decisions in a number of areas in the F & A paper. The decisions broadly relate to three key areas:

- service classification
- form of control
- incentives

We would like feedback from stakeholders and consumer groups about how decisions around these key areas should be made. A description of these three key areas, their importance in the decision making process and some topics we would like your feedback on are outlined in the following figure.

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Service Classification	Form of Control	Incentives
<p><b>What is it?</b></p> <p>Listing, defining and grouping services related to our electricity distribution system.</p>	<p><b>What is it?</b></p> <p>The list of control mechanisms in The Rules that the AER can choose to control prices e.g. a price cap or revenue cap.</p>	<p><b>What is it?</b></p> <p>A number of schemes which encourage efficiency, innovation and improved service levels and penalise poor performance in these areas.</p>
<p><b>Why is it important?</b></p> <p>This determines what level of regulation the AER will apply to the services we provide.</p>	<p><b>Why is it important?</b></p> <p>This determines whether the AER regulates the revenue or price of a service.</p>	<p><b>Why is it important?</b></p> <p>This determines whether, and how, any incentive schemes are applied.</p>
<p><b>We are interested in views on...</b></p> <p>Should our 'poles and wires' services continue to be funded by all customers?</p> <p>Should public lighting, metering and ancillary network services continue to be user pays?</p>	<p><b>We are interested in views on...</b></p> <p>Should the revenue we collect for 'poles and wires' services continue to be capped?</p> <p>Should prices we charge for public lighting, metering and ancillary network services continue to be capped?</p>	<p><b>We are interested in views on...</b></p> <p>Should the AER continue to apply incentives to our expenditure, our reliability performance and our demand management initiatives?</p>

## 6.0 OUR INITIAL VIEW ON CHANGES TO THE FRAMEWORK & APPROACH

Our initial view is that minor changes will be required to the F & A to accommodate new Rule requirements, refine the current service definitions, and to facilitate emerging services and markets.

We provide a brief summary of our initial positions below.

More in depth discussion and the reasoning behind our initial views are provided throughout the paper.

### 6.1 Classification and definition of services:

- We consider recent changes to the Accredited Service Provider (ASP) scheme in NSW, and the recent expansion of metering competition Rule change will require minor changes to the definition of connection and metering services.
- We think it is worth considering whether classification changes are required to facilitate our exit from providing metering services in the least distortionary manner possible.

- We are interested in councils' views as to whether prices for new technologies or other services related to the core public lighting service provision should be directly set by the AER or negotiated by Endeavour Energy and its Councils, with AER oversight.

**6.2 Form of control:**

- We think that no changes are required to the current arrangements. This would mean continuing to cap the revenue of our 'poles and wires' services provided universally to customers in our area.
- Continuing to cap our prices for metering, public lighting and ancillary network services which are only used by some customers in our area.

**6.3 Incentives:**

- We think that incentive based regulation is effective in encouraging networks to improve their efficiency while not compromising service standards.
- We consider that all available incentive schemes should apply to us in the next period.
- We are also thinking about whether the capital incentive scheme requires clarification around its materiality threshold for short term deferrals.

**7.0 WHY DOES THE AER REGULATE OUR PRICES?**

The scale and cost of poles and wires infrastructure means it is only efficient for there to be one electricity distributor in any given area. This means we operate as a monopoly with no effective competitors for our core activity of distributing electricity safely and reliably to households and businesses.

However, for some of the other services we provide (like network connections) there is strong and active competition in the market. The level of effective competition in a market is what determines the AER's approach.

Where no competition exists there is a need for regulation. The role of this regulation is to impose financial and operational discipline on Endeavour Energy by simulating the competitive forces that exist in traditional markets with many buyers and sellers.

Effective regulation helps ensure that monopoly providers are not able to exercise monopoly power by ensuring that customers are provided value for money services. Where some competition exists, the AER can tailor the degree of regulation it applies, i.e. more light handed measures, and seek to foster further competition. Wherever possible the coverage of regulation should be reduced to allow for efficient market driven outcomes for consumers.

The AER administers the Rules to determine the revenue or prices we require to operate our network safely, reliably and efficiently. It also determines the level and prescription of regulation that is required.

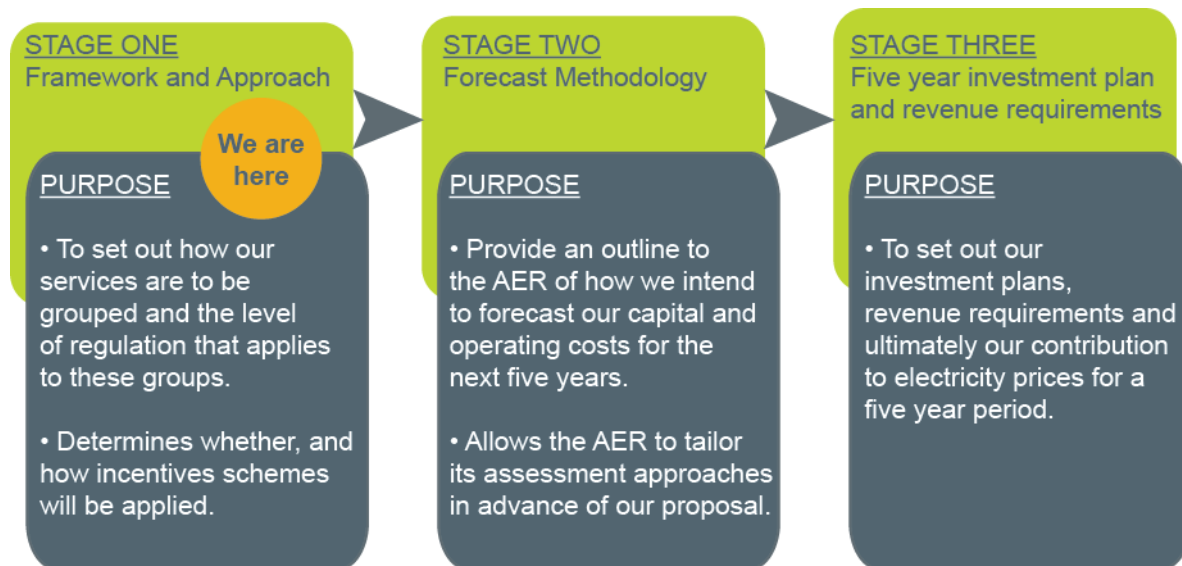
**8.0 WHERE DOES THE FRAMEWORK & APPROACH SIT IN THE REGULATORY RESET**

Every five years, Endeavour Energy must submit proposals to the AER that explain its proposed capital and operating plans and the revenue or prices it requires to fund those plans.

.....

The F&A is the first stage in this process. Various targeted customer and stakeholder engagement activities, like the publication of this paper, are conducted during this process to ensure our plans are aligned with the long-term interests of our customers.

The figure below provides a high level overview of the three key stages in the regulatory reset process.



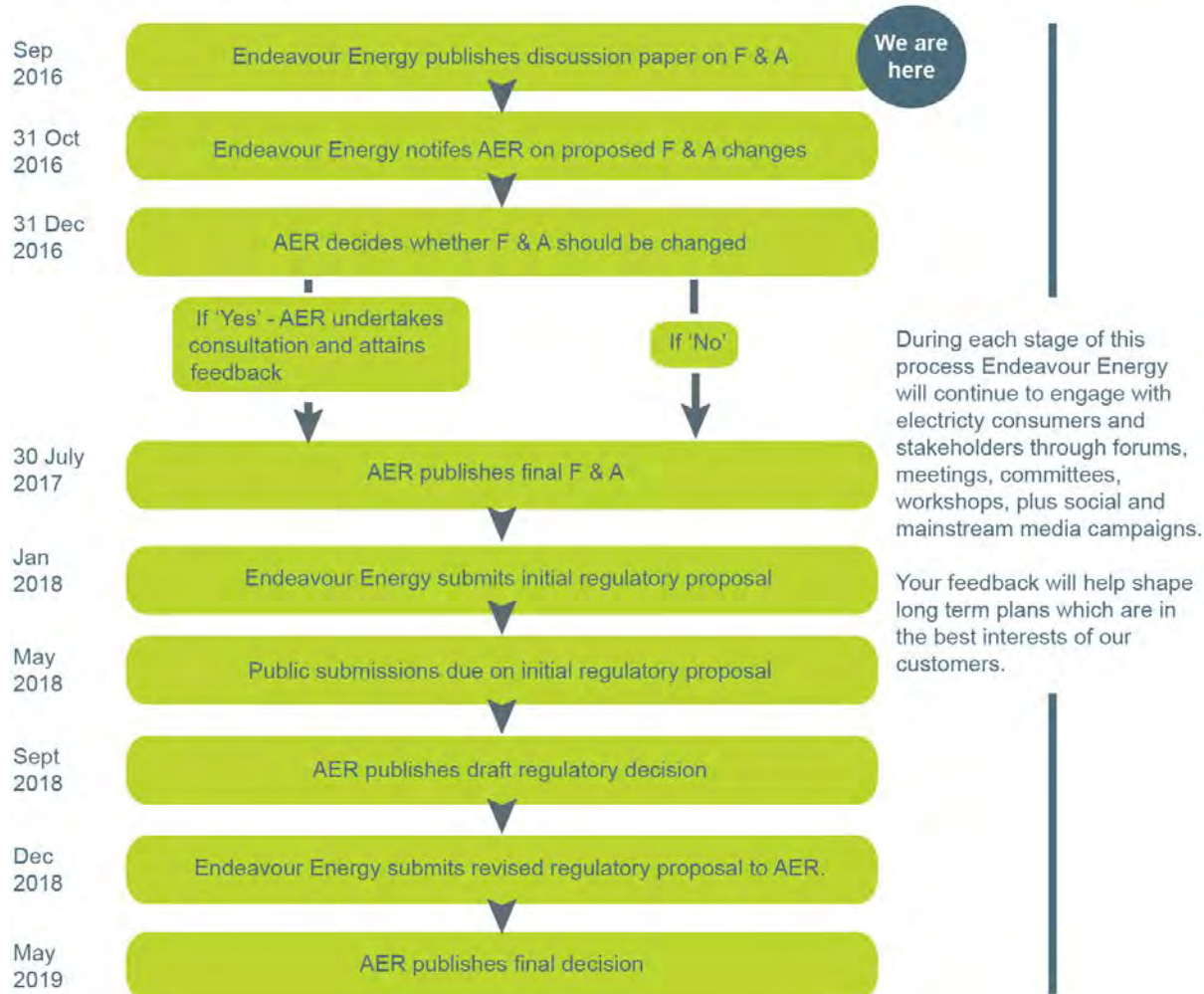
The F&A determines those services the AER will regulate and certain aspects of the regulatory determination set out under the Rules. Where there is minimal competition for the services we provide, more prescriptive regulation should be applied. This regulation typically takes the form of either a cap on the revenues that can be collected for a particular service or a cap on the prices which can be charged.

The F&A also establishes whether any incentive schemes will be applied and, if so, how they are applied to Endeavour Energy. There are four established incentives schemes that relate to our operating expenditure, capital expenditure, reliability performance and demand management expenditure and trials. There is also the option for us to propose a more tailored and specific 'small scale' incentive scheme.

Endeavour Energy is engaging customers and other stakeholders in the initial stages of the reset process with the desire to continuing this relationship throughout the process. This early discussion allows input on the pricing mechanism for regulated services and the incentive schemes that will encourage efficient network investment and operation. These are important aspects of the regulatory process and have a significant bearing on many aspects of an initial regulatory proposal that Endeavour Energy is required to submit in January 2018.

The following sections provide an outline of the three key aspects of an F&A: service classification; form of control; and incentives. It also provides our preliminary views on these aspects. We also seek views on framework and approach we should adopt for engaging with customers and interested stakeholders for the remaining stages of the regulatory reset process.

## Our Framework and Approach discussion in relation to 2019-25 regulatory decision



## 9.0 THE SIGNIFICANCE OF METERS

The cost of different metering services e.g. meter installation, maintenance, testing, reading and replacement is influenced by the type of meter a customer has. Whether a small household user or a huge industrial plant, each customer has one of seven meter ‘types’ installed.

The meter type will determine what form of regulatory control, if any, applies to the metering services the customer receives, and influences the cost paid by the customer.

The table below gives you an idea of the types of meters and the number of customers we have in our network corresponding to that type.

Meter type	Description	Number of customers
Type 1	Customers using more than 1000 GWh of electricity per year	10,000
Type 2	Customers using from 100GWh to 1000 GWh of electricity per year	
Type 3	Customers using from 750MWh to 100 GWh of electricity per year	
Type 4	Customers using less than 750 MWh of electricity per year. Interval meters measuring at least every 30 minutes. Smart meters.	
Type 5	Customers using less than 160 MWh of electricity per year. Interval type meter.	30,000
Type 6	For customers using less than 160 MWh of electricity per year. Standard type accumulation.	1.7 million
Type 7	An unmetered supply as determined by Australian Energy Market Operator (AEMO). For example, traffic lights.	7000+

## 10.0 WHAT DOES SERVICE CLASSIFICATION MEAN?



Classification is important to customers because it determines the need for, and scope of, regulation applied to the distribution services we provide. Distribution services refer to any service related to the electricity network, such as the construction and maintenance of poles and wires, public lighting, connection or disconnection to the electricity network.

Classification for each service involves an assessment of:

- the level of competition that already exists and the potential for competition to develop
- the costs of the classification i.e. the more directly the AER regulates a service the more costly the regulatory process becomes
- the existing classification (if applicable)
- the classification of the service in other Australian states or territories; and the extent to which the costs of providing the particular service are directly attributable to the person to whom the service is provided.

Classification decisions determine how, and from whom, distributors will recover the cost of providing different services. Once similar services are appropriately grouped, the AER can classify a service in one of four ways, as shown on the following page.

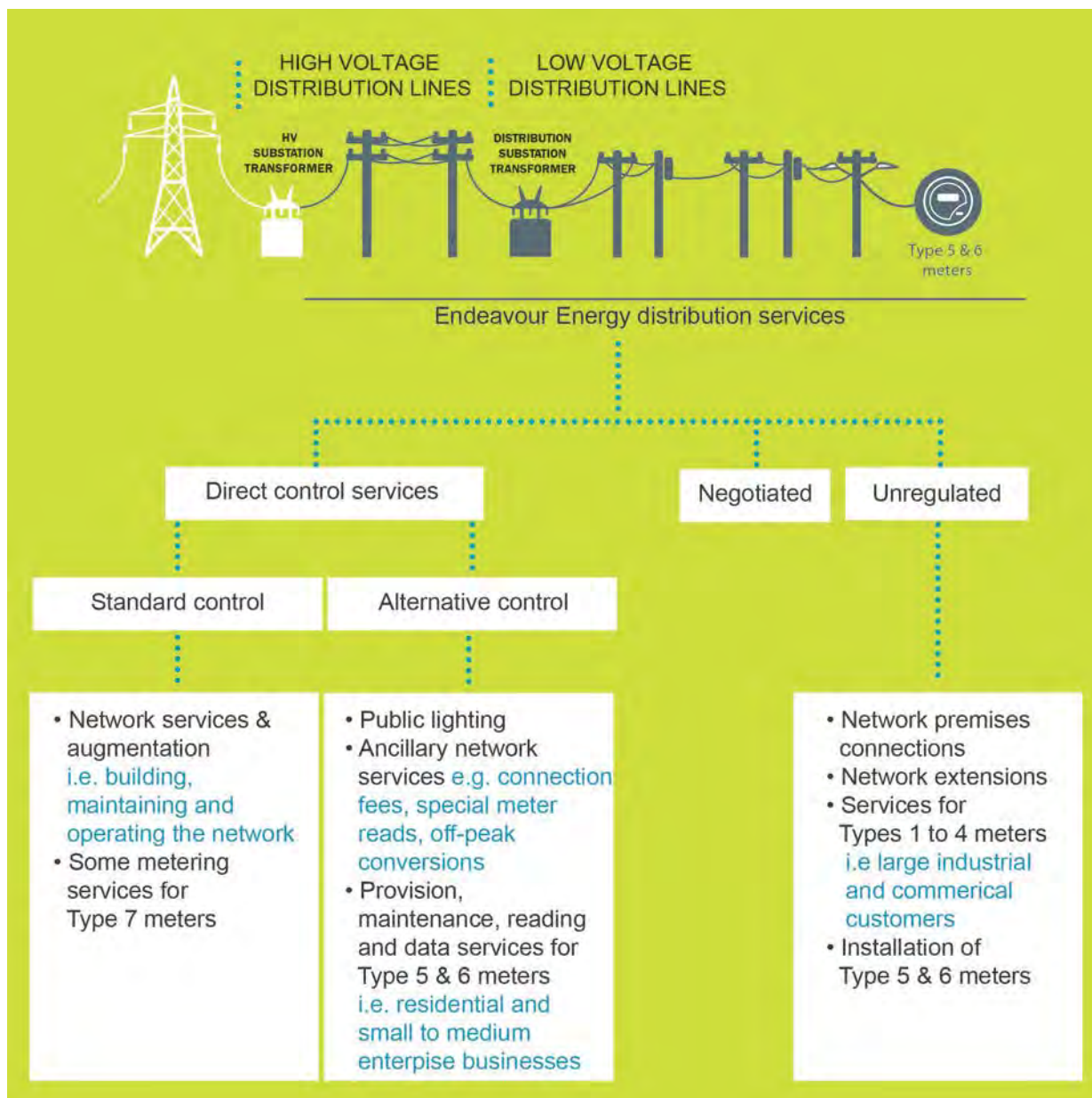
## 11.0 ATTRIBUTES OF EACH SERVICE CLASSIFICATION

Example	Description	Snapshot
<p><b>Poles and wires</b></p> 	<p><b>Standard control service</b></p> <p>A service that is generally provided to all customers and no scope for effective competition exists, for instance the safe and reliable supply of electricity via our poles and wires. Most network distribution services fall within this category. We recover our costs for providing these services by averaging them across all customers connected to our electricity network.</p>	<ul style="list-style-type: none"> <li>• large customer base</li> <li>• no scope for competition</li> <li>• directly regulated</li> <li>• all customers share cost</li> </ul>
<p><b>Public lighting</b></p> 	<p><b>Alternative control service</b></p> <p>A service that is only provided to a specific customer or group of customers and/or for which limited competition currently exists or could be developed, for instance public lighting or metering. We recover our costs for these services by charging the specific customer benefiting from the service i.e. user pays.</p>	<ul style="list-style-type: none"> <li>• small customer base</li> <li>• potential for competition</li> <li>• fully regulated</li> <li>• user pays</li> </ul>
<p>Endeavour Energy does not have negotiated services at present and is considering whether some of our services are better suited to being negotiated. Let us know what you think.</p>	<p><b>Negotiated services:</b></p> <p>A service where both parties have sufficient bargaining power to negotiate a price and service level. The AER approves the negotiating framework and settles any disputes.</p>	<ul style="list-style-type: none"> <li>• small customer base</li> <li>• ability to negotiate prices</li> <li>• regulatory oversight</li> <li>• user pays</li> </ul>
<p><b>Industrial customers</b></p> 	<p><b>Unclassified/Unregulated:</b></p> <p>A service for which effective competition exists so that the AER does not have to set prices or regulate it at all, for instance network premises connections, or Type 1 to 3 meters used by industrial or large commercial businesses. The AER deems the use of these meters contestable since customers are not restricted to using a meter provided by Endeavour Energy.</p>	<ul style="list-style-type: none"> <li>• customer base varied</li> <li>• competitive market</li> <li>• zero regulation</li> <li>• user pays</li> </ul>



## 12.0 WHAT IS THE AER'S CURRENT POSITION ON CLASSIFICATION?

For the 2014-19 reset the AER classified our services as depicted in the figure below. This is AER's current position on the classification of services.



The AER approved listing of the services depicted above with definitions can be found [here](#).

## 13.0 SHOULD THE AER'S CURRENT CLASSIFICATION CHANGE?

Our initial position is that for the most part, the AER's existing classification of services remains appropriate. However, we believe the AER should consult on its classification to ensure that all stakeholders have an opportunity to provide input.

We do consider that some service definitions will need to be updated to reflect recent changes in the industry, such as the outcomes of the metering competition Rule change and

ASP scheme changes in NSW. For example, a service currently exists for 'customer initiated Types 5 and 6 metering installation or upgrade'. This service will not be necessary for the 2019-24 period because only Type 1-4 meters will be installed (not by us) from 1 December 2017. That is, Type 5 and 6 metering will cease to be installed or replaced.

We provide further information on each service below and our initial views.

1. We are interested in your views on whether the current service classifications and definitions are suitable. Should the AER review them? Do you have any suggested services, classifications or definitions?

## 14.0 NETWORK SERVICES AND AUGMENTATION

These services relate to building, maintaining and operating the network. As all network customers enjoy the benefits of this service it makes sense that they remain standard control services that are regulated. This means that the costs of managing our network will continue to be shared among all customers.

Our Tariff Structure Statement process will provide customers and opportunity to help shape exactly how we collect our standard control service revenue.

**Our initial view:** Remain a regulated standard control service with cost shared among all customers.

**Why:** Size, complexity and scope of these services means there is no scope for competition.

### 14.1 Public lighting

Public lighting services involve the provision, construction and maintenance of public lighting and emerging public lighting technology. Public lights are typically installed in residential streets and main roads using existing electricity poles or on specific public lighting poles (often referred to as 'columns'). The type of lighting required depends upon the road type and customer requirements.

Endeavour Energy currently serves 29 public lighting customers, including 23 local councils, with over 196,000 installed lights.

We consider public lighting services should continue to be regulated as an alternative control service for the 2019-24 period.

However, we do note that the existing regulatory approach can be inflexible and untimely in accomodating new public lighting technologies which emerge after the AER's final decision. We are interested in your views as to whether there is a better way to accommodate emerging public lighting technologies.

Our initial thinking is that it may be preferable to classify any new public lighting technologies which emerge during a period, as negotiated distribution services. The AER would set prices

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for all existing public lighting services and Endeavour Energy and councils would negotiate the price and tariff setting for any new technology that emerges.

This approach may avoid the lengthy process we currently face when new public lighting technology is introduced, and therefore better meet customers' expectations by avoiding delays. In the event of a disagreement the AER would act as the dispute resolution body. We would only consider this change if councils were interested in doing so.

**Our initial view:** Existing public lighting services to remain a regulated alternative control service. New scope for councils to enter negotiated arrangements to implement new public lighting technology.

**Why:** Councils will be able to implement new public lighting technology more quickly.

2. We are interested in your views on whether public lighting should remain an alternative control service. Should new public lighting technologies within a period be subject to negotiation?

## 14.2 Metering

Metering services encompass a range of activities related to meter installation, maintenance, testing, reading and replacement. The AER has divided metering services into three categories:

- Metering Installation Types 1, 2, 3 and 4 which are unregulated
- Metering Installation Types 5 and 6 which are currently regulated as an alternative control service i.e. user-pays
- Metering Installation Type 7 (no meter) which are currently regulated and are included as part of the distribution charges.<sup>1</sup>

Types 5 and 6 metering services transitioned from standard control (shared costs) to alternative control (user pays) for the 2014-19 period. We did not support this reclassification at the time as we considered the charges would not be displayed on customers' bills and would result in customer confusion.

<sup>1</sup> A Type 7 metering installation applies to the condition where it has been determined by AEMO that the metering installation does not require a meter. Examples may include, street, traffic, park, and community lighting, traffic parking meters. Metering data services associated with Type 7 metering will remain part of standard control services

The AER was required to make its decision before finalising the rule to expand competition in metering. At the time, the AER correctly anticipated that a competitive model would be adopted for the transition to “smart” Type 4 metering. We complied with the AER’s position.

Our proposal was to exit the metering market as quickly as possible; provided this did not result in distortionary prices. The main issue was the recovery of the metering asset base i.e. the costs of previously installed meters we had not yet recovered. Because our metering asset base was relatively low, we proposed to recover it through our metering prices over five years, and to not add any new costs. This approach would have only added a couple of dollars to each metering customers annual metering charges, and would have simplified the process for a market-led roll out of smart meters.

The AER did not accept this proposal as it preferred to adopt a single approach for all networks. Standard cost recovery was used because some electricity networks in Australia have large metering asset bases and this would contribute to price increases if recovered more quickly.

Our initial position is that Type 5 and 6 metering services should remain as alternative control. However, we consider the current approach of recovering our metering asset base over the standard life of a meter, which is approximately 15 years, is not ideal. While it may smooth prices out over time, our asset base is relatively small and its price impact does not require smoothing.

The current approach may result in customers still paying for their ‘regulated’ meter 15 years or so after they have switched to a Type 4 meter. We consider this a less than ideal outcome for customers. It creates the potential for billing reconciliation issues between retailers and networks, which would ultimately impose additional costs on consumers.

We are open to customers’ views on whether this is an acceptable solution, or whether the other alternatives are available. For instance, a standard control service could be established for the recovery of the remaining metering asset base, provided it does not materially impact distribution prices. Alternatively, an accelerated depreciation approach, as we have previously proposed, could be used.

**Our initial view:** Classification should remain the same, but alternate approaches should be considered for recovering the existing asset base.

**Why:** We want a smooth and timely transition to metering competition to avoid long-term costs to customers.

3. We are interested in your views on whether the current metering classification and pricing approach is working. Do you think an alternative approach should be considered? If so, would that be dependent on the price impact of any alternative?

### 14.3 Ancillary network services (user pay services)

We consider that ‘user pay’ ancillary network services (such as connection fees, special meter reads, off-peak conversions etc.) should remain an alternative control service. This means that only the customer who benefits from the service pays for it, rather than all

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customers. We do consider that some changes to the current definitions will be required to better reflect the service we provide and recent Rule changes.

The development of our regulatory proposal will provide an opportunity to discuss the details and costs for all of these services discussed above. The revenue we may collect, or prices we may charge, are matters outside of the scope of F&A decisions. We look forward to engaging on these details as part of the engagement process for the regulatory proposal.

**Our initial view:** Some changes to the current definitions are required.

**Why:** Recent rule changes have necessitated the need for changes to the way we define our services.

4. We are interested in your views on whether the existing ancillary service listing and definitions are suitable. Could improvements be made? Are there any new services we should add to the list? Are there any services we should remove from the list?

## 15.0 WHAT DOES FORM OF CONTROL MEAN?

Once the AER has classified a service, it must then decide what pricing controls should apply to the 'direct control services', those being standard control services and alternative control services. Endeavour Energy, in consultation with its customers and stakeholders, needs to recommend a form of control for this regulatory period to the AER.

There are a list of control mechanisms in The Rules. Essentially, the AER can choose either a 'price cap' or a 'revenue cap'.

- Price cap

A price cap is a maximum price we can charge customers for a service. The benefit of a price cap is that prices are known and stable, and volume risk sits with us. This means that if customers use less of the service, we collect less revenue, and vice versa.

- Revenue cap

A revenue cap is a maximum amount of revenue we can collect from customers for a service. If consumption increases, resulting in additional revenue being charged within a year, we must return that excess revenue by reducing prices in the following year. The reverse is also true. The benefit of a revenue cap is that we cannot earn excessive revenues. However, customers bear year-to-year price volatility risk, due to changes in customers' consumption. Prices can fluctuate if forecasts are inaccurate, or the weather in a particular year is abnormal, or customer behaviour changes suddenly e.g. a sudden increase in the use of electric vehicles or battery technology.

## 16.0 WHAT IS THE AER'S CURRENT APPROACH

The AER currently adopts a different type of control for standard, and alternative control services. This is discussed below.

### 16.1 Standard control services

Endeavour Energy is currently subject to a revenue cap for its standard network investment and maintenance services. A revenue cap sets total revenue allowed for each year of the regulatory period.

We must then recover revenue equal to the total revenue amount. We do this by forecasting consumption each regulatory year when setting prices, so the expected revenue is equal to the total revenue allowed. At the end of each regulatory year, we report our actual revenues to the AER. The difference between the actual revenue recovered and the total revenue allowed is adjusted in the following years' revenue allowance.

### 16.2 Alternative control services

For public lighting, metering and ancillary network services, the AER applies a price cap on each element of service. This means that the AER sets a maximum price we may charge the customer using a particular service. The AER typically approves an annual 'X-factor' to adjust prices in accordance with inflation and any forecast changes in costs which the AER accepts.

The total revenue we earn from these services will therefore vary depending on how often, or little, we provide the service.

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## 17.0 SHOULD THE AER CHANGE ITS FORM OF CONTROLS?

Our initial view is that the AER's current forms of control for each service are operating effectively, and changes would not necessarily deliver improved outcomes.

### 17.1 Standard control services

The current approach is a revenue cap, which means that we recover the same amount of revenue, even if there is a decrease or increase in consumption.

The only realistic alternative is a price cap form of control.

Given that we are currently in the process of transitioning to more cost-reflective tariffs and the medium term outlook is for stable/modest growth in energy consumption, we think a revenue cap should apply. We do not consider the average pricing outcomes for customers would be significantly different if a price cap were to apply instead.

### 17.2 Alternative control services

Alternative control services such as metering, public lighting and ancillary network services are currently subject to a price cap. As we are providing customer requested services to individuals on a user-pay basis, we consider a price cap is the only suitable form of regulation to apply.

**Our initial view:** No changes required to the AER's current forms of control.

**Why:** The existing framework is operating efficiently and effectively.

5. We are interested in your views on whether the existing forms of control are working and whether any changes should be considered?

## 18.0 WHAT ARE THE INCENTIVE SCHEMES?

The AER regulate electricity networks on an 'ex-ante' basis using incentive regulation. This means that the AER sets a target beforehand and then networks are encouraged to outperform the target. The incentive schemes provide a financial reward for outperforming a target, and customers benefit from lower future expenditure requirements or improved reliability performance.

This kind of regulation is driven by the fact that network operators must be responsive to their environment, and therefore there is no single best way to run a network. Further, ex ante regulation places the onus on the network to manage events as they unfold over the regulatory control period, within the revenue allowance provided. It is difficult for an economic regulator to know the exact amount of revenue required to safely and reliably manage each and every electricity distribution network, or reliably predict what changes may arise over a regulatory control period which need to be managed. A network operator has the best knowledge and ability to respond, but as a monopoly they may not operate as efficiently as an equivalent firm would in a competitive environment.

Incentive schemes are an effective way of getting network operators to reveal their efficient costs to the regulator, while providing safeguards to ensure appropriate service levels. Incentive schemes also drive us to come up with new and innovative investments, and ways of improving reliability and customer service levels.

### 18.1 Existing incentive schemes used by the AER

- Efficiency Benefit Sharing Scheme (EBSS): the EBSS drives us to reduce our operating costs compared to the AER allowance. A financial reward or penalty is applied depending on our performance. The sharing ratio between networks and customers is 30:70 respectively.
- Capital Expenditure Sharing Scheme (CESS): the CESS is similar to the EBSS except it applies to our capital costs.
- Service Target Performance Incentive Scheme (STPIS): the STPIS incentivises us to improve or maintain reliability in cost effective ways, and to improve our customer service outcomes. Currently, the financial reward or penalty is up to 2.5% of our actual total revenue. In other jurisdictions it is up to 5%.
- Demand Management Incentive Scheme (DMIS): the DMIS has two components; one provides us an allowance to trial innovative investments and network solutions; and the other provides a financial reward for deferring a traditional investment in the network by managing demand.

In the following sections we go through these incentive schemes in more detail, and the F&A decisions required.

### 18.2 Incentives to increase operating and capital efficiency

Currently, the AER applies an EBSS and CESS to encourage us to reduce our operating and capital expenditure allowances. The EBSS provides a reward (or penalty) if we continually improve (or deteriorate) our efficiency. The AER applied the EBSS to Endeavour Energy in both the 2009-14 determination, and 2014-19 period.

We consider the EBSS should continue to apply in the 2019-24 period, but only under certain circumstances. Where the AER primarily relies on our historic operating expenditure, then the EBSS should apply. This is because the EBSS encourages us to lower our operating costs by providing us a financial reward. Customers enjoy the benefits of this when

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the lower costs we reveal to the regulator are then used to set a lower expenditure requirement in the next period.

Where the AER rejects our forecast and directly relies on a benchmark operating expenditure forecast to set a substantively lower allowance, then the EBSS should not apply. This was the approach the AER adopted in its 2014-19 determination for Ausgrid and Essential Energy, where a benchmark opex forecast was used to set a substitute allowance. We support the AER's reasons for suspending the EBSS in such circumstances.

The CESS plays a similar role as the EBSS and is a simpler scheme to understand. It gives us a reward (or penalty) if we underspend (or overspend) compared to the AER's allowance. The reward (or penalty) is adjusted for any financing benefits (or costs) we incur during the period.

We consider the CESS should continue to apply in the 2019-24 period. However, we think it will be important for the AER to provide clarification as to how short term deferrals are treated. A CESS reward may be adjusted if it was materially driven by deferrals from the current period to the next five year period. Defining what is 'material' will be important.

We think a case-by-case assessment is required. If a network is making continual, incremental savings through a risk-adjusted position, this should be encouraged, as it benefits customers. Alternatively, where a network is simply moving large projects between regulatory periods in an ad hoc or opportunistic manner, then the short term deferral should be excluded from the CESS, if it is a material amount.

**Our initial view:** The EBSS and CESS should continue to apply.

**Why:** Both networks and customers benefit from the continual, incremental efficiency savings which these schemes encourage.

6. We are interested in your views on whether incentive-based regulation is working. Do you think improvements could be made? Would you prefer a different approach?

7. We are interested in your views on whether the expenditure incentives are working? Should any modifications be made? Should certain categories of expenditure be excluded or separately targeted?

### 18.3 Service Target Performance Incentive Scheme

The STPIS provides a financial incentive to improve our service performance. We consider this is an important scheme that complements the EBSS and CESS. It ensures that when a network reduces its expenditure, it does so without reducing the quality of its service.

The frequency and duration of network outages i.e. blackouts, are monitored under the STPIS. If our performance is above the target i.e. poorer reliability, then we are penalised, and vice versa. The STPIS payment is calculated based on the Value of Customer Reliability (VCR) data that is independently provided by AEMO. The VCR is a dollar value that represents a customer's willingness to pay for the reliable supply of electricity.

The other component of the STPIS is customer service. This is measured by the number of phone calls answered within 30 seconds.

Under the STPIS, a network can receive a reward (or penalty) of up to 5% of its total annual revenue each year. Currently, the incentive rate for the NSW networks is 2.5%. The majority of this incentive relates to the reliability component (+/- 2.25%), with the remainder relating to the customer service component (+/- 0.25%).

The 2014-19 period is the first period in which the STPIS has fully applied to Endeavour Energy. At this stage, we are supportive of the scheme continuing to apply without modification. However, we are interested in your views about whether the scheme should apply, the incentive rate, and what the customer service measure should be.

**Our initial view:** No changes required to Service Target Performance Incentive Scheme.

**Why:** Operating effectively at present.

8. We are interested in your views on whether the reliability and customer service incentive scheme is working? Should the incentive remain at 2.5%? Should alternative customer service measures be considered? Are the reliability targets being set correctly?

### 18.4 Demand Management Incentive Scheme

Demand management refers to 'non-network' solutions that allow us to avoid investment in the distribution network by reducing demand in a constrained area. Demand management often involves relying on customers or specialised service providers to offer new, innovative technologies, which can be expensive and riskier solutions. However, they are often more environmentally friendly, and help ensure that future generations are not required to fund an electricity network which is larger than what is required.

For these reasons, the regulatory framework tries to provide incentives to promote non-network alternatives. There are two ways the framework does this:

- **Demand Management Innovation Allowance (DMIA)**

Historically, the AER has provided us with an allowance of \$0.6 million each year to fund innovative trials and research projects for non-network solutions. If we do not spend this allowance, we return it to customers in the next regulatory period. We are required to

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submit reports each year to the AER outlining the projects we conducted, the outcomes, and why they are eligible for DMIA funding.

- **Demand Management Incentive Scheme (DMIS)**

This is a new scheme following a change to The Rules. The AER is required to develop a DMIS that provides a reward (no penalties can be applied) for any demand management initiatives we implement. The payment would be a percentage of the network investment expenditure we defer/avoid, and potentially the upstream benefits that transmission networks and generators may also receive from the reduced demand requirements.

We consider both of the schemes should apply in the 2019-24 period. The key question will be the design of the new DMIS, what the sharing percentage should be, and what benefits should be captured in calculating the payment. The AER will be consulting on the new DMIS separately to our F&A process. However, we welcome your views now to help guide our submission to the AER.

**Our initial view:** Both DMIA and DMIS should apply.

**Why:** We consider it important that we are encouraged to invest in innovative non-network solutions, as these are likely to benefit the customer and the environment.

9. We are interested in your views on whether the demand management initiatives are currently working? Do they need to be stronger? How should the new DMIS work?

### 18.5 Small scale incentives

The regulatory framework also allows for innovative small schemes. Currently the AER has none in place.

At this stage, we are not intending to propose a small scale incentive scheme apply during the 2019-24 period. However, we are interested in your views as to whether there are any innovative or unique categories of expenditure that should be subject to a separate, tailored incentive scheme.

10. We are interested in your views. Are there any pilot scheme ideas you have, or new trials you think we should be undertaking?

## 19.0 THE IMPORTANCE OF ENGAGEMENT

Endeavour Energy's long-standing commitment to customers and stakeholders means engagement has shaped our operations for many years.

We support the Australian Energy Regulator's renewed focus on network distributors using effective stakeholder engagement to drive plans which reflect the long-term interests of customers. Central to this approach are the principles that our customer engagement must be:

- clear, accurate and timely
- accessible and inclusive
- transparent
- measurable

Endeavour Energy undertook an independent review of its customer engagement approach in mid-2016. We're planning on using the outcomes of this review to adjust our strategy, so that we continue to provide a safe, reliable and affordable electricity network for our customers.

11. As an important stakeholder in our network, we are interested in your views about how we undertake customer and stakeholder engagement. What do we do well? Is there anything you feel we can improve on? Do you have any feedback that will further enable us to develop plans which reflect the long-term interests of customers?

## 20.0 HAVE YOUR SAY

We want to hear from you regarding this paper.

Please provide feedback by **5pm Friday 30 September 2016**.

You can provide feedback by emailing our Manager, Network Regulation. His details are:

Jon Hocking  
Manager, Network Regulation  
Email: [jon.hocking@endeavourenergy.com.au](mailto:jon.hocking@endeavourenergy.com.au)  
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Please contact Jon if you would like to seek clarification on issues raised in this paper, or would like to request a meeting or webinar.

If you are submitting a formal response to this issues paper, please indicate whether you are responding on behalf of an organisation by submitting your response on company letterhead.

If you would like your response to remain confidential, please clearly indicate this in your response, otherwise all responses will be regarded as being approved for full disclosure.

A copy of all responses will be available on our website.

Alternatively you can contact us via:

**Email:** [haveyoursay@endeavourenergy.com.au](mailto:haveyoursay@endeavourenergy.com.au)  
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# KEY INSIGHTS SUMMARY: KNOWLEDGE REVIEW

Prepared for Ausgrid, Endeavour  
Energy and Essential Energy

February 2017

Attachment page 76



**NEWGATE**  
RESEARCH

## REPORT PREPARED FOR

Ausgrid, Endeavour and Essential Energy

## REPORT PREPARED BY

**Jasmine Hoye**, Partner  
**Katherine Rich**, Senior Research Executive  
**Sue Vercoe**, Managing Director



### 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. It is important to understand that we have sought to ensure the accuracy of all the information incorporated into this report.

This project was conducted in accordance with AS: ISO20252:2012 guidelines, to which Newgate Research is accredited.  
Project reference number: NGR 1605013.



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# EXECUTIVE SUMMARY



# EXECUTIVE SUMMARY

*Newgate Research conducted this Knowledge Review On behalf of NSW's electricity network companies – Ausgrid, Endeavour Energy and Essential Energy. The purpose was to gain a thorough understanding of insights into energy consumers, from publicly available reports in Australia and internationally, as well as potential areas for further investigation. To date, 45 papers and reports have been identified and summarised within a separate database, with the findings summarised herein by key theme. This work will be used to support the network businesses' plans and regulatory proposals.*

## **Availability of Literature**

- ◆ There is quite a wealth of literature on electricity supply and reliability, with many of the reports referencing consumer satisfaction, preferences and willingness to pay. Existing mechanisms and analysis provide good insight into expectations and experiences.

## **Reliability, price and safety are top priorities for consumers**

- ◆ Consumers have low awareness of the network companies and limited knowledge of their role in the energy supply chain or associated costs. High levels of concern were recorded among consumers regarding high or increasing energy bills.
- ◆ Safety is a high priority for consumers, with some willingness to pay for increased safety. Most NSW residents have good knowledge of safe behaviours when it comes to dealing with energy. Most have faith that energy companies operate safely and within regulations.
- ◆ Consumers are sceptical of large infrastructure investments, with long memories of significant price rises that stemmed from over-investment in network infrastructure, culminating in the 'gold plating' issue around 2012/13. However, they want to ensure there is the right amount of investment to secure supply reliability. Price and safety are seen as key factors for planning and maintenance.

- ◆ Despite high levels of consumer understanding of the importance of good vegetation management around powerlines for safety, aesthetics does play an important role in satisfaction. Having said this, vegetation management, as well as street lighting are relatively low areas of priority for consumers.

## **Whilst most consumers make an effort to reduce their energy use there is low awareness of technologies available to assist**

- ◆ Most residential and business consumers make considerable effort to reduce energy use, with price being a main driver. A key barrier to using energy outside of peak times are demanding household and business routines. Price, more so than concerns about the environment are the main drivers for reducing energy.
- ◆ Technology is not widely understood or being harnessed by consumers to monitor their energy usage and costs.

## **Confusion and lack of knowledge regarding tariff structures and types reflects low energy literacy among most consumers**

- ◆ Overall low energy literacy among consumers was reflected in confusion, misunderstanding and lack of knowledge of tariff types and structures.
- ◆ Low ratings of value for money provided by the energy network companies reflect low levels of understanding of the reasons for increasing energy prices and a lack of energy literacy. Value for money perceptions can be improved through building understanding of what network providers actually do, and why.
- ◆ Billing issues contribute to around a third of all complaints to the energy and water ombudsman.



# EXECUTIVE SUMMARY CONT.

## ***Hardship customers less likely to engage in the market, due to low energy and financial literacy, lack of time and outstanding debts***

- ◆ Vulnerable customers are often time poor and have poor energy and financial literacy, and already have an energy debt. They are much less satisfied and inclined to engage in the energy market, and this exacerbates their disadvantage.
- ◆ CALD consumers have low energy literacy and need additional assistance to understand the energy supply network and how they can control their usage and costs. Their communications preferences tend towards email and written correspondence.
- ◆ The number of disconnections rose from 2014 to 2016, but no definitive correlation has been found with price rises – suggesting other factors are at play. There is a lack of consistency in assisting hardship customers among retailers, no apparent minimum standards, and support is not effective in preventing disconnection.

## ***Consumers prefer targeted communications and engagement, and when they do make contact, a quick, responsive service***

- ◆ Lack of awareness and knowledge of network companies highlights the need for effective and engaging communications going forward. Consumers want targeted communications, in an engaging format. When they make contact, network customers want quick, responsive service.

## ***Whilst saving money is a main driver of technology adoption, high establishment costs and poor knowledge are key barriers***

- ◆ Potential savings and increasing energy prices are the main drivers of uptake of solar panels and battery storage. High initial costs and lack of knowledge about the technologies are the main barriers for adoption.
- ◆ There is low awareness of tariff structures and options, and low use of in-home devices to control energy use and costs. Time poor consumers report minimal ability to control consumption, particularly in households with children and teens.



# RECOMMENDATIONS

## ***Continue to monitor customer sentiment and needs***

- ◆ Regular research to monitor customer perceptions and expectations is advised to ensure you remain abreast of sentiment, issues and concerns, particularly amid growing issues with security of supply, blackouts, climate change and rising energy costs.
- ◆ Up-to-date regression modelling for NSW consumers into the key drivers of satisfaction for core organisational activities would be of value, including at a minimum: planned and unplanned outages, interruption frequency and notification, speed of restoration, call centre responsiveness, vegetation management, street lighting – and of course, charges, billing and meter reading.
- ◆ Implement an ongoing complaint follow-up survey to understand expectations and performance as it relates to customer issue resolution.
- ◆ Value for money is an area to continue to monitor, but also better understand. *What contributes to value for money perceptions? Why has this improved? How much can value for money perceptions be improved and how can this be done efficiently? What outcomes can this lead to?*
- ◆ Explore ways to respond to customers' willingness to pay for new and improved services – by segment, location, different offerings etc.

## ***Conduct more detailed research into vegetation and lighting management***

- ◆ Incorporate research into revenue reset consultations to determine more specific preferences on different levels of vegetation management and powerline protection – e.g. different price scales for tree trimming options and areas willing to pay more for undergrounding powerlines.
- ◆ Update the 2012 study on preferred technologies for street lighting.

## ***Reliability estimates could be reviewed and perceptions monitored***

- ◆ Despite low levels of concern over supply disruptions, views should continue to be monitored, including targeted boost sampling around outages.

- ◆ Along with IPART, HoustonKemp believes that the only robust way to derive appropriate Value of Customer Reliability (VCR) estimates would be to conduct a new VCR study, focused on highlighting differences in VCR between different geographic areas in NSW and different customer groups. The study would also need to explicitly consider the VCR associated with low probability but high impact, long duration outages, such as those being addressed by the 'Powering Sydney's Future' study.

## ***Monitor safety perceptions and address concerns***

- ◆ Consumer knowledge, perceptions and behaviours in relation to safety should continue to be monitored given its overall importance both to the industry and to consumers, and to understand the impact of any related consumer communications and engagement activities.
- ◆ Consumer research into the concerns regarding the safety of smart meters and other new technologies should be conducted to better understand how these concerns can be addressed – including through consumer protections.
- ◆ It would be worthwhile considering safety issues and options for cost efficiencies in more granular detail with consumers.

## ***Explore and monitor specific initiatives to become more customer-centric***

- ◆ Further research into how the network companies can be more customer-centric organisations would be of particular benefit, especially in light of regulatory expectations. This should clearly include direct research with customers.
- ◆ With government and regulatory stakeholders giving the lowest reputation ratings in a 2016 stakeholder perceptions study for Ausgrid, more granular research could further drill down into the reasons for lower perceptions among these stakeholders.
  - ◇ Essential and Endeavour could do similar research among stakeholders to determine what is driving their respective reputations and what are the actionable priorities they should focus on to boost perceptions over time.



# RECOMMENDATIONS CONT.

## ***Conduct more in-depth research to build literacy and guide and evaluate communications and engagement***

- ◆ Explore how to improve consumers' energy literacy including tariff structures, controlling their energy use and smart meters. This should include their understanding of demand management and the implications for infrastructure planning.
  - ◇ Further research should identify which segments are a priority or whether their needs and preferences are different e.g. CALD, vulnerable customers, younger consumers, regional etc.
- ◆ Explore consumer preferences for channels and information needs in more detail through testing reactions to draft strategies and materials. Evaluate these according to engagement expectations and principles.
- ◆ Conduct communications development research to increase awareness and understanding of the energy supply chain. Monitor the impact.

## ***Review and develop hardship support and communications***

- ◆ Work with retailers to form an eligibility criteria for hardship programs and develop a best-practice standard for assistance, with the aim of *preventing* disconnections.
- ◆ Consider research to inform and guide customer communications and engagement in relation to hardship support and staying connected.
- ◆ Conduct further exploratory research with consumers to understand what they think network companies could do to better support vulnerable customers and those experiencing hardship, and exploring their willingness to pay for specific initiatives.
- ◆ Begin tracking research to monitor experiences and whether the needs of vulnerable customers are being better met over time, and evaluate responses to specific initiatives when they are implemented.

## ***Consider ways to better inform and support CALD customers***

- ◆ Consider research into understanding the programs and activities that network companies could do to improve engagement, energy literacy and social license to operate among CALD consumers. Such research should be careful to consider the views and needs of older and newer migrants, and those from different countries / cultures – and whether and how these differ from the broader customer base.
- ◆ Explore ways to share energy knowledge and experiences between CALD customers and the broader customer base to help build social wellbeing and connectedness.

## ***Renewables and off-grid research should be conducted to understand and help anticipate expectations and behavioural changes***

- ◆ Further research should be conducted into the experiences of consumers using renewable energy, as well as general consumer awareness, knowledge and likelihood to invest in storage batteries and/or 'go off-grid' – in order to stay abreast of the market and guide planning, as well as potential new service offerings. This could include understanding the price points and packages that will attract investment into battery storage and other new technology.
- ◆ Demand modelling or forecasting would be worth conducting to better understand what impacts new technology and renewables will have on the demand for energy from the grid and on pricing. This should include consideration of the potential impacts on vulnerable customers unable to invest in new technologies or go off-grid.
- ◆ The 2017 AEMC Competition Review (due mid 2017) will provide more detail about what percentage of households use new technologies to manage demand and whether there is a shift in likely take-up.



# ABOUT THE REVIEW





# KNOWLEDGE REVIEW

## About the database

The main output for this research was a database including the following information:

- Article No.
- Report name
- Organisation
- Date
- Key topics (see list to the right);
- Relevance (keywords)
- Purpose
- Methodology
- Key insights
- Hypertext link to report

The database has been designed to be searchable via the key topics, based on the area of interest for the user. The database will be updated as new reports emerge.

The database can be accessed here: [INSERT LINK FROM AUSGRID WEBSITE]

## Key Topics

### Infrastructure

- Electricity Supply, Reliability & Disruptions
- Infrastructure & Asset Management
- Vegetation Management & Street Lighting
- Knowledge, Perceptions and Engagement
- Safety

### Customer Engagement

- Energy Use & Efficiency
- Pricing, Charges & Tariffs
- Metering & Billing
- Affordability & Willingness to Pay
- Disconnections
- Vulnerable Customers/Hardship
- CALD/Indigenous
- Communications & Engagement

### Technology & The Future

- Renewable Energy and Emerging Technologies
- Demand Management

### Key Stakeholder Perceptions





# STAGES

## KNOWLEDGE REVIEW PROCESS

1

### ARTICLE IDENTIFICATION

In total, 45 reports were identified as pertaining to the research scope.

The sourcing of materials was completed via a systematic search of publicly available reports as well as Newgate, Ausgrid, Endeavor and Essential Energy providing research conducted or commissioned.

2

### DATABASE CREATION

Articles and reports were critically reviewed, noting key findings and insights.

A comprehensive Excel database was populated with respective details such as the organisation commissioning and conducting the research, purpose, methodology, and key insights.

In addition, a key topic search function was employed to allow streamlined filtering of the database.

3

### SUMMARY PRESENTATION

The information gathered in the review process was synthesised into key topics.

Newgate Research has provided a critical analysis, to identify existing gaps in knowledge and recommendations for further research into these areas.

4

### DATABASE MAINTENANCE

Ongoing, the database will be maintained and updated internally by a representative from Ausgrid.



# KEY INSIGHTS



# INFRASTRUCTURE

- Electricity Supply, Reliability & Disruptions
- Infrastructure & Asset Management
- Vegetation Management & Street Lighting
- Knowledge, Perceptions and Engagement
- Safety



# ELECTRICITY SUPPLY, RELIABILITY & DISRUPTIONS

## KNOWLEDGE AND LEARNINGS

*There is quite a wealth of literature on electricity supply and reliability, with many of the reports referencing consumer satisfaction, preferences and willingness to pay. Existing mechanisms and analysis provide good insight into expectations and experiences.*

- ◆ **Satisfaction with reliability:**
  - ◇ A 2013 report found that energy consumers generally express low concern over blackouts overall, given their low incidence. (#34)
  - ◇ Though there is high satisfaction with reliability nationally, consumers were relatively less satisfied in NSW (particularly business consumers). Reliability is perceived to have improved over the past five years (#39) and most were optimistic that reliability would continue to improve over the next 5 years. (#10, #27)
  - ◇ The majority of consumers are not prepared to sacrifice reliability for lower charges (#22), and there is also low appetite to pay more for improved reliability, reinforcing that the majority were satisfied with their current reliability levels. (#27, #43, #23)
- ◆ **Acceptability of disruptions:** An average of one blackout per year, and for a duration of 1-2 hours were considered the most acceptable levels of reliability and responsiveness. The majority were unwilling to pay more or less for faster or slower responsiveness. (#27)
- ◆ **Unplanned outages:** Shorter unplanned outages correspond with higher satisfaction levels (#5). Customers stated the most important ways to increase satisfaction during an unplanned outage were to have faster restoration times, improved customer service response to concerns, and communication on reasons for the outage (#5). Preferred sources of information during an unplanned power outage in an Endeavour survey (#22) were via SMS, followed by a media alert or a proactive phone call to those without a mobile. The most important information was an estimate of when the power would return.
- ◆ **Planned outages:** Overall, satisfaction with planned outages was most positive when work was completed in the specified time frame. Customers stated the most important ways to increase satisfaction were to keep to the estimated timeframe and fix the issue causing the outages (#5). For planned outages, a letter or card under the door was the preferred communications method. (#39, #43)
- ◆ **Value of customer reliability (VCR):** This is an estimate of the amount customers are willing to pay for the reliable supply of electricity. HoustonKemp's VCR methodology estimated the VCR to be between \$150/kwh and \$192/kwh (vs. \$191/kwh per Ausgrid's VCR method). (#4)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Along with IPART, HoustonKemp believes that the only robust way to derive appropriate VCR estimates would be to conduct a new VCR study, focused on highlighting differences in VCR between different geographic areas in NSW and different customer groups. The study would also need to explicitly consider the VCR associated with low probability but high impact, long duration outages, such as those being addressed by the 'Powering Sydney's Future' study.
- ◆ Despite low concern levels over supply disruptions, views should continue to be monitored, including targeted boost sampling around outages.



# INFRASTRUCTURE & ASSET MANAGEMENT

## KNOWLEDGE AND LEARNINGS

*Consumers are sceptical of large infrastructure investments, with long memories of over-investment. However, they want to ensure there is the right amount of investment to secure supply reliability. Price and safety are key factors for planning and maintenance.*

### ◆ **Asset management:**

- ◇ In a 2014 study of SA consumers, the majority were willing to contribute financially to maintaining and upgrading the network and its infrastructure for future generations, with only a small minority believing that future generations could 'pay their own way' (#31). The most important asset (i.e. network infrastructure) management initiatives among SA consumers were: inspecting, maintaining and upgrading the network; bushfire prevention activities; and hardening the network against lightning and storms. (#42)
- ◇ In the 2015/2016 financial year the Energy and Water Ombudsman NSW received a 14% decrease in complaints, with 185 complaints on network assets (regarding maintenance or placement of infrastructure) and 125 complaints on property damage / restoration. (#17)

- ◆ **Capital expenditure on infrastructure:** A 2013 TransGrid study found consumers had limited awareness or understanding of demand management. Coupled with concerns over recent sharp price increases and 'gold plating', this often blurred perceptions of scaling back infrastructure plans. Consumers were sceptical of any positive impact on their electricity bill (#34). Relatively few Ausgrid customers had heard anything about planned investment in infrastructure upgrades. Of these, most were worried about over-investment (#38)

- ◆ **Construction/design standards:** In a 2013 study among Endeavour Energy's customers, the priority of factors when deciding on new construction and design standards were price, safety, aesthetics and environment. (#39)

- ◆ **Visual amenity:** Generally, consumers would welcome improvements to visual amenity despite concerns over recent price increases and 'gold plating' (#27, #42), with many feeling underground networks and fit-for-setting substation facades suitable for improving visual amenity (#42). However, one study revealed 64% of customers did not support their supplier increasing levels of visual amenity investment, often suggesting that those who did should be the ones to pay. (#27)

- ◆ **Renewables & local scale generation:** A community and stakeholder study conducted by TransGrid in 2013 found a strong desire for renewable energy sources and local scale generation to be taken seriously. (#35)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ To inform new infrastructure decisions, it will be important to gain a current understanding of the impacts of future energy technology adoption and demand management on not only consumer behaviours, but also expectations and sentiment.
- ◆ Pre-emptive communications and engagement among consumers are vital before any new infrastructure decisions, due to their lack of understanding and awareness and the potential for criticism and reputational impacts (as seen in relation to the 'gold plating' issue).



# VEGETATION MANAGEMENT & STREET LIGHTING

## KNOWLEDGE AND LEARNINGS

*Despite high levels of consumer understanding of the importance of good vegetation management for safety, aesthetics plays an important role in satisfaction. However, vegetation management and street lighting are relatively low areas of priority for consumers.*

- ◆ **Priority:** SA consumers consider vegetation management important, but less of a priority than community safety and supply reliability. (#42)
- ◆ **Visual amenity:**
  - ◇ A 2015 study among Endeavour's customers found vegetation management was a low priority compared to reliability and price. (#24)
  - ◇ An Ausgrid survey found customer satisfaction would greatly improve if more care was taken to improve the look of tree trimming. (#5)
  - ◇ In a 2013 SA Power Networks study, customers favoured more regular tree trimming or the complete removal of trees. The most important issues for consumers were undergrounding powerlines, working with the community to promote appropriate vegetation, and tree trimming practices including more frequent rather than severe tree trimming. (#42)
- ◆ **LED lighting:** In a 2012 Ausgrid study, the majority of residents preferred LED lighting on residential roadways compared to traditional lighting. There appeared to be a strong emerging commercial, technical and environmental case for the adoption of LED street lighting. (#44)
- ◆ **Improving street lighting:** Most commonly mentioned ideas to improve street lighting in Ausgrid's area were *more* street lights, improved maintenance of existing street lights and responding more quickly to broken street lights. (#5)
- ◆ **Complaints:** In the 2015/2016 financial year the Energy and Water Ombudsman NSW experience a 14% decrease on land complaints, with 65 complaints on vegetation management, 26 complaints on easement and 22 complaints on street lighting. (#17)
- ◆ **Impact of tree trimming on reputation:** A 2017 study among Ausgrid's stakeholders found that tree trimming had a relatively high impact on the organisation's reputation and was a priority area for improvement. (#15)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Incorporate research into revenue reset consultations to determine more specific preferences on different levels of vegetation management and powerline protection – e.g. different price scales for tree trimming options and areas willing to pay more for undergrounding powerlines.
- ◆ Update the 2012 study on preferred technologies for street lighting.



# KNOWLEDGE, PERCEPTIONS AND ENGAGEMENT

## KNOWLEDGE AND LEARNINGS

*Consumers have low awareness of network companies and limited knowledge of their role in the energy supply chain and associated costs. Many consumers are concerned about increasing energy bills.*

- ◆ **Interest:** A 2014 study among Victorian consumers found interest in energy issues increased once consumers had more knowledge and information about the sector. (#27)
- ◆ **Knowledge:**
  - ◇ In 2013, consumer research for both TransGrid and Ausgrid found that very few participants could differentiate between the role of transmission, distribution and retail companies. (#34, #35)
  - ◇ In 2013, a customer engagement study for Endeavour Energy found that over half of residents were aware of a fixed fee for maintaining supply of electricity to their house. (#39)
- ◆ **Satisfaction:**
  - ◇ A 2016 study found that overall the majority of consumers are satisfied with energy services. Satisfaction with competition varies across jurisdictions with satisfaction highest in Victoria, NSW and South Australia (#1).
  - ◇ Regression modelling and relative importance analysis for SA Networks found the most important drivers of satisfaction to be interruption frequency, speed of restoration, call centre responsiveness, voltage quality, interruption notification, overhead/undergrounding mix. (#31)
  - ◇ A 2014 consumer study for Jemena found that consumers became much more positive towards the organisation after hearing more information about it. (#27)
- ◆ **Perceptions:** In its 2013 consultation process review, TransGrid received negative ratings from landowners in its major project areas because they felt its behaviour was intimidating, condescending, dismissive, inconsistent and secretive. Consumers wanted genuine commitment to engagement, openness, honesty and responses to queries, and a proactive rather than reactive approach. (#35)
- ◆ **Costs:** In 2013, TransGrid customers were very concerned about rising electricity prices and most respondents had only a vague understanding of why prices were rising. Many were concerned about the environment and renewables, however they had little knowledge of the costs involved. Customers in this deliberative research were receptive to the need to spend significant amounts of money on maintenance, and perceived TransGrid's attempts to find ways to keep costs down as a positive aspect of the organisation. (#34)

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# KNOWLEDGE, PERCEPTIONS AND ENGAGEMENT CONT...

## KNOWLEDGE AND LEARNINGS

### *Continued...*

- ◆ **Knowledge and awareness of energy markets:** A National Electricity Market (NEM) wide study in 2016 found that the majority of consumers across the NEM were aware they could choose their electricity company and that they could choose from different electricity plans and offers (#18).
- ◆ **Switching behaviours:** Around three in ten consumers across the NEM had actively investigated different energy offers or options in the previous 12 months. In 2016, rates of switching energy companies had declined from 2015 (37% of residents in 2016 vs. 40% in 2015, 36% of business users in 2016 vs. 45% in 2015). In NSW, rates of switching electricity company or plan over the past five years had declined significantly among residential consumers (48% vs. 52%) and marginally among small businesses (52% vs 54%). Price related factors remained the main unprompted reason for switching electricity provider across the NEM (#18, #1).

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Regular research to monitor customer perceptions and expectations is advised to ensure you remain abreast of sentiment, issues and concerns, particularly amid growing issues with security of supply, blackouts, climate change and rising energy costs.
- ◆ Up-to-date regression modelling for NSW consumers into the key drivers of satisfaction for the core organisational activities would be of value, including at a minimum: planned/unplanned outages, interruption frequency and notification, speed of restoration, call centre responsiveness, vegetation management, street lighting – and of course, charges.





# SAFETY

## KNOWLEDGE AND LEARNINGS

*Safety is a high priority for consumers, with some willingness to pay for increased safety. Most residents have good knowledge of safe behaviours when it comes to dealing with energy. Most have faith that energy companies operate safely and within regulations.*

- ◆ **Priority:** As with reliability, the majority of customers were not prepared to sacrifice safety for lower charges (#22). In a 2014 Jemena study, almost all consumers agreed that safety should be the number one priority of energy providers. (#27)
- ◆ **Behaviours:** The majority of participants in a 2014 Ausgrid study were aware of safe and dangerous behaviours around electrical networks. More than a third of the general public with above-ground power lines reported checking for overhanging branches each year. Parents were found to be the most important source of information for children to learn about electrical safety. (#29)
- ◆ **Risks:** The most frequently mentioned safety risks were workers electrocuting themselves, fatalities from electrical shocks, environmental incidents such as storms, strong winds and floods, and trees contacting powerlines (#39, #29). Consumers believed that energy companies would be subject to stringent regulations and requirements for safety, so did not think there would need to be safety requirements over and above the regulations and were not willing to pay more for increasing safety measures. (#39)
- ◆ **Willingness to pay:** Several studies covered willingness to pay. Although the majority of residential consumers in a 2013 customer engagement study were generally not willing to pay more for their supply in exchange for improved services, some were willing to pay more for greater safety (#41). The majority of both Endeavour Energy and Essential Energy customers were not prepared to sacrifice reliability or safety for lower charges (#23, #24). In 2013, Just one in five Endeavour NSW residents said they would be willing to pay less for a less safe service but half said they would not. (#39)
- ◆ **Design standards:** Safety was an important factor when deciding on new construction and design standards, however most participants assumed that because safety is so important, proper safety regulations were already a given. (#39)
- ◆ **Smart meters:** In a 2013 nation-wide survey, smart meter safety issues were rated to be of lower importance than other issues, particularly with regard to price and reliability of supply. (#36)
- ◆ **Advertising:** In 2014, Ausgrid ad testing for safety-message takeouts found that 9 out of 10 participants agreed the ads informed them of safety risks and provided useful information on steps to be taken when working near power lines or cables. (#32)
- ◆ **Communications:** Consumers believed distributors have a significant role to play in informing the community of issues relating to safety. (#37)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Consumer knowledge, perceptions and behaviours in relation to safety should continue to be monitored given its overall importance both to the industry and to consumers, and to understand the impact of any related consumer communications and engagement activities.
- ◆ Consumer research into the concerns regarding the safety of smart meters and how these concerns can be addressed
- ◆ It may be worthwhile considering safety issues and options for cost efficiencies in more granular detail with consumers.



# CUSTOMER ENGAGEMENT

- Energy Use & Efficiency
- Energy Market Engagement
- Pricing, Charges & Tariffs
- Metering & Billing
- Affordability & Willingness to Pay
- Disconnections
- Vulnerable Customers/Hardship
- CALD/Indigenous
- Communications & Engagement



# ENERGY USE & EFFICIENCY

## KNOWLEDGE AND LEARNINGS

*Residential consumers and business consumers make considerable effort to reduce energy use, with price a main driver. A barrier to using energy outside of peak times were business and household routines.*

- ◆ **Reducing energy use:** In a 2013 study among NSW consumers the vast majority of residential and business consumers reported that they had made 'a lot' of effort to reduce their energy usage – however, qualitative findings suggested people were reluctant to compromise on comfort such as through reducing the use of air conditioners (#41, #45). Businesses were more likely than residential customers to compromise on comfort for savings (#41). In-home devices such as smartphone apps had a positive effect on usage awareness, with 70% of trial participants claiming an ability to reduce their bills. Products combining “feedback technologies” with a pricing/incentive structure had the strongest impact on energy awareness and bill reduction. (#36)
- ◆ **Behaviour change:** In a 2013 “Smart Grid, Smart City” trial study, the majority of participants reported that the use of an in-home monitoring device resulted in them taking some action to reduce or change how they used electricity: two-thirds said they reduced their usage, 58% said they changed the time of day that they used electricity and a quarter said they made one or more appliance efficiency upgrades (#36).
- ◆ **Experiences of households with children:** A higher proportion of households with children reported difficulty in paying their energy bills and a desire for more control over their electricity use. (#36)
- ◆ **Interest in energy efficiency schemes and programs:** A 2014 study on energy efficiency in NSW found there was some interest in various energy efficiency schemes among residential consumers – however, there was an expectation that these would be free, with many consumers unsure of the benefits. Almost half of the study’s participants said the cost of purchasing new (or energy-efficient) products and appliances was a key barrier to having a more energy efficient household. (#28)
- ◆ **Business usage:** Many felt they had little control over rising costs and felt unable to change their usage, even to take advantage of time-of-use tariffs due to the nature of their businesses (#39, #45). Many business customers had heard of smart meters but felt quite negatively towards them, with most unaware of the benefits from an energy management and savings perspective; as a result, only 19% of business consumers were interested in having a smart meter (#41). Businesses would like assistance to become more energy efficient, however, there is resistance against costly measures as they may further impact on profit margins. (#39)
- ◆ **CALD consumers:** A 2012 study among CALD consumers revealed this cohort were most likely to reduce energy use by turning off appliances at the power point, switching off lights when not in use and using energy efficient light globes. Barriers to reducing energy use were generally due to a lack of understanding of how to go about it and a lack of knowledge of the associated benefits. In addition to turning off lights & appliances, they had checked and maintained freezer temperature and seals, installed new, energy efficient air-con, or used fans as an alternative. (#45)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Update the 2012 research among CALD consumers to obtain a current understanding of their knowledge and experiences of the energy market.



# PRICING CHARGES AND TARIFFS

## KNOWLEDGE AND LEARNINGS

*Overall low energy literacy among consumers was reflected in consumer confusion, misunderstanding and lack of knowledge of tariff types and structures.*

### ◆ **Understanding of the bill:**

- ◇ A 2013 study in NSW found that consumers were unclear about how much they paid for the supply of energy as part of their total bill. Participants really wanted TransGrid to help them to better understand and interpret the elements of their personal electricity bills. (#34)
- ◇ In 2012 and 2013 studies, lack of knowledge and understanding of electricity bills, tariffs, demand management, and how they relate to electricity generation, network operation and retail organisations was widespread. Customers found it difficult to make informed choices about their electricity supply and reduce their usage and bills due to a lack of understanding and fear of being overwhelmed with detailed technical information. (#34, #43)

### ◆ **Tariff literacy:**

- ◇ A 2016 nationwide study found that consumers find language around tariffs on websites hard to read and with a heavy focus on industry. Definitions for peak and off-peak usage, as well as the associated tariffs and how these are explained varied widely between and within states, which confused many consumers (#16).
- ◇ A 2015 study revealed that a third of NSW and Victorian customers do not know their tariff structure, including if or when they have off-peak electricity (#25).

### ◆ **Tariff preferences:** A randomised nationwide field experiment in 2015 found that peak-time rebates, time-of-use-tariffs and critical peak pricing were more favourable for the majority than real-time and capacity pricing (#19).

- ◇ Real-time and capacity tariffs were less favorable due to complexity, mistrust for their company and the disbelief that energy should cost more based on demand.
- ◇ Renters and consumers with higher levels of formal education were more likely to take up certain forms of cost-reflective pricing such as real-time tariffs or capacity pricing. Low-income consumers preferred critical peak pricing, as it is cheaper for much of the year (#19).

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# PRICING CHARGES AND TARIFFS CONT...

## KNOWLEDGE AND LEARNINGS

### *Continued...*

- ◇ Flat rate pricing in combination with a money-back guarantee was found most appealing. Cost-reflective pricing offers required a money back guarantee to be appealing – even risk-free trials were not enough to shift interest to demand-based pricing structures. The addition of risk-relief mechanisms made cost-reflective tariffs more acceptable to consumers, but not more so than flat rate tariffs. (#19)
- ◆ **Connection fees:** In 2013, consumers in NSW were confused about how much they paid for the connection costs of energy as part of their total bill (#41). Residential consumers generally felt that connection charges should be shared across consumers, resulting in a flat fee for all customers; further, some felt that the administration costs associated with applying different amounts would ultimately be passed on to the consumer. Most business consumers preferred to see variability in connection fees (#41).
- ◆ **Offers and options:** NSW electricity standing offers that took effect from July 2015 onwards resulted in annual bill increases of between \$160 and \$180 across all networks. Customers on the 'transitional offer' were subjected to higher electricity price increases up until 1 July 2016. Households with a typical average consumption (7,200kWh) and on their incumbent retailer's standing offer have the potential to save between \$400 and \$430 each year – however, these savings are contingent on bills being paid punctually and may be difficult for some households. Average market offers from July 2015 to July 2016 produced annual bills of between \$1,880 and \$2,220 (#2).
- ◆ **On time payments:** Within Essential Energy's network, customers who paid their bills on time benefited from an annual saving of up to \$566 compared to customers who didn't pay on time (#2).
- ◆ **Network proportion of bill:** The network proportion of the total bill had either flattened out or decreased since 2009 across Ausgrid, Essential Energy and Endeavour Energy's networks (#2).
- ◆ **Solar savings:** Solar customers within the Ausgrid network (with 3kW systems) have an average market offer bill of \$670 less than the average market offer bill for non-solar customers (#2).

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Improve energy literacy among consumers, this might require further research to identify which segments are a priority or whether their needs and preferences are different e.g. CALD, vulnerable customers, younger consumers, regional etc.
- ◆ Consistent presentation of tariffs and structures by retailers within and across jurisdictions.



# METERING AND BILLING

## KNOWLEDGE AND LEARNINGS

*Technology is not widely understood or being harnessed by consumers to monitor their energy usage and costs. Billing issues contribute to around a third of all complaints to the energy and water ombudsman.*

- ◆ **Smart meters:** Across Australia there are high levels of interest in smart meters but a lack of knowledge surrounding their purpose and benefit, including in Victoria (#11, #27). A national 2016 CSIRO study recommended accelerating smart meter programs to demonstrate the value for customers and for policy-makers to monitor the use of demand-based tariffs to ensure market-led deployments are effective. (#3)
  - ◇ A 2016 study found that despite almost all properties having smart meters installed, Victorian consumers did not know what they are used for and have questions around whether their energy retailer is able to read them, where they are installed, the cost, the software and how information is accessed externally. (#11)
  - ◇ In several studies among NSW consumers in 2013, most participants had heard of smart meters (65-70%) with 38% of residential customers interested in one – in particular, those from larger households and heavier energy users (#41). Negative perceptions of smart meters included that they do not work properly, are unreliable, and pose risks to safety and health (e.g. fires). (#39)
  - ◇ Globally, almost all consumers said they would like to learn more about the functionality of smart meters, as well as how they could impact on their energy costs, how they work and the costs to install and maintain them. (#33)
- ◆ **Complaints:** In the 2015/16 financial year the most common complaints to the ombudsman included: back-billing over periods longer than nine months, unaffordable payment plans to cover back-bills, opening and closing account errors, account transfers in error which has led to billing errors and sometimes disconnection. In 2016, referrals to financial counsellors increased by 188% to 561 (#17).
- ◆ **Meter reading:** In 2016, an Ausgrid Customer Satisfaction study found that minimising estimated meter reads and communicating the reason for the estimate will help increase overall satisfaction among the small number of customers who have difficulty with meter readings. When asked, customers mentioned the following main improvement opportunities: don't do / limit meter readings (22%), and provide customers with advance notice of when their meter will be read or when access is required (21%).

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Continue current satisfaction studies including satisfaction with billing and meter reading.
- ◆ Implement an ongoing complaint follow up survey to understand performance as it relates to customer issue resolution.



# AFFORDABILITY AND WILLINGNESS TO PAY

## KNOWLEDGE AND LEARNINGS

*Low levels of understanding of the reasons for increasing energy prices and a lack of energy literacy reflect low ratings of value for money provided by the energy network companies. Value for money perceptions can be improved through building understanding of what network providers actually do, and why.*

### ◆ **Affordability:**

- ◇ In a 2012 study for Essential Energy, customers did not understand why prices were increasing, but they tended to see price rises as inevitable and believe this was out of their control. Most of the customers reported taking action to reduce their bills, with many seeing reductions, however there was a lack of awareness about how exactly to make these reductions more significant. (#43)
- ◇ Much of the 2012/3 research highlighted that customers wanted stability in pricing, however they lacked understanding and literacy around what contributes to price rises or how prices are set. (#34, #37, #43)
- ◇ Similar to previous years, almost a third of complaints to the NSW Energy and Water Ombudsman were affordability-related in the 2015/16 financial year. (#17)
- ◇ **Experiences of households with children:** A higher proportion of households with children reported difficulty in paying their energy bills and a desire for more control over their electricity use. (#36)

- ◆ **Value for money:** A 2016 national study for the AEMC found value for money ratings had improved versus the 2015 and 2014 measures (#18). Two 2016 studies found value for money was rated highest in NSW and lowest among business customers (#10, #1). Understanding of electricity pricing and bill structure is low and found to affect a consumer's perception on value for money. A Jemena study found value for money ratings increased when detailed information was provided to customers on electricity delivery and service levels (#27).

- ◆ **Willingness to pay:** Choice modelling research in 2015 across Ausgrid, Endeavor and Essential Energy customers revealed that although cost was a key driver for uptake of potential service offerings, the majority of consumers were not prepared to sacrifice reliability and safety for lower charges. Service options with longer restoration times and more blackouts were less appealing. (#23) (#24) (#22)

- ◇ Amongst Ausgrid's residential customers in 2013, 28% indicated they were willing to pay more underground powerlines and 23% for greater safety, while fewer were willing to pay for energy efficiency information, tools, incentives or for smart meters. (#41)
- ◇ For South Australian customers, a study in 2015 found willingness to pay was positively correlated with their network experience and satisfaction. Reliability and notifications of impending outages, and the speed of restoration aligned with a higher willingness to pay. (#31)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Value for money is an area to continue to monitor, but also better understand. *What contributes to value for money perceptions? Why has this improved? How much can value for money perceptions be improved and how can this be done efficiently? What outcomes can this lead to?*
- ◆ Explore ways to respond to customers' willingness to pay for new and improved services – by segment, location, different offerings etc.



# DISCONNECTIONS

## KNOWLEDGE AND LEARNINGS

*The number of disconnections rose from 2014 to 2016, but no definitive correlation has been found with price rises – suggesting other factors are at play. There is a lack of consistency in assisting hardship customers among retailers, no apparent minimum standards, and support is not effective in preventing disconnection.*

- ◆ **Increase in number of disconnections:** Despite an increase in the number of customers on payment plans and an overall energy customer debt decline of 2% (#14), from 2014 to 2016 the number of disconnections in all NEM jurisdictions also increased. (#8, #14, #17, #21)
- ◆ **Segments:**
  - ◇ Disconnections happened most frequently in; areas of low income, areas experiencing housing stress, in households experiencing fuel poverty, and for homes with a degree of vulnerability (#8, #21). Despite this, a St Vincent De Paul study in 2016 found no definitive correlation between price rises and a greater number of disconnections. (#8)
  - ◇ The ease with which a household is disconnected is also a strong determinant. Households with smart meters that could be remotely operated were disconnected more frequently than those without smart meters. Otherwise, the retailer must physically travel to the customer's house in order to disconnect it. This means there is a disincentive for retailers to disconnect rural homes or to disconnect homes multiple times. By contrast, households closer to city centres were more likely to be disconnected. (#8)
- ◆ **Hardship programs delay, rather than prevent disconnection:**
  - ◇ Customers having difficulty paying their bills often reach out for assistance. They are generally willing to pay their debts but are unable to do so (#21, #31). Assistance to such customers in NSW was most often provided in the form of a payment plan or extension, while some were referred to an emergency relief agency or a financial counsellor. (#21)
  - ◇ In a 2016 study of retailers by the ESC in Victoria, information was not readily available on what assistance retailers would provide and this was largely done at their discretion. Many had indicators in place to identify customers who might require assistance. This included a change in employment status, illness or disability. While there were obligations on retailers to offer assistance, there were no prescribed minimum standards. This meant that, in practice, the nature of the assistance varied widely. No one retailer was demonstrating 'best practice' but some employed better practices than others. (#14)
  - ◇ Hardship programs have been found to be ineffective at preventing customers from accumulating debt (#14), or assisting customers from escaping a cycle of debt (#21). Increasing numbers of customers were being disconnected after exiting retailers' hardship programs. (#14)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Work with retailers to form an eligibility criteria for hardship programs and develop a best-practice standard for assistance, with the aim of *preventing* disconnections.
- ◆ Consider research to inform and guide customer communications and engagement in relation to hardship support and staying connected.





# VULNERABLE CUSTOMERS AND HARDSHIP

## KNOWLEDGE AND LEARNINGS

*Consumer research is increasingly considering vulnerable customers. They are often time poor and have poor energy and financial literacy, as well as energy debt. They are much less inclined to engage in the energy market, exacerbating their disadvantage.*

### ◆ Characteristics:

- ◇ A 2016 AEMC study found all residential energy consumers sit along a spectrum of vulnerability, with the three most vulnerable segments differing in income levels and situations but all experiencing some form of entrenched or circumstantial financial vulnerability. (#12)
- ◇ Strong vulnerability indicators were being female (especially single mothers); renting or paying a mortgage; not being in full-time employment; lower incomes; experiencing recent household stress (e.g. arrival of a baby or a death); living in regional areas; being Indigenous; being a recent immigrant; having special energy payment arrangements; having a limited savings buffer; and living in larger households (especially those with more children) (#7, #12, #21, #22, #25).

- ◆ **Fuel poverty:** A 2015 Brotherhood of St Laurence study found that differing definitions of fuel poverty can produce greatly varied results, such that multiple indicators are required. These included income, social exclusion and household expenditure (lower-income households spend a higher proportion of income on energy). Fuel poverty may also provide an early indicator of other forms of hardship. (#26)

### ◆ Causes of hardship:

- ◇ Lack of understanding of how to reduce energy consumption, being unable to replace older appliances and seasonal weather impacts causing higher usage all contribute to high bills. (#7, #12, #25)
- ◇ A St Vincent de Paul 2016 study found communities experiencing a high degree of social disadvantage were more likely to have higher rates of disconnection, especially those experiencing housing stress, lower incomes and/or high transport costs. (#8)

### ◆ Behaviour and experiences:

- ◇ Households on lower incomes tend to take more steps to reduce energy use than households on higher incomes. (#21, #40)
- ◇ The ESC in Victoria found bill payment difficulty can be segmented and derived from three key measures: the amount the customer is required to pay at any point in time, the customer's actual payments, and the total amount a customer owes the retailer. (#14)
- ◇ By the time customers are provided with assistance, their debt is often too large to be addressed by the assistance that retailers are required to provide. Further, hardship programs were generally ineffective at preventing customers from accumulating debt. (#14)

### ◆ Barriers to engagement:

- ◇ Financial pressures result in concern regarding unintended consequences of switching plans or providers. In addition, embarrassment about their personal financial situation also meant vulnerable customers were unwilling to seek help or to repeat the process with a new provider. (#12)

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# VULNERABLE CUSTOMERS AND HARDSHIP CONT...

## KNOWLEDGE AND LEARNINGS

### *Continued...*

- ◆ Barriers to using Energy Accounts Payment Assistance vouchers in a 2015 IPART study included not being aware of them, feeling uncomfortable about approaching a charity, not knowing where to get them, and not qualifying or not receiving them in time. (#21)
- ◆ **Assistance for vulnerable customers:**
  - ◇ Half of NSW households with bill payment difficulties had contacted their energy provider, with the most common responses received being a payment plan or extension, as well as referral to emergency relief agencies or financial counsellors. (#21)
  - ◇ In a 2016 ESC study of retailers, there were no prescribed minimum standards for assistance, information was not readily available for customers through retailers, and eligibility for assistance was largely at the discretion of retailers, making retailer assistance difficult to monitor and enforce. (#14)
  - ◇ The most vulnerable, low-income customers tend to be more familiar with social support services, but vulnerable middle and higher income customers were more likely to be 'hidden' and unaware of available support, requiring more targeted outreach. (#12)
  - ◇ There was a strong desire among vulnerable customers for independent advice, comparisons and other tools to help navigate the energy market, particularly from government sources, as well as discounts, bill smoothing and other flexible payment options, and no contracts or exit fees to encourage switching. (#12, #8)
  - ◇ A 2014 Jemena study found 83% of participants would like to see more proactive action from their distributor in supporting vulnerable customers (#27).
- ◆ **Distributors:** Most consumers in a 2014 deliberative forum for Jemena wanted to see their electricity distributor play a proactive role supporting vulnerable customers and said they were willing to contribute up to 70 cents per year towards this support. (#27)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Research with specific vulnerable customer segments to explore reactions to various initiatives, concepts and communications. Given that households with at least one member with a disability are overrepresented among those facing fuel issues. Further research could explore ways to specifically support households with a person with a disability better.
- ◆ Exploratory research with consumers to understand what they think network companies could do to better support vulnerable customers and those experiencing hardship, and exploring their willingness to pay for specific initiatives.
- ◆ Tracking research to monitor experiences and whether the needs of vulnerable customers are being better met over time, and evaluate responses to specific initiatives when they are implemented.



# CULTURALLY AND LINGUISTICALLY DIVERSE CONSUMERS

## KNOWLEDGE AND LEARNINGS

*CALD consumers have low energy literacy and need additional assistance to understand the energy supply network and how they can control their usage and costs. Their communications preferences tend towards email and written correspondence.*

- ◆ **Communications and engagement preferences:** The Ethnic Communities Council made several key recommendations in its 2015 report, most of which related to increased levels of communication for culturally and linguistically diverse (CALD) individuals and small businesses. They would like education in their first languages around energy usage, ways to reduce costs, and the components of their energy plans (#45). Notably, those born overseas had a higher preference for communication via email than those born in Australia. (#20)
- ◆ **Energy literacy:** There is a low level of energy literacy in the broader community (#16) and this is exacerbated for CALD consumers. (#45)
- ◆ **Reliability:** A 2012 study for the Ethnic Communities Council of NSW found that those who arrived in Australia in the 40s/50s were typically more likely to report an issue with energy supply than those who had arrived after the 60s or more recently. Most respondents said that in the event of a blackout, they would do nothing, however a couple had contacted their supplier, real estate agent or building manager. (#45)
- ◆ **Awareness of support:** Amongst community members who arrived in the late 1940s and 1950s, awareness of financial support available to people having difficulty paying their energy bills was low. Those who had recently migrated to Australia typically used payment options when experiencing financial difficulty. (#45)
- ◆ **Energy usage and costs:** Those who arrived in the 40s/50s were typically least likely to take measures to reduce their energy usage and have solar panels. This was generally due to a lack of understanding of the associated benefits or how to go about it. CALD business consumers tended to be more likely to have taken measures to reduce their energy usage. Business owners in particular had not been given sufficient information on how to reduce energy costs. These consumers tended to be time-poor and weren't confident that taking action would result in cost savings. (#45)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Consider research into understanding the programs and activities that network companies could do to improve engagement, energy literacy and social license to operate among CALD consumers. Such research should be careful to consider the views and needs of older and newer migrants, and those from different countries / cultures – and whether and how these differ from the broader customer base.
- ◆ Explore ways to share energy knowledge and experiences between CALD customers and the broader customer base to help build social wellbeing and connectedness.



# COMMUNICATIONS AND ENGAGEMENT

## KNOWLEDGE AND LEARNINGS

*Lack of awareness and knowledge of network companies highlights the need for effective and engaging communications. Consumers want targeted communications, in an engaging format. When they make contact, network customers want quick, responsive service.*

- ◆ **Engagement:** In a 2013 Ausgrid study, householders were becoming increasingly disengaged from energy industry communications because these materials were viewed as too simplistic or repetitive (#38). In a 2014 AEMC study, businesses had higher levels of interest than residential customers in more abstract energy issues, with small business consumers generally more engaged in the energy market. (#30)
- ◆ **Channels:**
  - ◇ A 2014 global Accenture study found consumers had preferences for "low-touch" engagement channels for most interactions, including email, social media, mobile applications, paper and SMS over "high-touch" channels such as in-person, telephone and online chats. (#33)
  - ◇ A 2013 review in Victoria found that participants wanted to be kept informed of energy providers' plans through letters, brochures, emails and television advertising. (#27)
  - ◇ Digital communications are increasingly preferred during outages e.g. SMS and email (#33), except among those aged 80 & above. (#20)
- ◆ **Key principles of engagement:** In a 2013 review of TransGrid's consultation processes on major projects, consumers commonly wanted: a genuine commitment to engagement and consultation, appropriate processes, to be treated with dignity and respect, openness and honesty, responsiveness to queries, a proactive rather than reactive approach, acknowledgement of issues and mistakes, and tailoring engagement for different audiences. (#35)
- ◆ **Key stakeholder perceptions:** In a 2016 key stakeholder study for Ausgrid, priority areas for improving perceptions of the organisation were its openness, transparency, communications and engagement. (#15)
- ◆ **Communication issues for older consumers:** A 2015 COTA NSW study with older consumers aged 50+ found the majority were most frustrated over the phone when being put on hold frequently and for a long time, difficulty understanding the operator, having to press buttons, menus and voice recognition services. When dealing face-to face, long wait times to see customer service staff, poor quality engagement, lack of knowledge and delays between appointments were the most frustrating. (#20)
- ◆ **Role of networks:** In a 2013 study, customers felt that TransGrid should more clearly communicate its role in the energy sector. (#34)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Explore consumer preferences for channels and information needs in more detail through testing reactions to draft strategies and materials. Evaluate these according to engagement expectations and principles.
- ◆ Conduct communications development research to increase awareness and understanding of the energy supply chain. Monitor the impact.



# TECHNOLOGY & THE FUTURE

- Renewable Energy and Emerging Technologies
- Demand Management



# RENEWABLE ENERGY AND EMERGING TECHNOLOGIES

## KNOWLEDGE AND LEARNINGS

*Potential savings commensurate with increasing energy prices are the main drivers of uptake of solar panels and battery storage. High initial costs and lack of knowledge about the technologies are the main barriers for adoption.*

### ◆ Likely adoption:

- ◇ There is strong interest in solar, and growing interest in storage batteries, connected-home solutions and other new products and services. (#11, #33)
- ◇ A 2016 study found the highest rates of solar PV and water uptake is in QLD, SA and WA and is forecast to increase over the next five years (#1). A 2016 study found around half of households and businesses believe that technological advances in the next five years will enable them to manage energy costs better. (#1)
- ◇ In 2016, one in five residential consumers in NSW already had rooftop solar panels and a further 34% were considering them. Growth was increasing significantly among small businesses, 16% already had them installed and a further 48% were considering it. (#10)
- ◇ Interest levels among consumers were very high with consideration of uptake of solar power and other forms of green energy as high as 50% across various research. (#10, #21, #33)

### ◆ Knowledge:

- ◇ Despite high global interest and likelihood of purchasing, only a third of customers consider themselves knowledgeable about renewables indicating an opportunity to increase information penetration (#33).
- ◇ When seeking information on solar, consumers were most likely to go online, to their energy provider or an energy efficiency advisor. (#28)
- ◇ Despite consumers having little knowledge about the costs associated with renewables in the future of energy production, many felt they should play an important role in the future energy mix. (#34)

◆ **Feedback technologies:** In a 2013 Smart Cities study, it was found that the more information that was provided to households about their electricity use, the more they wanted. In-home displays strongly increased customer frequency of engagement with electricity data compared to the Online Portal, Products that combined feedback technologies with a pricing/incentive structure had the strongest impact on both customer energy awareness and customer ability to reduce bills. (#36)

◆ **Engagement:** In 2016, the AEMC's annual competition review found those with solar panels were significantly more engaged with the energy market and more confident in finding the right information and choosing the right energy options (#18). A 2014 study in SA, found households with solar had significantly higher willingness to pay profiles, higher household income and lower electricity bills. (#31)

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# RENEWABLE ENERGY AND EMERGING TECHNOLOGIES CONT...

## KNOWLEDGE AND LEARNINGS

### *Continued...*

#### ◆ **Drivers of adoption:**

- ◇ Concerns over high energy costs was the main driver for uptake of solar panels and battery storage with the environment a lower level driver. Solar PV Panels were related to financial returns (incl. reducing electricity bills and receiving feed-in tariffs), attractive Government rebates, that it was seen as a good investment, environmental factors, to be self-sufficient and 'it's the way of the future' (#37, #21, #28). Those more likely to adopt new technologies tended to be male, younger, living in metropolitan areas, higher income households, and generally more comfortable taking risks. (#11)

- ◆ **Barriers of adoption:** A 2015 nation-wide study of new and emerging technologies found the main barrier for purchasing solar panels and battery storage is their perception of being 'big ticket items' for the average household, followed by lack of knowledge and understanding of the technology (#11). There is also a lack confidence it will change their energy bill and a perceived lack of credible suppliers. (#28)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Further research into the experiences of consumers using renewable energy and their awareness, knowledge and likelihood to 'go off-grid'. This could include understanding the price point that attracts investment into battery storage technology.
- ◆ There is an opportunity to do some demand modelling or forecasting to see what the impact of new technology and renewables will have on the demand for energy from the grid and on pricing.



# DEMAND MANAGEMENT

## KNOWLEDGE AND LEARNINGS

*Low awareness of tariff structures and the use of in-home devices to control energy use and costs. Minimal ability to control consumption for the time poor, particularly in households with children.*

- ◆ **Determinants of demand:** Household energy practices are highly variable (#38). In a NSW study, longer-term key determinants of energy consumption included household size, type and income, as well as number of bedrooms and energy source; short to medium term drivers included weather events, appliance stock & age, having solar PV or gas, having electric heating, cooking or space heating. (#7)
- ◆ **Determinants of demand among families:** In households with children, family comfort and having quality family time were seen as more important than reducing energy use, most reported having little control over when they used energy due to routines. Misconceptions existed regarding electricity tariffs, including the belief that all late-night electricity use is charged at a lower 'off-peak' rate. (#25)
- ◆ **Perceptions of demand management:** In a 2013 study among NSW consumers, time of use (TOU) tariffs had received substantial negative media attention. It found more complex pricing concepts such as capacity charging was unlikely to be understood by householders or achieve the desired demand response, potentially aggravating customers. Programs that focus on critical peak days and successfully communicate the issue of peak demand have proven to improve perceptions of the industry and engage householders on demand management. (#38)
- ◆ **Smart meters:** The majority of global consumers would like to learn more about smart meters and other complementary additional services such as personalised advice on how to reduce bills and real-time data (#33). Whilst most Victorian consumers are aware they have a smart meter (#27), most NSW consumers have heard of smart meters but have considerable negativity towards them (#41). Amongst both NSW and Victorian consumers the benefits of using smart meters was largely unclear. (#27, #41)
- ◆ **Drivers of adoption:** In-home apps, consumer portals and mobile apps had a very positive effect on awareness of energy use, with most participants in a Department of Industry study feeling they had taken action to change their energy usage as a result (#36). Motivators for adopting demand management systems included cost savings and reducing peak demand for the community and to feel in control. Factors for consideration included, the ease of use of the system, and the extent of impact on comfort levels in the home. (#9)

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# DEMAND MANAGEMENT CONT...

## KNOWLEDGE AND LEARNINGS

### *Continued...*

- ◆ **Barriers to adoption:** A 2016 NSW household study found a limited understanding of how to reduce energy consumption and a perception gap between intended and actual behaviour were main the barriers (#7). A 2014 study into sustainable households found the main barrier to be the expectation that energy efficiency schemes would be free, this was compounded by concerns regarding the credibility of information, lack of confidence that energy efficiency would lead to lower bills and concerns around comfort levels if unable to use heating and cooling appliance. (#28)

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Explore how to improve consumers' energy literacy including tariff structures, controlling their energy use and smart meters. This should include their understanding of demand management and the implications for infrastructure planning.
- ◆ The 2017 AEMC Competition Review due mid 2017 will provide more detail about what percentage of households use technologies to manage demand and how many are interested in getting it.



# KEY STAKEHOLDER PERCEPTIONS



# KEY STAKEHOLDER PERCEPTIONS

## KNOWLEDGE AND LEARNINGS

*Overall, key stakeholder perceptions of Ausgrid are mixed, with a strong sense that the organisation needs to become a more customer-focused business and engage more effectively with its stakeholders.*

- ◆ **Reputation:** There was room for Ausgrid to improve its reputation among its key stakeholders in research conducted in late 2016. by stakeholder type, those from the energy industry had the most positive perceptions of Ausgrid, while the most room for improving perceptions was among government and regulatory stakeholders.
- ◆ **Trust and advocacy:** While there is room for Ausgrid to increase stakeholder likelihood to speak well of it to peers and colleagues, over half of stakeholders possess high levels of trust in Ausgrid's ability to do the right thing by them and their organisation.
- ◆ **Relative strengths:** High trust for the organisation was also reflected in Ausgrid's most highly rated performance attribute within the study; the quality of its relationships with stakeholders. A further perceived strength was the organisation's capacity to keep customers informed when there are interruptions to their electricity supply.
- ◆ **Priority areas for improvement:** Priority areas for improving perceptions of the organisation were its openness and transparency, communications and engagement, tree trimming activities, being easy to deal with, treating customers and stakeholders with dignity and respect, and expertise in asset management.
- ◆ **Stakeholder Engagement:** Some stakeholders felt Ausgrid had recently improved its stakeholder engagement, though there was a strong sense more work was needed, and a desire for a more responsive and collaborative approach in working with stakeholders. Some indicated the recent sale transition had impacted Ausgrid's ability to engage with them effectively, though they were optimistic about the future.

## POTENTIAL AREAS FOR FURTHER EXPLORATION

- ◆ Further research into how Ausgrid can be a more customer-centric organisation would be of particular benefit, especially in light of regulatory expectations. This should clearly include direct research with customers.
- ◆ With government and regulatory stakeholders giving the lowest reputation ratings, more granular research could further drill down into the reasons for lower perceptions among these stakeholders.
- ◆ Essential and Endeavour could do similar research among stakeholders to determine what is driving their respective reputations and what are the actionable priorities they should focus on to boost perceptions over time.



# APPENDICES

- Appendix One: Article Reference List



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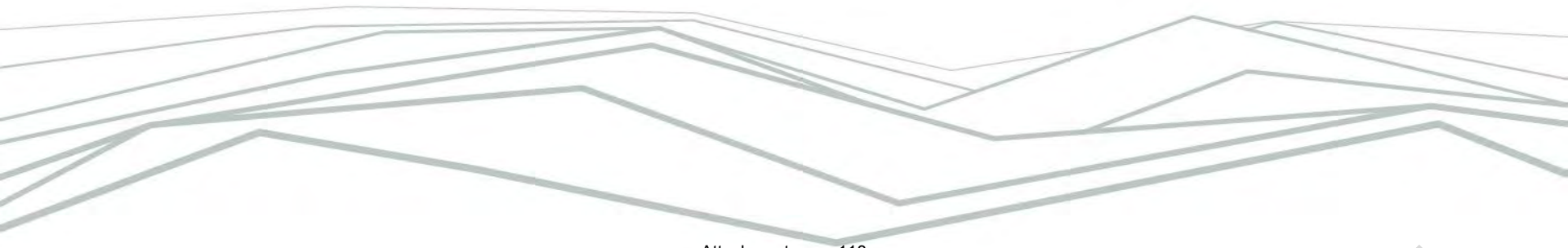
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