



Focus group outcomes report:

What we heard, what we are doing

Endeavour Energy Revenue Reset (2024-2029)

December 2021

Thank you for sharing your views

In August and September 2021, SEC Newgate Research undertook a series of exploratory qualitative research and engagement with residential and small business customers as part of Endeavour Energy's 2024-2029 Revenue Reset Proposal development process.

The aim was to obtain some insights about our customers' views of issues and values, which will inform our initial thinking about a Preliminary proposal for the regulatory reset, as well as future engagement activities.

This document outlines the findings of these focus groups (what we heard), explains how Endeavour Energy will be acting on that feedback (what we're doing), and outlines what the next steps are in the regulatory reset engagement process.

Summary of feedback

How aware are customers of Endeavour Energy's services? How do they assess its performance?

The customers we engaged with had limited knowledge of Endeavour Energy's services. Their main interaction with the organisation has related to outages or restoring power after fires and floods. Its delivery of these services is well regarded.

What do customers value most about Endeavour Energy's services?

The value that customers place on electricity, and in particular a reliable supply, appears to have grown over the last few years. This reflects a combination of factors including more people working and studying at home due to COVID-19, experiences of supply issues due to extreme weather events such as bushfires and floods, and an ever-increasing desire for 'mod cons' and connectedness.

There are mixed views about whether the community will use more or less electricity in future, but many point out that likely savings from use of more energy efficient appliances will be more than off-set by greater use of electronic devices, particularly as take-up of electric vehicles accelerates.

When presented with information about what proportion of their energy bill goes to different players in the electricity supply chain, Endeavour Energy was perceived to be 'doing the heavy lifting' of their service (network operation and maintenance).

Many felt Endeavour Energy should do more to explain who it is and what role it plays, noting that they felt Endeavour Energy would be a trusted source of information on actions customers can take to reduce their costs in the context of the energy transition.



Summary of feedback cont

What do customers want from Endeavour Energy today?

Reliability: This was the clear number one priority for customers in 2021. Most were comfortable with current levels of reliability but some in Western Sydney, the Blue Mountains and the Hawkesbury regions said it was an ongoing problem, with some in the Southern Highlands noting it had been worse recently due to so many storms.

Resilience: Resilience and reliability are very closely intertwined in customers' minds and indeed their comments suggest that many see them as one and the same thing. Storms, fires and floods over the past three years have increased awareness of risks to their electricity supply from extreme weather. Customers appreciate these events are outside of anyone's control, but they do want to see supply restored as quickly as possible and to be kept in the loop on when services are likely to resume.

Affordability: While the cost of living and doing business is high on the list of customer concerns, particularly for businesses impacted by COVID-19 shutdowns, concern about electricity bills appears to have softened since 2017. While the cost of electricity was still raised by many as their first thought on the subject, there was widespread interest from customers in hearing about ways they can save money by changing behaviour. While many would prefer a 'set and forget' approach, others want to have the option of taking more control if and when they choose to, and some are keen to be very hands-on.

Safety: Customers expect the network to be safe and don't have any reason to believe that is not the case.

What do customers think they will want from Endeavour Energy in the future?

More choice and control: The expectation is that customers will have access to grid-connected solar PV and other new technologies if they choose to invest in them, as ways to both save money and increase their sustainability. They are interested in smart meters for the same reason but were not aware that retailers have responsibility for installation. They have not considered that grid constraints could limit their future choices.

Ongoing reliability: Climate change and an increase in severe weather events is seen as a given and something that Endeavour Energy should be able to manage. The expectation is that current levels of reliability and resilience would be maintained as a minimum regardless of external factors. The cost of doing so has not been considered by customers.

New opportunities to save money: The expectation is that Endeavour Energy will facilitate the availability of new technology, providing customers with new ways to save money with more visibility of their consumption patterns as well as access new services such as community batteries, incentive pricing and smart home energy management systems.

Facilitating increased sustainability: While saving money themselves remained a priority for participants, the research suggests increasing interest in both the environmental and social sustainability of the network going forward to deliver services not only for them but for their communities, those more vulnerable and future generations.

How we're acting on your feedback

Theme	What we heard	What we're doing
Affordability	<ul style="list-style-type: none"> Customers want access to reliable, affordable energy. Most would like to reduce their electricity bills and are conscious of trying to reduce their consumption where possible without impacting their quality of life (such as not using air-conditioning on hot days). But while affordability is important, most customers are not willing to compromise reliability to save money. Vulnerable customers, and some SMEs were more likely to prioritise affordability over reliability. 	<ul style="list-style-type: none"> Maintaining affordability remains a primary focus of the National Electricity Objective and for Endeavour Energy, particularly as our customers on average consume more energy and peak demand than comparable peers in the national electricity market due to urban heat impacts in Western Sydney. We will ensure we discuss bill impacts for all customers when tabling any key proposals and plans including key trade-offs for customers to consider. We will assess the bill impact for all customers of implementing investment programs that deliver the values and priorities expressed by customers in the exploratory research. We will continue to support non-traditional network solutions (such as community batteries) that both encourage energy choices for customers and drive down customer costs.
Reliability	<ul style="list-style-type: none"> Reliability is highly valued. Most customers are satisfied with the current number and length of outages they experience although some said it was an ongoing problem and worse lately due to so many storms. 	<ul style="list-style-type: none"> Testing whether improvements to average reliability should guide our investment decisions, or whether investments should be targeted at the worst served areas (dense vegetation and overhead lines), as well as testing how the costs of reliability investments impact bills for all customers. Undertaking further customer engagement to test the value and importance of reliability through the provision of different investment scenarios and trade offs that customers can further prioritise.
Risk appetite	<ul style="list-style-type: none"> A reliable electricity supply is more highly valued than in previous studies. 	<ul style="list-style-type: none"> Risk appetite refers to the balance of costs or price for electricity services against the quality, safety, reliability, security and sustainability of the service. We will test the customer risk appetite reflected in customer values and priorities expressed so far against organisational risk appetite for investment to understand key differences and arrive at an appropriate balance. (For example, we will balance risk appetites when considering customer preferences for undergrounding powerlines.)

How we're acting on your feedback

Theme	What we heard	What we're doing
Resilience	<ul style="list-style-type: none"> Resilience and reliability are very closely intertwined in customers' minds, and many see them as one and the same thing. Storms, fires and floods over the past three years have increased awareness of risks to their electricity supply from extreme weather. Customers appreciate these events are outside of anyone's control but want to see supply restored as quickly as possible and to be kept in the loop on when services are likely to resume. 	<ul style="list-style-type: none"> We will examine the difference between resilience and reliability and reach an agreed definition of resilience with stakeholders that can guide investment decisions underpinning service delivery. As a starting point, resilience is considered an important precursor (rather than a trade-off question) and includes climate (extreme heat, floods, bushfires) and cyber resilience. We will collaborate on how resilience impacts investment in the network: <ul style="list-style-type: none"> How we define, measure and anticipate resilience? Should resilience be managed proactively or reactively? (customers ultimately pay and bear the risk, it's a matter of whether pass-throughs should be relied upon or upfront expenditure programs) What level of resilience should Endeavour Energy provide? Who should pay for increased resilience related costs?
Fair access	<ul style="list-style-type: none"> This was not directly discussed in the focus groups given the complexity of the issue and the time available. 	<ul style="list-style-type: none"> We will advance tariff reforms with energy retailers to provide tariffs that reflect the costs of operating the electricity distribution network and enable customers to decrease their bills through proactive management of their energy consumption during the day and our costs. We will explore our commitments to and priorities for vulnerable customers. We will support the NSW Infrastructure Roadmap, DER Strategy, EV Strategy and Hydrogen Strategy to support the secure transition to renewables.
Role of data	<ul style="list-style-type: none"> Customers are interested in accessing their own data if it will help provides insights to help them manage their energy costs. 	<ul style="list-style-type: none"> We will advance metering reform through the appropriate government and industry channels to support transparent customer access to data We will develop a strategy to obtain and analyse more real-time data regarding network performance and customer experience and consider how to best utilise those data and insights to improve operating efficiency and customer outcomes.

How we're acting on your feedback

Theme	What we heard	What we're doing
Innovation & choice	<ul style="list-style-type: none"> Customers would like to keep their options open when it comes to engaging with electricity and be able to choose whether to 'set and forget', get more involved, or indeed dip in and out of that direct control when they need to (such as increased cost pressures during COVID-19). They want access to the tools and data that help them make decisions. Innovation and choice is most relevant to consumers if they can see a directly benefit by reducing costs, increasing reliability and/or reducing emissions. Customers felt Endeavour Energy should be responsive to the energy transition underway and act to ensure they are not responsible for holding up introduction of the services customers are looking for. Innovators and SMEs are more interested in innovation and choice than other segments. Vulnerable customers are least likely to want to play an active role. 	<ul style="list-style-type: none"> We will test expectations of customers in supporting minimum and expanded access service to their energy choices. Key questions we will consider are: <ul style="list-style-type: none"> What level of choice should customers have to connect Distributed Energy Resources (DER) such as solar exporting, EV and battery devices? How important is decarbonisation and renewable generation? How important is equity between customers who can and cannot access these technologies, and what role do tariffs play in delivering equity How involved should networks be in either enabling or supporting customer choice. For example, should electricity distribution networks become a platform that enables energy management systems/control systems, community batteries etc. We will adhere to the Australian Energy Market Commission's (AEMC) new access, pricing and incentive arrangements for distributed energy resources, including incorporating new service offerings and transparent costs in our upcoming plans. We will develop an innovation fund to support trials and learnings and share these learnings with the broader industry and community. We will continue to support non-traditional network solutions (such as community batteries) that both encourage energy choices for customers and drive down customer costs.
Customer service	<ul style="list-style-type: none"> Customers thought of customer service from Endeavour Energy as an outcome of reliable performance, with accessible and timely advice re outages and expected restoration times also appreciated. Once prompted most customers also valued efforts made by Endeavour Energy to protect vulnerable consumers and expected the network to be taking steps to facilitate emissions reduction. 	<ul style="list-style-type: none"> We will co-design new customer service measures with our key stakeholders including new incentive schemes designed to drive improved customer service and customer outcomes. We will explore our commitments and priorities for vulnerable customers.

How we're acting on your feedback

Theme	What we heard	What we're doing
Vulnerable customers	<ul style="list-style-type: none"> The importance of protecting vulnerable customers was apparent among all groups. With the exception of ensuring supply for life support customers, most customers believed that the primary responsibility for interacting with vulnerable customers lay with retailers. There was strong support for Endeavour Energy's pilot 'knock before disconnect' program. 	<ul style="list-style-type: none"> We will explore our existing commitments to and priorities for vulnerable customers and explore new and innovative ways to support vulnerable members of our communities.
Safety	<ul style="list-style-type: none"> Safety is a priority and for most it appears to be largely assumed as a given. Keeping the network safe is seen as one of the reasons Endeavour Energy exists 	<ul style="list-style-type: none"> We will maintain the safety of our people and the communities we serve as the number one priority.
Sustainability /Livability	<ul style="list-style-type: none"> Customers accept that a transition to use of more renewable sources of energy is underway and are interested in ways they can support this and reduce their own emissions. Note however that their focus on reducing costs is more important for most than reducing emissions - but these priorities align when it comes to support for ensuring access to solar PV and community batteries. 	<ul style="list-style-type: none"> We will support the NSW Infrastructure Roadmap, Distributed Energy Resources (DER) Strategy, EV Strategy and Hydrogen Strategy to support the secure transition to renewables.
Energy security	<ul style="list-style-type: none"> Customers want and expect the network to deliver reliable energy to them. They increasingly want this to be clean energy, but there is limited awareness of what this will require of the network. 	<ul style="list-style-type: none"> We will advance our role to support community batteries and other technologies that increase access to customer services and can also provide grid security as we transition to a decarbonized, decentralized and small-scale generation grid. We will support the NSW Infrastructure Roadmap, DER Strategy, EV Strategy and Hydrogen Strategy to support the secure transition to renewables. We will fulfill obligations of new Federal cyber security legislation to guard against cyberattacks on our electricity network, including maintaining an up-to-date asset database, preparing a critical infrastructure risk management plan and reporting annually to the federal government on cyber security.

Refined themes based on feedback

Based on the feedback gathered during this exploratory phase, Endeavour Energy has refined the number of engagement topics for future engagement and research. This will allow the team to engage more deeply on the issues we know matter to our customers and stakeholders.

The exploratory research themes:

1. Risk appetite
2. Resilience
3. Affordability
4. Customer service
5. Innovation and choice
6. Role of data
7. Safety
8. Sustainability/livability
9. Vulnerable customers
10. Energy security
11. Fair access
12. Reliability

Future engagement themes:

1. Meeting changing customer expectations for safe, affordable and reliable electricity supply;
2. Supporting the sustainable growth of our communities;
3. Providing a resilient network that protects the community against increasing external hazards;
4. Enabling customers' future energy choices.

Next steps

Customer insights that have been gathered throughout the exploratory research phase are being used by Endeavour Energy to shape the program of engagement with customers that will roll out in 2022. It will also help to inform the development of the preliminary Regulatory Reset Proposal that will be submitted to the Australian Energy Regulator in 2023.

Endeavour Energy welcomes customers who participated in the exploratory research this year to continue their participation in the customer engagement program by participating in deliberative forums scheduled between May and September 2022. Alternatively, you can stay in touch with the engagement program and development of our regulatory proposal via Endeavour Energy's website, at yoursay.endeavourenergy.com.au. Endeavour Energy's Engagement Plan and the preliminary and draft Regulatory Reset Proposals will progressively be published on the website. If you would like to share any additional feedback at any time, you can do this by contacting Endeavour Energy Stakeholder & Communications Manager, Jacqueline Crompton at Jacqueline.Crompton@endeavourenergy.com.au.