

STAKEHOLDER ATTITUDES TO POWER AND WATER'S REPUTATION AND FUTURE SERVICE DELIVERY

Research Report

April 2017



NEWGATE
RESEARCH

REPORT PREPARED FOR



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DISCLAIMER

In preparing this report we have presented and interpreted information that we believe to be relevant for completing the agreed task in a professional manner. It is important to understand that we have sought to ensure the accuracy of all the information incorporated into this report.

Where we have made assumptions as a part of interpreting the data in this report, we have sought to make those assumptions clear. Similarly, we have sought to make clear where we are expressing our professional opinion rather than reporting findings. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

The qualitative research findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population. For the quantitative research results, the base (number and type of respondents asked each question) and the actual survey questions are shown at the bottom of each page. Results may not always total 100% due to rounding errors.

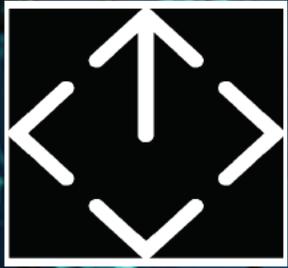
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Executive Summary

Key findings and strategic recommendations

EXECUTIVE SUMMARY

This report presents results from a series of n=36 in-depth interviews conducted with key stakeholders representing large customers (n=12), Government and regulatory bodies (n=4), Industry, consumer and environmental advocates (n=12), Indigenous representatives (n=4), and Energy generators and retailers (n=4) in February and March, 2017.

ENERGY INTERESTS, ISSUES, AND CONCERNS

Overall, stakeholders were moderately to highly interested in energy issues, with particular interest in the cost of energy; the importance of transitioning to renewables; and reliability and outages. Specific energy issues and concerns that were raised (in broadly descending order of mentions) included:

- ◆ **The cost of electricity:** including recent significant price rises and impacts on businesses and the vulnerable;
- ◆ **Aging infrastructure:** including potential maintenance and upgrade costs being passed onto consumers;
- ◆ **Reliability:** and outages and their impact on businesses and vulnerable customers in particular. Most were aware of improved reliability over the last few years but several noted that it remained poor in more remote areas;
- ◆ **Gas supplies:** including the risks of gas shortages and the need to secure and diversify the energy base, especially through solar;
- ◆ **Limited use of renewables:** with some believing there should be solar rebates to improve affordability, uptake and accessibility of solar energy;
- ◆ **Lack of competition:** including a perceived lack of choice in energy companies and a belief that, as a monopoly, Power and Water can “do whatever it wants” with regards to pricing, communication and infrastructure plans; and

- ◆ **Limited engagement:** with stakeholders by Power and Water and the rest of the energy supply chain leading, in part, to uncertainty about their roles and responsibilities.

As with the broader community there was an underlying desire for high quality and affordable customer service, and quality information provision (both for customers and other stakeholders), as the transition to cleaner energy sources continues. However, compared to the community, key stakeholders were relatively more interested in issues around aging infrastructure, energy security, a lack of competition and a perceived lack of engagement with them.

UNDERSTANDING OF POWER AND WATER AND ATTITUDES TOWARDS THE ORGANISATION

There were varied levels of knowledge about the energy supply chain in the Northern Territory and several common misunderstandings. Most did not properly understand the structural separation of the various parts of the system, several thought that Power and Water generated electricity and there was also some confusion about the sources of energy used in the Territory. As such stakeholders involved in the Customer Advisory Council will need to be suitably educated on Power and Water’s responsibilities and key challenges, in order for them to provide informed responses.

Stakeholders had mixed attitudes towards Power and Water and its overall reputation. On average stakeholders rated Power and Water’s reputation as a 6.3 on an 11 point scale where 0 represented a very poor reputation and 10 was an excellent one. Only 47% rated Power and Water’s reputation as a 7 or more. This “Reputation Score” is relatively low compared to other organisations in the energy and water sectors that Newgate has conducted similar research for. Notably, a significant minority of around two in five stakeholders (39%) gave poor scores of 5 or below.

EXECUTIVE SUMMARY (CONTINUED)

The most frequently mentioned positives about Power and Water related to:

- ◆ **Improved reliability and responsiveness;**
- ◆ **The professional service from on-the-ground staff;** and
- ◆ **Improved proactive outage communication to large customers.**

Others spoke of the solid technical expertise of staff and good infrastructure maintenance.

The most frequently mentioned negatives about Power and Water were:

- ◆ **A lack of engagement and communication:** with both key stakeholders and customers, including a lack of a consistent relationship manager for large customers or not being able to contact appropriate Power and Water staff when required;
- ◆ **Difficult working relationships:** with some citing an overly bureaucratic culture that lacks a collaborative focus and prevents the formation of productive relationships; and
- ◆ **Unresponsiveness:** in relation to requests for help or information, with several large customers believing there are capacity issues in compiling data and responding to requests. In some cases, there was the perception that “head office” was deliberately “withholding information”.

Other less frequently mentioned negatives included a lack of clarity around its regulatory obligations, recent price rises, a perceived lack of infrastructure investment (especially in remote areas), inaccurate meter readings and a perceived lack of strategic vision and sector leadership.

It is worth noting that Government/Regulatory stakeholders were the most likely to have a poor opinion of Power and Water, commonly citing the issues outlined here.

REPUTATIONAL MODELLING AND PERFORMANCE RATINGS

Stakeholders were asked to rate Power and Water’s performance on 18 specific attributes. As shown on the next slide, the organisation was thought to perform best in regards to response times to supply interruptions, the expertise and capability of its people, and its customer service. In contrast, stakeholders rated Power and Water the lowest on its value for money, openness and transparency and perceived financial management.

Results from the NewREP® statistical reputation driver modelling identified the relative impact of each of these specific 18 attributes in driving Power and Water’s overall reputation. Analysing both the rated performance and reputational impact also reveals priorities for reputational improvement as well as strengths to maintain. This analysis revealed the main priorities for Power and Water to improve its overall reputation are to focus on:

1. Its communications and engagement with key stakeholders; and
2. The value for money it provides for electricity supply.

Secondary priorities for improving its overall reputation are to work on:

- ◆ Its openness and transparency;
- ◆ Being innovative and forward thinking; and
- ◆ Its leadership and management.

SUMMARY OF THE NewREP MODEL AND ACTION PRIORITIES TO STRENGTHEN POWER AND WATER'S REPUTATION

REPUTATION ATTRIBUTE	RELATIVE IMPACT ON OVERALL REPUTATION (%)	PERFORMANCE SCORE (% RATING 7-10)	ACTION PRIORITY
Its communication and engagement with key stakeholders	23	50	IMPROVEMENT PRIORITY
The expertise and capability of its people	22	71	PRIMARY STRENGTH
Its communication and engagement with customers	15	61	PRIMARY STRENGTH
The value for money it provides for electricity supply	9	33	IMPROVEMENT PRIORITY
Its response times to fix interruptions or blackouts	7	76	PRIMARY STRENGTH
Its customer service	5	68	SECONDARY STRENGTH
The quality of the relationship it has with you	5	60	SECONDARY STRENGTH
Its leadership and management	5	52	SECONDARY PRIORITY
Being innovative and forward thinking	4	42	SECONDARY PRIORITY
Its openness and transparency	3	39	SECONDARY PRIORITY
Spending money on the right things	1	57	SECONDARY PRIORITY
The overall ability of the electricity supply service providers	1	60	SECONDARY STRENGTH
Its contribution to the community in general	0	55	SECONDARY PRIORITY
Its employment practices and conditions	0	56	SECONDARY PRIORITY
Its environmental performance	0	57	SECONDARY PRIORITY
Its relationship with Aboriginal and Torres Strait Islander communities	0	41	SECONDARY PRIORITY
Its approach to electricity disconnections	0	65	SECONDARY STRENGTH
Its financial management	0	56	SECONDARY PRIORITY

Base: All participants who provided ratings (n=35). Reputation Driver Analysis Questions: Dependent Variable Q1 Independent Variables (attribute ratings) Q4 Adjusted R-squared: 60.4%, indicating a good fit of explanatory variables. *Impact score (I) = relative impact on overall reputation, derived through Random Forest modeling scores are relative to the attributes in the model and add to 100%. **Performance score (P) = % of participants who gave a rating of 7 or more out of 10 (excluding 'don't knows').

EXECUTIVE SUMMARY (CONTINUED)

FUTURE EXPECTATIONS OF POWER AND WATER

When asked about their future expectations of Power and Water (in general), stakeholders expressed a strong desire for:

1. **Prioritising infrastructure:** investment and maintenance to guarantee a reliable energy supply;
2. **Enabling and promoting renewables:** for environmental reasons and to diversify energy sources;
3. **Reducing costs:** preferably through technology and efficiencies – even if it means some job losses;
4. **Putting customers at the centre:** with some noting this needs to be driven by upper management;
5. **Providing better information:** that is more accurate and timely; and
6. **Better and closer working relationships:** characterised by more openness, transparency, respect and improved responsiveness.

Stakeholders were very supportive of Power and Water's efforts to engage with them and the community in developing its current regulatory proposal. They commented favourably on the proposed engagement process and saw it as a good foundation for the broader engagement program. Specific suggestions (in roughly descending order of mentions) were:

- ◆ **Involving these stakeholders** in the consultation program, with strong interest overall, and a typical desire to be engaged at the "Involve" level of the IAP2 participation spectrum;
- ◆ **Ensuring there is a mix of stakeholder forums** (the most commonly mentioned channel) as well as other face-to-face engagement, quick calls and emails when needed, and a mix of less formal interaction and social events;
- ◆ **Having an appropriately long consultation process** that allows enough time for proper consideration of issues and priorities, and is truly consultative in nature (i.e. that actually influences decisions and provides feedback on consultation outcomes);
- ◆ **Providing clear data-driven justification** on the reasons why decisions are made and the evidence underpinning them (e.g. via a cost-benefit analysis with transparent assumptions);
- ◆ **Conducting consumer research and engagement** with a wide range of community segments (including low income earners, Indigenous people and those in remote communities in particular);
- ◆ **Including an appropriate outward-facing communications campaign**, potentially involving advertisements, newsletters, and public forums, to promote the consultation process and maximise the whole community's opportunity to be involved;
- ◆ **Working closely with large customers** to understand how they currently use energy, to help them identify opportunities for efficiencies and cost savings, and support their plans;
- ◆ **Working closely with the AER** (as well as the Utilities Commission and Treasury) to understand the level of information and evidence they require, and having the capacity to provide them with the data they need;
- ◆ **Ensuring tariff structures and billing are clearly explained** during the consultation process (noting that these are currently "too confusing" to some customers); and
- ◆ **Ensuring Power and Water's regulatory team is strongly embedded** in the consultation process and that the regulatory submission is "basically the business plan" and not merely an add-on to it.

EXECUTIVE SUMMARY (CONTINUED)

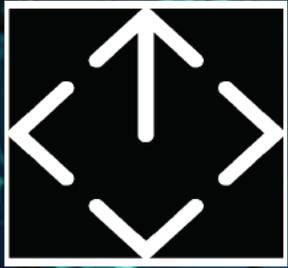
In relation to decision-making there was a preference amongst some for consensus building, a desire for a range of views to be considered and where appropriate, for minority concerns and perspectives to be addressed.

However, as with the general community, many stakeholders felt that some important decisions should be ultimately made by appropriately experienced and qualified experts (within Power and Water as well as externally) who are able to balance community issues and preferences with the practical issues of delivering electricity in a responsible and affordable way.

Responses to specific regulatory proposals and future options

Stakeholders were very supportive of Power and Water's intention to reduce prices, with large customers particularly enthusiastic given their high sensitivity to any price changes. In relation to specific regulatory proposals (which will need to be further developed during the engagement program):

- ◆ Most were unwilling to trade-off reliability or responsiveness levels in order to reduce prices with a common expectation that efficiencies and continuous improvements should help to reduce costs to deliver to current standards;
 - ◆ Visual amenity of substations was seen as a minor issue although several thought an extra \$2 on average per customer per year to beautify them would be acceptable to customers;
 - ◆ There were mixed views on reducing tree trimming schedules to reduce costs, with some wanting to explore potential undergrounding as an alternative;
 - ◆ Current connection charges were considered broadly acceptable although there was concern about their impact on vulnerable customers; and
 - ◆ There was in-principle support for a broad set of tariff reform principles (including demand pricing, simplified flat tariffs and user pays for specific high/low voltage usage). However, stakeholders noted that they would reserve proper judgement until they see the details.
- To best meet the expectations of stakeholders, Power and Water should also develop specific proposals to address stakeholder expectations for consultation around the following topics identified in this research:
- ◆ Renewables and other new technologies and the associated services Power and Water could offer;
 - ◆ How Power and Water can specifically support vulnerable customers;
 - ◆ Undergrounding;
 - ◆ Digital metering and demand management; and
 - ◆ Customer education to help them better manage their energy use
 - ◆ More broadly, Power and Water should replicate this reputational research (e.g. every 18 months) to gauge its progress in becoming a more customer-centric organisation.
 - ◆ Importantly, some stakeholders stressed it was important for Power and Water to focus on longer-term strategic issues and not just the next 5 year regulatory period within its consultation process.



Introduction

Background, objectives and methodology

BACKGROUND AND RESEARCH OBJECTIVES

As part of the process of adopting the National Energy Customer Framework which is enforced by the Australian Energy Regulator (AER), Power and Water needs to produce a Stakeholder and Customer Engagement Strategy Report to be submitted as part of its draft regulatory reset proposal in January 2018.

Power and Water contracted Newgate Research to undertake a comprehensive four-phase research and engagement project to help inform its long-term plan for the network.

This report details findings from the in-depth interview module of this broader engagement program. The main objectives of this independent research were to explore and understand customer preferences and seek their feedback on five key areas as part of the exploratory phase of the broader study:

- ◆ Knowledge, interest and attitudes towards electricity
- ◆ Knowledge, expectations and perceptions of Power and Water
- ◆ Expectations and preferences for 5-year planning
- ◆ Specific regulatory proposal concepts
- ◆ Engagement preferences and decision making

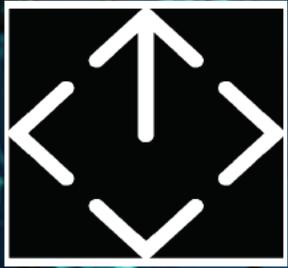
This report accompanies the findings from the exploratory focus group module, delivered in March 2017. Variances between the focus group and in-depth interview findings are highlighted throughout.

Power and Water will use the findings to inform the remainder of its consultation program and overall submission to the AER early next year.

RESEARCH SAMPLE

This report is based on 35 in-depth interviews, which were conducted between February and April 2017. The interviews on average lasted approximately one hour and were conducted on an unattributable basis by David Stolper, Jasmine Hoyer, Laura Barker and Katherine Kailis of Newgate Research. Recruitment was undertaken by Newgate Research with the assistance of an invitation to participate from Power and Water. The sample was drawn from a mix of senior representatives from five broad stakeholder groups, as shown in the table below.

STAKEHOLDER GROUP	ORGANISATIONS	NUMBER OF INTERVIEWS
Large customers	Darwin Port Corporation, Ford Dynasty Pty Ltd, Inpex (JKC), Sky City Casino, BOC Limited, Charles Darwin University, Darwin Central Hotel, Newmarket Gold, NT Airports, Department of Education, Department of Defence, NT Police, Fire & Emergency	12
Government & Regulatory Bodies	Department of Treasury & Finance, Utilities Commission, Alice Springs Town Council, NT Ombudsman	4
Industry, Consumer & Environmental Advocate Groups	Top End Health Services, Environment Centre NT, Urban Development Institute NT, NT Farmers Association, Master Builders Association, Multicultural Council of the Northern Territory, Central Australian Health Services, Energy Consumers Australia, COTA, NTCOSS, St. Vincent de Paul	11
Indigenous Representatives	Northern Land Council, Larrakia Nation (Traditional Owners), Aboriginal Peak Organisations NT, Central Land Council	4
Energy Generator & Retailers	Territory Generation, Rimfire Energy, Jacana Energy, Q-Energy	4
TOTAL INTERVIEWS		35



Knowledge, interest and attitudes towards electricity

INTEREST IN ENERGY ISSUES IS QUITE HIGH ALTHOUGH THERE ARE SOME FREQUENT MISUNDERSTANDINGS ABOUT THE ENERGY SUPPLY CHAIN

Interest in energy issues

- ◆ Stakeholders were typically moderately to highly interested in energy issues overall, with the highest unprompted interest in: the cost of energy and perceived high prices; and Solar energy, with several suggesting that “there doesn’t seem to be enough in the green energy area”.
- ◆ Outages and supply interruptions also bring energy issues into sharp focus for large customers who have to manage the costs and associated impacts of these events on their operations – often at significant cost.

Knowledge of the energy system and Power and Water’s role

- ◆ In spite of the typically high level of interest in energy issues, there were mixed levels of knowledge about the electricity supply chain (Government/Regulators knew more while advocates and customers typically knew less).
- ◆ In particular, several common misunderstandings indicated that only a minority of stakeholders understand the recent structural separation that has occurred in the energy supply chain.
- ◆ Perceived responsibilities of Power and Water in relation to electricity included:
 - ◇ Ensuring reliable power supply;
 - ◇ Maintaining power supply infrastructure;
 - ◇ Planning and investing in the network by upgrading and replacing assets;
 - ◇ Generating electricity (the most common misunderstanding);
 - ◇ Providing customer service and billing customers; and
 - ◇ Setting the price of electricity.
- ◆ Several were also unclear about the current energy sources for the electricity supply in the Territory. Although most knew that gas is the main energy source, a few felt that coal may be used and some others mentioned solar.

The power isn’t always consistent. You get small brownouts and jumps in the power. Lightning strikes. We always worry about our building management systems – they’re finely tuned and whenever that happens we have to go in to each building and check the system is OK.

- Large Customer (Commercial)

I would expect like any business that they would at least be able to cover their costs, generating and supplying electricity...I would want to know if they are being as efficient as they can be and as a taxpayer I would expect that they would find efficiencies as they draw down the cost of generating electricity.

- Consumer / Environment Advocate

THE MOST COMMON CONCERNS WITH THE ELECTRICITY SYSTEM WERE THE COSTS, AGING INFRASTRUCTURE AND RELIABILITY

When asked to outline the main energy issues in the Territory at the moment and any concerns they have with the system, participants raised similar themes, which are noted below (in broadly descending order of mentions):

- ◆ **The cost of electricity:** Comments included references to there being a high volume of energy used in the Territory due to the tropical weather and reliance on air-conditioning, along with the Territory's geographical characteristics (i.e. large areas and low population density), which contribute to higher infrastructure costs. Many also noted the significant increases in the unit price of electricity in recent years.
- ◆ **The quality and age of existing infrastructure:** which some felt was poor and old respectively. Concerns were also raised about potential maintenance and upgrade costs being passed onto consumers and whether it would support the integration of renewables.
- ◆ **Reliability:** Blackouts, brownouts, power surges and frequent lightning strikes were among the primary reliability issues raised, as well as the impact of these issues on people, time, risk and costs. Several participants noted improvements in recent years. However, many believed that reliability remained poor in rural areas and referenced the significant impact on vulnerable communities. Consistent with the general customer base, there was a degree of acceptance that some outages are inevitable due to the frequent storms and the dispersed electricity infrastructure in the Territory.
- ◆ **Gas supplies:** Due to the Territory's reliance on gas, the risk of gas shortages and resource security was frequently mentioned (especially amongst large customers). It also led to discussion about the need to promote renewable energy sources (especially more solar generation) to diversify the energy base – which a few noted as being narrower than other states.
- ◆ **Limited use of renewable energy:** Solar was seen as the “obvious secondary fuel choice” given the abundance of sunshine in the Territory and some felt there should be solar rebates to improve affordability, uptake and accessibility of solar energy.
- ◆ **Lack of competition:** This included related mentions of an inability for customers to shop around for a better price (referring more to a lack of retail competition), and a belief among some that Power and Water could ‘do whatever it wants’ with regards to pricing, communication and infrastructure because it is the only electricity network provider.
- ◆ **Limited engagement with stakeholders:** This was evident across the supply chain, leading to uncertainty about the roles and responsibilities of Territory Generation, Power and Water and retailers.

I don't think prices are particularly high compared to other jurisdictions, it's just that people use a lot more energy up here, (the air-conditioner) runs 24/7.

- Generator / Retailer

Reliability outside the major metropolitan centres (is a main concern) - so if you get a long way out on the grid in somewhere like Katherine, things can get a bit wobbly the further you get away from those centres.

- Industry Association

ATTITUDES TOWARDS ELECTRICITY

IN THEIR WORDS

My issues are affordability, accessibility in terms of rural and remote, and the environmental impact of it. People who are on low incomes are more likely to have older appliances which are more likely to use more electricity, and they are unable to upgrade. That vulnerable group will also have some people in it who need to use more electricity because of their disability, they might require the room to be the same temperature all the time. The Territory has some uniqueness and it's pretty extreme here.

- Consumer / Environment Advocate

The key issue they've got is cost and geography. They've got a few customers and high costs to set up and large networks, widespread communities to disperse it to. You don't have the benefit of volume that you do elsewhere in terms of volume of customers and maybe more densely populated areas.

- Large Customer (Commercial)

I'm very nervous about the Government's 2025 renewables commitment. We don't think it's an achievable target. I think it is going to be a very costly exercise. I think a lot more work needs to be done on it, a look at alternatives and a full costing exercise as to how it is going to be undertaken, and also a look at the storage technologies.

- Large Customer (Commercial)

There's obligations that are not clear or there's gaps, which means sometimes it's not clear what business is responsible for what and therefore it can affect customers.

- Government / Regulator

Cost is always going to be a key issue and that is largely tied in with usage.

- Generator / Retailer

THERE IS WIDESPREAD AWARENESS OF IMPROVED RELIABILITY AND MOST FIND THE CURRENT SITUATION ACCEPTABLE

The following presents more detailed perceptions on reliability and responsiveness.

- ◆ **Current reliability:** Most stakeholders consider the electricity supply to be highly reliable and many spoke of the vast improvement on previous years. However, several noted that reliability is less satisfactory in more remote areas at the edges of the grid. One large customer (Commercial) also noted that contractual obligations relating to reliability have been met.
- ◆ **Number of blackouts:** Similar to the customer focus group research, the number of blackouts in the last year was typically estimated as one or two although estimates ranged between zero and six and was typically higher in regional areas.
- ◆ **Acceptance of blackouts:** The vast majority of stakeholders felt that the current number of blackouts was broadly acceptable although several noted that these blackouts continue to have significant impacts on businesses (including, for some, their own business) and residential customers (especially vulnerable ones). Indeed one large customer spoke of significant ongoing issues and costs with frequent power surges.

In principle, stakeholders generally felt that around one blackout a year is acceptable, with only two participants accepting of a blackout every few months or more. Several stakeholders' acceptance of blackouts was underpinned by a belief that they are an unavoidable consequence of the tropical weather. However, a few noted that Power and Water could do a better job at managing fluctuations (which were seen as being quite prevalent in the Territory) and another noted that outages weren't an issue in areas with undergrounding.
- ◆ **Responsiveness:** Most also felt current response times to fix outages were broadly acceptable, in the majority of cases. The estimated duration of outages ranged between 10 minutes and several hours to as much as two days in remote areas. However, one stakeholder cited a two day outage in 2012 in a remote Indigenous community where people who were struggling to pay bills were even further disadvantaged when food in their fridges went off. Another noted that a 4+ hour power outage in a morgue a few years ago had been "disastrous". Communication around planned and unplanned outages from Power and Water was generally considered to be good.

Just reflecting on the last 12 months, it's been really reliable. We've had less reliable periods, but we've actually had a good run, so I'd rate it quite highly at the moment.

- Large Customer (Commercial)

The blackouts are becoming shorter in duration, probably because they are repairing issues more quickly than they have in the past... the amount of maintenance they are doing along power lines to remove overhanging trees and stuff is very noticeable.

- Industry Association

We've never had feedback from our customers that there's been an issue, so I'd have to say a 9 in relation to reliability there, they've done well.

- Generator / Retailer

THERE IS A PREFERENCE FOR MORE SOLAR BUT SOME SCEPTICISM ABOUT THE TERRITORY GOVERNMENT'S 2025 RENEWABLES COMMITMENT

Preferred energy sources

- ◆ When asked about preferred energy sources, most stakeholders would like more renewable energy used in the future with many raising concerns around the limited investment in renewables to date and the need for industry, government and the community to do more.
- ◆ Solar was typically seen as the obvious renewable source to develop although a few mentioned the potential of hydro, tidal, geothermal and wind energy.
- ◆ However, potential cost implications of renewable sources were an issue for several stakeholders (particularly large customers), with some noting that the benefits needed to be weighed against the cost of developing new renewables infrastructure.

Attitudes to the 2025 50% renewables target:

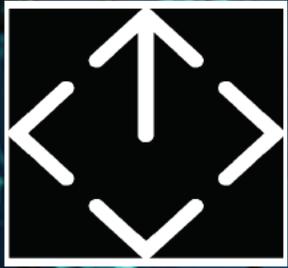
- ◆ When asked, most stakeholders were unaware of the Territory Government's election commitment to have 50% of the Territory's electricity come from renewable sources by 2025. When informed, most were supportive of the Government's intent to significantly increase renewables. Support was strongest amongst consumer and environmental advocates.
- ◆ However, there was significant scepticism about the feasibility of reaching this target and some concerns about potential impacts on reliability. Recent issues in South Australia have reinforced questions about solar's intermittency and perceived inability to deliver reliable baseload power. A few noted that current battery storage technology is inadequate to support this objective although others felt that the technology had great potential to help address issues with solar power.
- ◆ Government and regulatory stakeholders were particularly doubtful about the Government's ability to achieve this goal, with one noting that 2030 would be a more achievable date.
- ◆ Some (particularly large customers) were also concerned about potential cost implications on their businesses and one other stakeholder wondered how a changing government could negate progress in developing renewables infrastructure.

I think the 2025 target is exciting.

- Consumer / Environment Advocate

Yeah the reliability and also the cost are the biggest concerns. I think everyone would feel good about the 50% target but people still need to run a business and power their homes as well. That's important.

- Large Customer (Commercial)



Perceptions of Power and Water

KEY CONCEPTS AND DEFINITIONS FOR THE ANALYSIS IN THIS SECTION OF THE REPORT

The following introduces and defines the key concepts that are used in this section of the report

Overall Reputation Score: This is a single metric measuring the proportion of participants who rated Power and Water's overall reputation as an 7,8,9 or 10 out of 10 (based on their own experiences and everything they have heard about it). This benchmark is a measure of those who believe Power and Water's reputation is healthy. This question is also the dependent variable for the reputational modelling in which we evaluate the reputational impact of other specific attributes.

Net Advocacy Score: This is a behavioural outcome that measures stakeholders' likelihood to speak well of Power and Water. It is broadly similar to a "Net Promoter Score" which is widely used in market research to gauge the loyalty of customer relationships. Those who give ratings of 9 or 10 are classified as "Advocates", those who give a rating of 0 to 6 are considered "Detractors" and those who give a 7 or 8 are considered "Passives". The Score itself is calculated by subtracting the proportion of "Detractors" from "Advocates".

Trust: The Trust Score is an emotive outcome measuring the level of trust that Power and Water will do the right thing by them and their organisation, on a scale of 0 to 10. The trust rating is taken to be the percentage of participants who rated their level of trust as 7 or more out of 10.

Performance Scores: These represent the proportion of people who rated Power and Water's performance on a given attribute as 7 or more out of 10 (i.e. who felt the organisation was performing quite well). It excludes those participants who gave an answer of 'don't know' to enable meaningful performance measures and comparison between attributes.

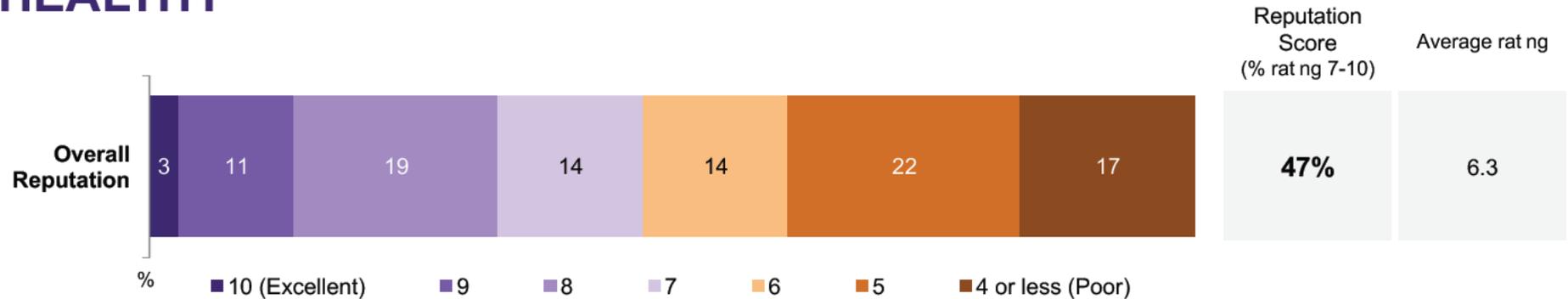
Impact Scores: These scores are derived from the random forest regression analysis and, in broad terms, measures the relative importance of each specific attribute in driving Power and Water's overall reputation.

Model fit: The fit of the model is described by a statistical measure called the "Adjusted R-squared". It represents the strength of the model in predicting or explaining Power and Water's reputation. Generally, any Adjusted R-squared score over .30 is considered an acceptable fit, and anything around .60 is considered a strong fit. The final reputational model for this study is strong with an R-Squared value of 0.62.

Strengths versus areas for improvement: For this study we have defined "strengths" as those attributes with a Performance Score of 60% and greater. Attributes with lower performance scores are defined as "areas for improvement".

Primary versus Secondary Drivers: Primary reputational drivers are defined as those with an Impact Score greater than 5% while Secondary Drivers are defined as those with an Impact Score of 5% or less. It is important to note that attributes with lower Impact Scores are not necessarily unimportant. They are often areas that need sustained efforts at a minimum and if neglected they could become important drivers of negative sentiment.

THERE ARE MIXED VIEWS ON POWER AND WATER'S OVERALL REPUTATION WITH ONLY 47% THINKING IT IS RELATIVELY HEALTHY



- ◆ At the start of the interviews stakeholders were asked to rate Power and Water’s reputation “based on their own experiences with the organisation as well as everything else they had seen, heard or read about it” on a scale from 0 (very poor) to 10 (excellent).
- ◆ Results charted above show that stakeholders had mixed opinions of Power and Water’s reputation. The average rating was 6.3 and just under half (47%) gave a rating of 7-10.
- ◆ This “Reputation Score” of 47% is relatively low compared to other organisations in the energy and water sectors that Newgate has conducted similar research for.
- ◆ The water and sewerage parts of the organisation were generally thought to have a slightly better reputation than the electricity parts of the business.

- ◆ We note that quite a large proportion of stakeholders - two in five (39%) - gave a relatively low rating of 5 or below, and some stakeholders had quite a strong negative emotional response to the organisation – this was particularly evident among those who are the closest to Power and Water, and who also tend to expect the most.
- ◆ Reputation scores in descending order amongst the stakeholder segments are as follows:

Stakeholder group	Reputation Score	Average rating
Indigenous interest groups	67%	6.3
Large customers	50%	6.8
Industry / Consumer / Environ. Advocates	50%	6.8
Generators / Retailers	50%	6.0
Government / Regulators	20%	4.0

Q1 Thinking about your own experiences with the organisation as well as everything else you've seen heard or read about it how would you rate the overall reputation of Power and Water where 0 means you think it has a very poor reputation and 10 means you think it has an excellent reputation?

Base: All in depth interviewees who responded (n=35) * **Reputation score** = % of participants who gave a rating of 7 or more out of 10 (excluding 'don't knows')

POSITIVE REFLECTIONS ABOUT POWER AND WATER

Overall, stakeholders recognised that Power and Water had been through significant structural changes over the past few years and as a result, its reputation was seen to be improving. On balance, there were significantly more positive comments made about Power and Water's reputation, with most participants having at least something positive to say about it.

The most frequently mentioned positive reflections on Power and Water were:

- ◇ **Improved reliability and responsiveness:** Many noted the marked reduction in outages, brownouts and surges over recent years. Some attributed this to significant infrastructure investments (and resulting price rises).
- ◇ **A strong customer service culture among field staff:** On the ground personnel were variously described as being “helpful”, “friendly” and “professional” in the way they work to restore power quickly (often during challenging conditions such as severe storms).
- ◇ **Improved proactive outage communication:** This was particularly the case among large commercial business stakeholders, with several noting they have been provided with better advance notice of planned outages in recent times, and more useful and frequent updates during unplanned outages.

Other less frequently mentioned positives related to:

- ◇ **Solid technical expertise and knowledge** of Power and Water staff, with mentions of instances when they have demonstrated flexibility and an ability to apply their knowledge to solve problems.
- ◇ **Infrastructure maintenance:** Some complimented Power and Water for maintaining infrastructure in difficult remote areas.
- ◇ **Good value:** One participant mentioned that the value for money for electricity in the Territory is good compared to other Australian states.

When they have had an error they fix it up, admit to it, and they don't try to hide from it.

- Generator / Retailer

Power and Water really understand working in remote locations and really understand the functions of (our organisation) quite well. It's about good relationships and having a good understanding of how each other works.

- Indigenous Representative

NEGATIVE REFLECTIONS ABOUT POWER AND WATER

Virtually all participants also had at least something negative to say about Power and Water (either as a reason for a low reputation score or as a comment following specific prompting), whilst others suggested that they did not know much about the organisation. Government and Regulatory participants typically had the most negative comments, as reflected in this segment's particularly low Reputation Score.

◆ The most frequently mentioned negatives included:

- ◇ **Lack of engagement and communication:** with both stakeholders and customers, and included a lack of a consistent relationship manager for large customers or not being able to contact appropriate Power and Water staff when required. Several noted that this was symptomatic of significant cultural issues and a sense of arrogance that they had observed at Power and Water.
- ◇ **Difficult working relationships:** Some stakeholders cited an overly bureaucratic culture that lacks a collaborative focus and prevents the formation of productive relationships; and
- ◇ **Unresponsiveness:** in relation to requests for help or information, with suggestions from a number of large business stakeholders and some others from industry and government that “there is a poor capacity of Power and Water to assemble data properly in response to requests”. This perception was typically directed at a head office level (and not field staff) and was related to a sense of head office not providing information in a timely manner or to a suitable quality or level of detail, or at worst withholding it.

Other, less frequently mentioned negatives included:

- ◇ **Lack of clarity:** A range of stakeholders suggested that Power and Water needs to educate the community about its regulatory obligations;
- ◇ **Recent price rises:** Some also noted frustrations related to “confusing bills” or billing that lacks the flexibility sought from a large customer with multiple and changing sites, both owned and leased;
- ◇ **Lack of infrastructure investment:** This was especially noted in remote areas which some felt was contributing to poor reliability;
- ◇ **Inaccurate meter readings;** and
- ◇ **A lack of sector leadership:** A few felt that Power and Water was not positioning itself as a future-focused company and many stated they were unclear on Power and Water’s strategic vision.

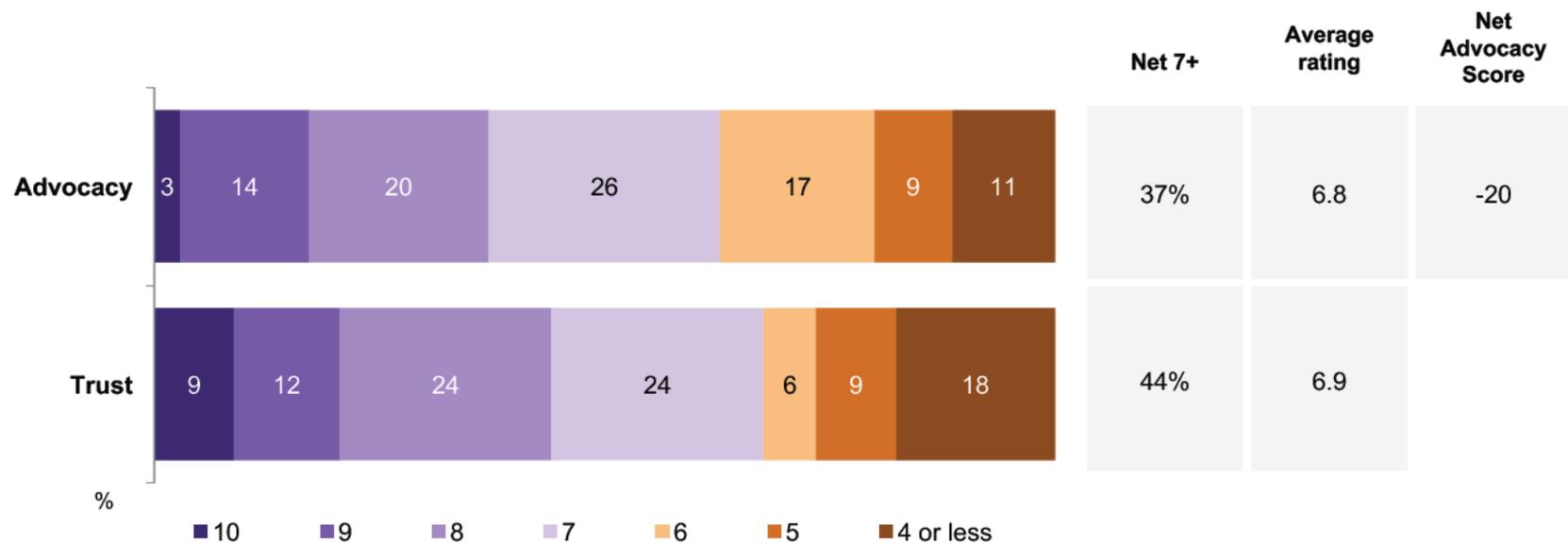
Its public persona is pretty ordinary - they have never come to see us all the time we have been here, but they have got better. We used to not be able to even get hold of the accounts manager.

- Large Customer
(Commercial)

Power and Water really does need to understand its consumer base to be able to deliver the services that consumers want to have.

- Consumer /
Environment
Advocate

REPUTATIONAL OUTCOMES - ADVOCACY AND TRUST



- ◆ Advocacy and trust are important outcomes of an organisation’s reputation. As with overall reputation, trust ratings were mixed, with only 44% rating their level of trust at 7 or more out of 10, and a quarter (26%) giving a relatively low rating of 5 or less.
- ◆ Using a variation of a commonly used measure of advocacy (i.e. a “Net Advocacy Score”) we can characterise stakeholders as follows:
 - ◇ “Promoters”: 17% who rated their likelihood to speak well of Power and Water very highly at 9 or 10 out of 10;
 - ◇ “Passives”: 46% who rated their likelihood to speak well of Power and Water as a 7 or 8; and
 - ◇ “Detractors”: 37% who rated their likelihood to speak well of Power and Water as 6 or below.
- ◆ By subtracting the proportion of “Detractors” from the proportion of “Promoters” we derive a “Net Advocacy Score” of -20 which, by virtue of being negative, indicates a relatively poor level of advocacy for the organisation.

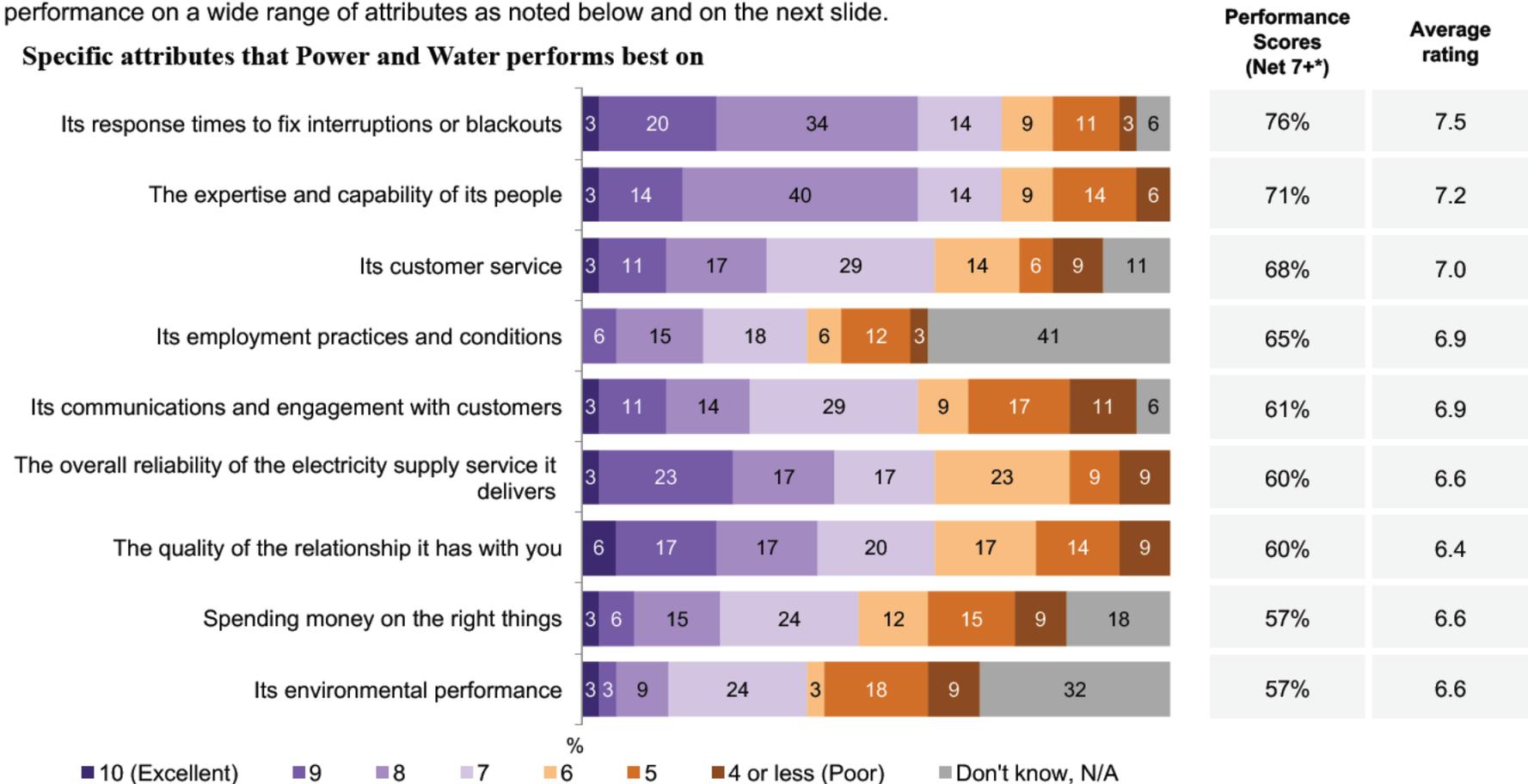
Q2 How likely would you be to speak well of Power and Water to a peer or colleague using a scale of 0 to 10 where 0 means not at all likely and 10 means extremely likely?
 Q3 And how much would you say you trust Power and Water to do the right thing by you and your organisation? 0 = not at all 10 = trust completely

Base: All in depth interviewees who responded (n=35)

RESPONSE TIMES, THE EXPERTISE AND CAPABILITY OF STAFF AND CUSTOMER SERVICE WERE SPECIFIC ATTRIBUTES THAT POWER AND WATER PERFORMED RELATIVELY WELL ON

To better understand perceptions of Power and Water's reputation, participants were asked to rate its performance on a wide range of attributes as noted below and on the next slide.

Specific attributes that Power and Water performs best on

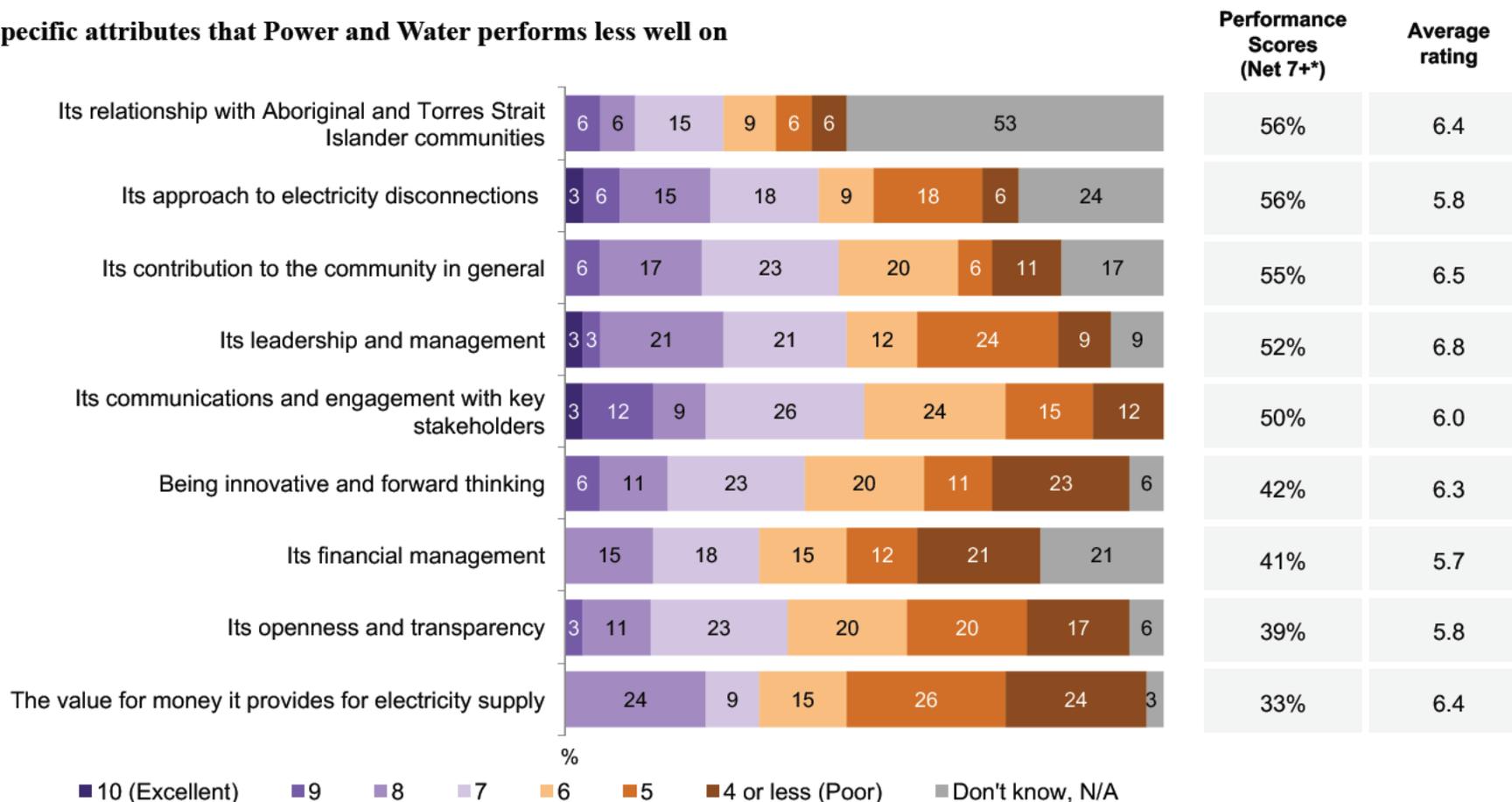


Q4 Next I'd like you to rate Power and Water's performance on a series of specific aspects using a 0 to 10 scale 0 = very poor 10 = excellent
Performance Score = % of participants who gave a rating of 7 or more out of 10 (excluding 'don't knows')

Base: All in depth interviewees who responded (n=33 35)

STAKEHOLDERS RATED POWER AND WATER'S PERFORMANCE THE WEAKEST ON VALUE FOR MONEY, OPENNESS AND TRANSPARENCY, AND FINANCIAL MANAGEMENT

Specific attributes that Power and Water performs less well on



Q4 Next I'd like you to rate Power and Water's performance on a series of specific aspects using a 0 to 10 scale 0 = very poor 10 = excellent
Performance Score = % of participants who gave a rating of 7 or more out of 10 (excluding 'don't knows')

Base: All in depth interviewees who responded (n=33 35)

POWER AND WATER'S REPUTATION DRIVERS: THE NewREP MODEL

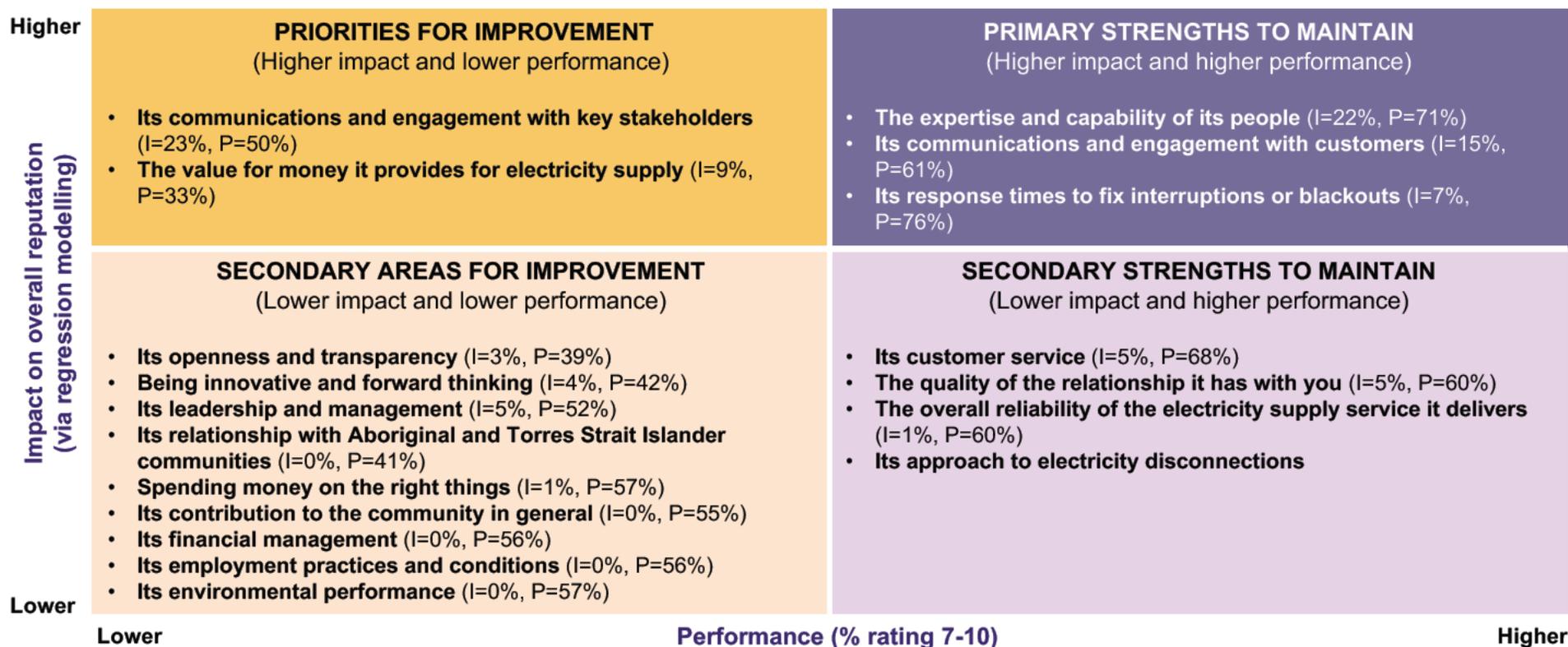
REPUTATION ATTRIBUTE	IMPACT SCORE* (%)	PERFORMANCE SCORE** (%)
Its communication and engagement with key stakeholders	23	50
The expertise and capability of its people	22	71
Its communication and engagement with customers	15	61
The value for money it provides for electricity supply	9	33
Its response times to fix interruptions or blackouts	7	76
Its customer service	5	68
The quality of the relationship it has with you	5	60
Its leadership and management	5	52
Being innovative and forward thinking	4	42
Its openness and transparency	3	39
Spending money on the right things	1	57
The overall ability of the electricity supply service providers	1	60
Its contribution to the community in general	0	55
Its employment practices and conditions	0	56
Its environmental performance	0	57
Its relationship with Aboriginal and Torres Strait Islander communities	0	41
Its approach to electricity disconnections carry responsibility	0	65
Its financial management	0	56

- ◆ The first row of the table to the left presents the results of regression modelling* which evaluated the relative importance of specific attributes in driving Power and Water's overall reputation.
- ◆ The analysis revealed that the attributes with the greatest impact on Power and Water's current reputation are its communications and engagement with key stakeholders and with customers, the expertise and capability of its people, its value for money, and its response times in fixing supply interruptions.
- ◆ Other performance attributes were found to have a relatively low impact on Power and Water's reputation.
- ◆ The second column presents Power and Water's relative performance on each attribute (i.e. the % rating it 7 or more out of 10). The following slide explores strategic implications of these results.

Base: A participant who provided ratings (n=35). Reputation Driver Analysis Questions: Dependent Variable Q1 Independent Variables (attribute ratings) Q4 Adjusted R-squared: 60.4%, indicating a good fit of explanatory variables. *Impact score (I) = relative impact on overall reputation, derived through Random Forest modeling scores are relative to the attributes in the model and add to 100%. **Performance score (P) = % of participants who gave a rating of 7 or more out of 10 (excluding 'don't knows').

STRATEGIC PRIORITIES FOR IMPROVING POWER AND WATER'S REPUTATION

- ◆ The Action Priority Matrix below presents strategic implications of the combined findings from the reputation modelling and the rated performance on each on each specific performance attribute.
- ◆ As shown, the main priorities for Power and Water to improve its overall reputation are to improve its communications and engagement with key stakeholders and the value for money it provides for electricity supply. Secondary priorities for improving its overall reputation are to improve: its openness and transparency; Being innovative and forward thinking; and its leadership and management.



I = Impact on reputation based on regression modelling *P* = Performance rating (% who gave a rating of 7 or more out of 10 excluding don't knows) **Primary** = has a relatively high impact on reputation at >5%; **Secondary** = has a relatively low impact on reputation All attributes plotted in order of relative priority **Strengths** = Attributes with a performance score of 60% or more **Priorities/areas for improvement** = Attributes with a performance score of 59% or less

STAKEHOLDERS EXPECT POWER AND WATER TO CONTINUE TO PROVIDE A RELIABLE SERVICE WHILST ALSO REDUCING COSTS AND PROMOTING THE SHIFT TO RENEWABLES

- ◆ When asked about their future expectations of Power and Water (in general) the stakeholders interviewed expressed a strong desire for:
 1. **Prioritising infrastructure:** investment and maintenance to guarantee a reliable energy supply.
 2. **Enabling and promoting renewables:** for environmental reasons and to diversify energy sources.
 3. **Reducing costs:** preferably through technology and efficiencies – even if it means some job losses, rather than reduced service levels.
 4. **Improved customer focus:** with some noting that customers (large and small) are not currently “at the centre” and this needs to occur and be driven by upper management. An example provided was that Power and Water should be proactive in providing information on how customers could manage their electricity use and save money.
 5. **Better information:** with stakeholders from a range of segments (i.e. large customers, government / regulators, generators and retailers) wanting the information they need from Power and Water to be more accurate, complete and timely.
 6. **Better and closer working relationships:** characterised by more openness and transparency, respect and responsiveness.
- ◆ Other expectations and future suggestions mentioned by fewer participants were:
 - ◇ **Greater community information:** this included suggestions of advertising and community education to inform people of their options in paying bills or reducing costs or in promoting Power and Water’s activities and achievements (e.g. good news stories about improved services).
 - ◇ **Customer Relationship Managers:** i.e. large customers having a clear single point of contact for outages and other issues.
 - ◇ **Increasing the number of permanent staff:** and reducing the number of subcontractors, which a couple felt would save costs and ensure knowledge is retained within the business.
 - ◇ **Better planned outage scheduling:** with some noting it should be done to minimise inconveniences for consumers.
 - ◇ **Consider tailored tariffs:** to different industries, with one participant mentioning that NGOs should be given lower rates.
 - ◇ **Improved customer service for large consumers,** with a couple suggesting that “Power and Water needs to respond like the service organisation it is”, particularly in relation to proposal submissions. As one Commercial stakeholder commented *“stakeholders with common goals shouldn’t be ending up in court disputes”*.

EXPECTATIONS OF POWER AND WATER

IN THEIR WORDS

Power and Water need to prepare for when the NER comes into effect and think about their efficiency. They don't have a very good compliance record. They need to think about their network license - they are quite inefficient and need to cut business costs. They need to think about that.

- Government / Regulator

We rely on their metering very heavily. There seems to be a lot of issues with metering that manifest themselves as billing problems, and I think that comes back to a lack of quality assurance in the metering.

-Stakeholder

Deliver electricity in a reliable, affordable way.

- Consumer / Environment Advocate

Power and Water is a very powerful company. Everyone, the 'whole world' relies on them, practically relies on them for their everyday living, standard of living and they should be making things easier for people. Everyone seems to be climbing the chain of getting bigger and better, but they are running faster and leaving the small people behind and it's probably the majority of their clients that they are neglecting. I think they just need to come back down to earth a bit and have a look at the 'lower-class' people and cater to their needs.

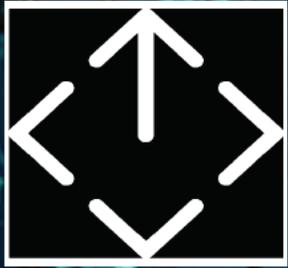
- Indigenous Representative

I'd like them to provide a clean green source of power without any interruptions.

- Consumer / Environment Advocate

Raise energy literacy to understand bills, what things use power and how much they use.

- Consumer / Environment Advocate



Preferences for long-term planning and feedback on specific regulatory proposals

CUSTOMERS WANT POWER AND WATER'S LONG-TERM PLAN TO FOCUS ON RENEWABLE ENERGY AND OPPORTUNITIES TO BECOME MORE CUSTOMER FOCUSED

- ◆ Without prompting, stakeholders felt Power and Water's long-term plan over the coming 5-10 years should focus on (in broadly descending order of mentions):
 - ◆ **Supporting more renewable energy** (e.g. via rebates, special tariffs and/or offering associated products and services) while ensuring that a reliable supply is maintained – this was by far the most commonly mentioned priority;
 - ◆ **Becoming more customer oriented**, less bureaucratic and improving customer service e.g. by engaging more frequently and effectively with customers, and fostering a genuine customer-centric culture. For some stakeholders this included a demonstrated commitment to helping customers better manage their energy usage through education, technologies like digital metering and demand management tariffs;
 - ◆ **Lowering prices and becoming more efficient overall.** In particular, stakeholders spoke of the impact of recent price rises on businesses in competitive environments, the general cost of living in the Territory, and the need to develop hardship strategies for vulnerable customers;
 - ◆ **Undergrounding wires** to improve reliability and potentially reduce operating costs longer term, especially given the Territory's cyclone-prone environment;
 - ◆ **Maintaining assets** on a consistent ongoing basis to avoid price shocks;
 - ◆ **Continuing to improving reliability;**
 - ◆ **Having a clear and well-communicated vision** for the future of the business (including at Board level);
 - ◆ **Getting a better understanding of Aboriginal customers** and their needs to improve services to them as well as better understanding the legislation and obligations related to gaining access to Aboriginal land (mentioned by one); and
 - ◆ **Better managing peak demand events.** In particular, a couple of Large Customers (Commercial) spoke of the inability to move some of their business activities to peak demand times.
- ◆ Importantly, some stakeholders stressed it was important for Power and Water to focus on longer-term strategic issues and not just the next 5 year regulatory period within its consultation process.

Power and Water really needs to focus on understanding all people... not just the people who pay the bills, but the people who benefit from their services. Let them express what they want with a solid understanding of trade-offs.

- Indigenous Representative

I'd like to see how they plan for more renewables coming into the network and how they ensure that the frequency is okay.

- Large Customer (Commercial)

CONSUMER EXPECTATIONS AROUND THE CONSULTATION PROCESS WITH POWER AND WATER

IN THEIR WORDS

The regulatory team needs to be smack bang involved in this and listening to what customers are saying. It's going to be important that people who are contributing to this study can see the influence that they have on what the business is doing.

- Consumer / Environment Advocate

We need to be confident that it is an efficiently run organisation and we're not paying for excess staff who don't do a lot, or for integrated systems that don't work well.

- Consumer / Environment Advocate

It's important to get an accurate picture of when energy was getting used and how to plan well. I'd expect they would be coming to us to understand our current energy use and where we're going with it in terms of expansion and growth.

- Large Customer (Commercial)

I think the engagement with outlying communities is critical from a socio-economic point of view.

- Large Customer (Government)

Responsibility and accountability, being crystal clear who is responsible for what, and having some KPIs and metrics in place.

- Generator / Retailer

To take into account the competitive environment and the impact of increased costs.

- Large Customer (Commercial)

LARGE CUSTOMERS ARE HIGHLY SENSITIVE TO PRICE CHANGES AND STRONGLY SUPPORTIVE OF POWER AND WATER'S EFFICIENCY AND COST REDUCTION GOALS

Understanding of how prices are set

- ◆ Most stakeholders had little or no understanding of how electricity prices are set in the Northern Territory, what the regulatory process actually involves or who the regulator is.
- ◆ As a result, they found it very difficult from a tariff perspective to suggest specific trade-offs or respond to the in-principle concepts confidently or with any depth. This highlights the importance of the forthcoming deliberative approach to the research, and the Customer Advisory Council in providing customers and stakeholders information to aid their ability to respond to specific concepts and proposals.
- ◆ Some of the stakeholders were, however, aware of some of the complexities involved in price setting (including the relative contributions of generation, transmission and distribution, and the importance of managing peak demand), while a small number who worked in the energy sector, or were in the Government / Regulator segment, were inherently familiar with the process and organisations involved.

Attitudes to price reductions

- ◆ Stakeholders were strongly supportive of Power and Water's goal to become more efficient across the organisation, and to reduce network charges (assuming a reliable supply is maintained). This is in keeping with the relatively low perceived value for money for electricity services (rated 5.8 out of 10).
- ◆ Many felt that Power and Water needs to be run in the same way as any other business – even if this has some impacts on its workforce. Other unprompted suggestions (from a few) for reducing its costs included shifting to renewables, rolling out smart meters or employing local Aboriginal workers and reducing 'FIFOs'.

Sensitivity to price changes

- ◆ Large customers and other Territory stakeholders were very highly attuned to changes in electricity prices, with most saying they would notice and be affected by any increase at all. Some noted that small percentage differences can be large in dollar terms and that electricity prices have a direct impact on their decisions to invest in the Territory or not. As one Large Customer stated: "even half a cent per (kilowatt) is a deal killer for business".
- ◆ A few stakeholders noted a change of 10% or greater as an unprompted threshold that would be significant to them.

For a lot of people, it's probably a mystery. When you get the bill, you sort of look at the bottom line I suppose and say 'okay, that sounds reasonable'.

- Industry Association

A 10% decrease would go a long way in addressing our backlog in maintenance, that would be \$400,000.

- Large Customer (Commercial)

It will cripple any business if they have to pay 50% more for electricity.

- Large Customer (Commercial)

DESPITE PRICE SENSITIVITIES MOST WERE UNWILLING TO TRADE OFF RELIABILITY OR RESPONSIVENESS FOR LOWER COSTS

Reliability trade-offs

- ◆ Stakeholders were asked for their preferences amongst three hypothetical, in-principle scenarios involving: 1) Improved reliability for an increase in costs to customers; 2) Maintaining current reliability and cost levels; and 3) Reducing costs but trading this off for reduced reliability.
- ◆ The clear majority of stakeholders were unwilling to accept a reduction in reliability and generally favoured maintaining the status quo, although a few were interested in the other trade-off options.
- ◆ A few noted that reliability trade-offs should be evaluated in an objective and rigorous way like any cost-benefit analysis while a couple of generators/retailers mentioned that there shouldn't be any "gold-plating" of the network.
- ◆ A few stakeholders commented that it is reasonable to expect that reliability can be improved while also reducing costs (e.g. via new technology and continuous improvement efforts), and that the impact of outages can be reduced by effective communication (e.g. via text messages to keep customers up to date on the issue and expected time for the power to be restored).
- ◆ Concerns around reducing reliability included impacts on businesses as well as health and cost impacts for the community (e.g. refrigerated food losses during outages).

Responsiveness trade-offs

- ◆ Similar cost/responsiveness trade-offs were also proposed to stakeholders, and once again the clear majority favoured maintaining the status quo. Several stakeholders mentioned that responsiveness "isn't worth exploring" as "you can't improve much on it and it shouldn't go backwards".
- ◆ No stakeholders were interested in reducing responsiveness, with some relating it to a reduction in customer service more broadly. However, a few stakeholders (generator/retailer, large customer – government and commercial) were interested in the idea of paying more for improved responsiveness, for example a priority or opt-in service.

It should be noted that this was an in-principle discussion only. It will be useful in the deliberative phase to explore these topics in more detail with some specific service level vs. cost scenarios.

Over time, it is reasonable to expect that service levels will continue to improve while reducing costs, and that's about using new technology.

- Large Customer
(Government)

If we have an outage, I would be concerned. Especially if we have my wife's parents out there and they are quite elderly.

- Consumer/ Environment Advocate

Power and Water shouldn't toy with response times as there would be an outcry.

- Industry Association

THERE IS LIMITED INTEREST IN IMPROVING THE LOOK OF SUBSTATIONS OR CHANGING TREE-TRIMMING FREQUENCY

Visual amenity of substations

- ◆ Stakeholders were asked whether they would be supportive of Power and Water charging customers an average of \$2 extra a year on a program to make substations more visually appealing.
- ◆ Most were comfortable with the idea because the amount seemed nominal. However, most suggested that there wasn't a whole lot that could be done to make a substation look visually appealing, so were happy either way. One suggested that new substations could be made more attractive in the future but that it was not worth it to reactively improve the look of existing substations.
- ◆ While generally comfortable with the proposal, it was not seen as a priority across the stakeholders. Only a small few felt that the substations were '*exceptionally ugly*'. One even cautioned that beautifying them could attract vandals.

Tree-trimming

- ◆ Participants in Darwin/Katherine were asked for their opinion on a proposal to reduce tree-trimming to once a year to save an estimated \$13 rather than the current frequency of twice a year, at an average cost of \$26 per year. The views from Alice/Tennant Creek participants on keeping the existing frequency of tree trimming (i.e. once a year) was also explored.
- ◆ Overall there were mixed views on the proposal:
 - ◇ Saving \$13 a year was seen as worth exploring. However, concerns were raised over the sustainability of a tree that is cut back too far, as well as the aesthetics of a tree that may only be cut back on the side near the power line (resulting in an asymmetrical tree).
 - ◇ Several stakeholders noted that trees grow very fast in the Territory and even with a major cut once a year it may still not be enough to avoid risks to the power supply. As one participant commented: "*safety is the priority and a \$13 saving a year is not worth that sacrifice*".
 - ◇ However, most were open to the idea of only trimming once a year, provided reliability and supply are not affected and that the look and feel of the areas are not compromised.
- ◆ This proposition also raised discussions over whether the power lines should be moved underground, with several interested in exploring the long-term costs and benefits of this option.

I think power prices are more of an issue than what the substation looks like.

- Large Customer
(Commercial)

Because they are gas, because you don't have belching black and white smoke, they're really only an installation, so they (the substations) are not as visually confronting.

- Industry Association

CONNECTION CHARGES WERE SEEN AS BEING BROADLY ACCEPTABLE, WHILE RECONNECTION FEES WERE DEBATED

◆ Connection and disconnection charges

- ◇ Participants were asked about their views on connection and disconnection charges.
- ◇ The \$56 **connection charge** was typically considered reasonable, with most indicating customers would connect during business hours to take advantage of the lower fee.
- ◇ Some felt the \$380 **after-hours connection charge** seemed to be too expensive but there was a general consensus that “if you want things done after hours you should pay extra for it”. Some debated whether the difference between the business hours fee and the after hours fee was equitable, but accepted that there should be a difference.
- ◇ There were mixed responses to the **reconnection charge of \$94** mostly due to the reasons for disconnection in the first place. Where genuine reasons for not paying bills exist (e.g. cannot afford to pay), the disconnection fee was considered to be unfair and to exacerbate the customer’s difficulties.
 - Indeed, representatives from vulnerable and Indigenous communities felt strongly that the current connection and disconnection fees are ‘*disgusting*’, and that they create an unsustainable cycle for low-income customers who cannot afford to pay for electricity.
 - These findings suggest that special consideration should be given for vulnerable customers as to how the charge should be applied or recovered.
- ◇ Several were confused about the \$333 reconnection charge for those with smart meters and wondered why these people should pay more, pointing to a customer education opportunity.

I am concerned for my members, I didn't realise the reason behind these prices - no wonder people don't get the electricity put back on again...this is even expensive for me and I am on an alright wage.

- Consumer / Environment Advocate

Excluded service charges seemed to be quite excessive, and have increased recently. It comes down to transparency – if they really are cost reflective... that's why I think it's good to have someone like the AER to have price regulation because they do have some basis for looking at what's reasonable and what's not.

- Generator / Retailer

A customer gets their power cut; disconnected because they have no money to pay it and now they want \$94 to reconnect? That's terrible!

- Indigenous Representative

THERE WAS GENERAL SUPPORT FOR THE IN-PRINCIPLE TARIFF CHANGES PROPOSED FOR LARGE CUSTOMERS

Reactions to a set of broad principles relating to changes in tariffs for large customers were explored.

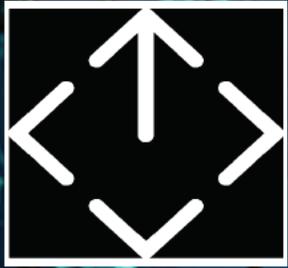
- ◆ Most participants were happy with the proposed incentives for large customers to **shift their usage to low demand times**, although several noted that their businesses are unable to change their power usage in this way (e.g. those running manufacturing plants, hospitals, casinos etc.). Some suggested that low-peak incentives may be more feasible for residential customers who have control over appliances such as pool pumps or washing machines.
- ◆ The idea of **changing the current step tariffs to simplified flat tariffs** typically received an indifferent response. A few were positive and no-one opposed the recommended change based on the general information they were provided with. However a generator representative advocated for keeping the step tariffs, stating *“if you use more electricity you should get a reduced rate”*.
- ◆ There was also general support for charging large customers **different rates for the parts of the network they use** (high voltage vs. low voltage), with some saying they would consider changing their practices to adopt low voltage usage if it could save them money. However, it was also suggested by several large commercial customers that *“there would be a lot of work in determining who uses that bit of the line”*, with some questioning whether it would be worth the effort.
- ◆ Overall, most participants supported the broad principles for changing the tariffs for large customers, with many thinking that they sounded feasible and worthy of further exploration during the deliberative phase of the broader engagement. However a couple felt that they were *“not very forward thinking”* and should include better incentives for people who generate their own electricity.

Well, I think we have peak demands that can't be changed. We can't reduce our peak demand times and if we move some of that peak demand to lower demand time frames that is not an option.

- Large Customer (Commercial)

No, I think they all sound reasonable... I think they sound okay to me. Certainly good to encourage big users to use more in the low demand areas but I don't know, I assume you're referring to manufacturing and perhaps irrigators that have the opportunity to draw more power at lower peak times.

- Industry Association



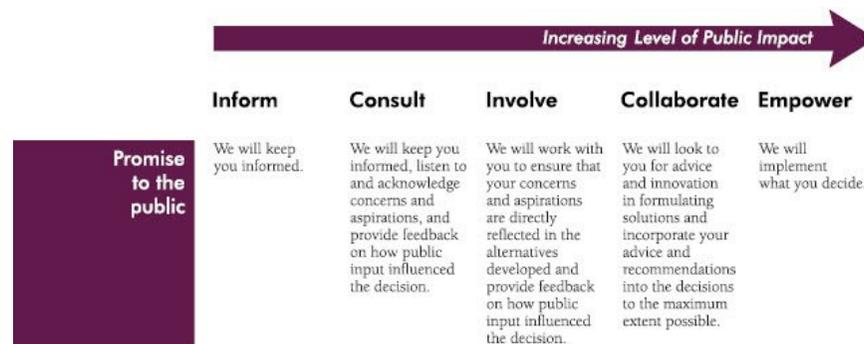
Engagement preferences, decision making and final advice

STAKEHOLDERS HAD A STRONG INTEREST IN BEING INVOLVED IN THE CONSULTATION ON FUTURE SERVICE AND PRICE LEVELS AND A RANGE OF EXPECTATIONS FOR THE PROCESS

- ◆ Stakeholders were very supportive of Power and Water's efforts to engage with them and the community in setting future service standards and associated prices. Several praised Power and Water for conducting this research and trying to understand its customers' behaviours.
- ◆ Specific suggestions for the consultation process are outlined below in roughly descending order of mentions.
 1. **Inviting me** to participate in the consultation program – most stakeholders were very interested in becoming involved;
 2. **Including a mix of stakeholder forums** (the most commonly mentioned channel) as well as other face to face engagement, quick calls and emails when needed and a mix of less formal interaction and social events such as afternoon drinks – which one Large Customer (Commercial) noted that Jacana is doing;
 3. **Having an appropriately long consultation process** that allows time for proper consideration of issues and priorities, and is truly consultative in nature (i.e. actually influences decisions and provides feedback to participants on the impact of the consultation);
 4. **Providing clear data-driven justification on the reasons why decisions are made** and the evidence underpinning them (e.g. via a cost-benefit analysis with transparent assumptions);
 5. **Conducting consumer research** and engagement with a wide range of community segments (including low income earners, Indigenous people and those in remote communities in particular);
 6. **Including an appropriate outward-facing communications campaign** (potentially involving advertisements, newsletters, and public forums to maximise the opportunities for everyone to be involved);
 7. **Working closely with large customers** to understand how they currently use energy to help them minimise costs and support their expansion and growth plans;
 8. **Working closely with the AER** (as well as the Utilities Commission and Treasury) to understand the information and level of evidence they require, which also involves ensuring Power and Water's people have the capacity to provide the data the AER needs;
 9. **Ensuring tariff structures and billing are clearly explained** during the consultation process (noting that they are currently “too confusing” according to some customers); and
 10. **Ensuring Power and Water's regulatory team is strongly embedded in the consultation process** and that the regulatory submission is “basically the business plan” and not merely an add-on to it.

MOST STAKEHOLDERS WANTED TO BE INVOLVED OR AT LEAST CONSULTED, AND FELT THAT CONSENSUS SHOULD BE AN IDEAL AIM, THOUGH IT MAY NOT BE POSSIBLE TO ACHIEVE

- ◆ Overall, the proposed engagement plan was viewed positively by stakeholders. Consistent with the focus group findings, there was support for an extensive consultation process. It was suggested by one large corporate customer that: *“The fact that they are actually reaching out is a positive sign that they want to improve...I take my hat off to them for doing that”*.
- ◆ There was wide variation between the minimum level of support that Power and Water should secure during the determination process, which ranged from 40% to 99%. Many were in favour of a “consensus building” decision process however several stakeholders also suggested that input from a “sizeable proportion” of the community should suffice.
- ◆ Some participants suggested that Power and Water needs to take into account feedback from all stakeholders and provide information along the way. However, others mentioned that while Power and Water should take note of all stakeholder views, it *“shouldn’t necessarily act on it, as a lot of the population doesn’t necessarily have a clue about electricity”*.
- ◆ More than half of the stakeholders interviewed wanted to participate at the ‘Involve’ levels of engagement, according to the IAP2 public participation spectrum as summarised below. Many expressed interest in being part of the advisory council, or providing their input via formal correspondence (especially large customers and consumer advocates). At the minimum, most stakeholders wanted to at least be ‘Consulted’: *“to ensure no voice falls through the cracks”*.
- ◆ It is noteworthy that many commented that they appreciated the opportunity to be involved in this important research and viewed their involvement as a *“good foundation”* for the broader engagement program.



The regulator should hold them to as broad a consultation as possible to understand feelings and planning for the situation as appropriate.

- Consumer / Environment Advocate

It’s going to be important that people in the CAC and deliberative forums can see the influence that they have on what the business is doing...it is about asking, not informing.

- Industry Association

They need to get good planners and cost estimators who understand the industries they might provide to.

- Large Customer (Commercial)

FINAL ADVICE

IN THEIR WORDS

For people on low incomes, access to power is pretty non-negotiable in this climate. Whatever way they're going, they need to consider how people will be able to continue to afford their services. That needs to be a really important part of their decision making.

- Consumer / Environment Advocate

Just that one word: communication. I think they just need some more exposure and they need to get more of the message out, otherwise they'll get the blame for a lot of things. They truly are the middle entity and they need to explain: 'these are our responsibilities, these aren't and this is the state of the nation'.

- Large Customer (Commercial)

Well, they have to get over this perception of a closed shop. That's how they're viewed, a faceless organisation.

- Government / Regulator

The Territory has a great opportunity where we have so much solar potential here and I would just love to see Power and Water to start to really see that potential and get in those regions and see that as a solution for the way forward rather than 'how can we improve efficiencies in the system that we already have?'.

- Consumer / Environment Advocate

Just communicate openly and make decisions so that the consequences are not major. So that any changes that have to be accommodated, be they price changes or service changes or whatever, that they're done and eased in slowly, not dramatically.

- Large Customer (Commercial)

People need to see that Power and Water are being innovative in renewable energy and that is where they need to be - more tooting their own horn, letting people know what they're doing in that space. Letting them know how it benefits the customers because we are all very selfish human beings and we need to know how it benefits us... and talking about their community engagements.

- Large Customer (Government)

FINAL ADVICE (CONTINUED)

IN THEIR WORDS

Make sure that the messages are coming from leadership and management to encourage the culture they want.

- Large Customer (Commercial)

Power and Water need to be more customer focused...they need to understand that they are serving customers and their needs.

- Generator / Retailer

The customer comes first, the regulatory submission is just a process.

- Consumer / Environment Advocate

Power and Water need to make sure that for whatever they're proposing they provide justification, set out their assumptions, what they are asking and why with evidence ... the costs and methodology behind how a cost was arrived at.

- Government / Regulator

Be more accommodating of the indigenous communities and their difficulties.

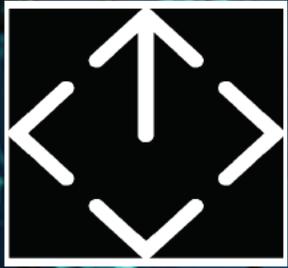
- Indigenous Representative

Don't be a faceless organisation – take accountability and educate the community.

- Government / Regulator

I think engaging and bringing different experts in the area around the country and being very outward is important.

- Large Customer (Commercial)



Appendix

APPENDIX

DISCUSSION GUIDE



PWC IDI
discussion guide



Power & Water Corporation 2018 Regulatory Submission Research
Guide for In-depth Interviews (NGR 1608014)
Thursday, 27 April 2017

Introduction 5 mins

- Thank you for agreeing to participate in this research.
- **Newgate** Research is an independent market and social research company. Power and Water Corporation has contracted us to undertake this research on their behalf. *[Introduce self, note-taker.]*
- The focus of this interview is on issues to do with electricity distribution services as well as Power and Water Corporation's overall reputation. The results will be used by Power Water to help them identify how it can improve its services, and the way it operates, engages and communicates with stakeholders.
- We are also doing a series of focus groups with residential and small to medium business customers and interviews with other stakeholders of Power Water, to inform the upcoming public consultation process for its 2018 Electricity Regulatory Submission.
- The discussion will go for about an hour.
- As part of the discussion, I will ask for a number of ratings from you and then your reasons for them.
- **Newgate** Research is a member of the market research industry associations and operates under very strict privacy laws. Your participation is confidential and no participants will be identified in our report.
- I will make a recording of this discussion if that's ok with you, just in case we don't catch everything in our notes. The recording will not be provided to any third parties.
- To kick off, could you please tell me briefly a bit about your organisation and what sort of interactions you have with Power & Water Corporation.

Overall Reputation and reputational outcomes 5 mins

1. To start I'd like to ask about your perceptions of Power and Water Corporation's **reputation**. Thinking about your own experiences with the organisation as well as everything else you've seen, heard or read about it, how would you rate the overall reputation of **PowerWater** on a **10 point** scale, where 0 means you think it has a very poor reputation and 10 means you think it has an excellent reputation?
 - a. What makes you give that rating? *Explore positive and negative perceptions of its reputation, and high-level thoughts on how it could improve.*
 - b. Would you give different ratings on the electricity part of the business and the water part? *If so, get ratings*
2. How likely would you be to speak well of **PowerWater** to a peer or colleague, using a scale of 0 to 10 where 0 means not at all likely and 10 means extremely likely? *Explore reasons*
3. And how much would you say you trust **PowerWater** to do the right thing by you and your organisation on a scale of 0 to 10, where 0 means 'I don't trust them at all' and 10 means 'I trust them completely'? *Why? Explore reasons*

Performance on Specific Reputational Attributes 7 mins

4. **Next** I'd like you to rate **PowerWater's** performance on a series of specific aspects using a 0 to 10 scale where 0 means you think its performance is very poor and 10 means you think it is excellent.

INTERVIEWER NOTE: *Hand out Worksheet 1, explore reasons for the quality of relationship and then any particularly low ratings given.*

Understanding and Interest in Electricity Supply and Management 10 mins

5. From your perspective what are the main energy issues in the Northern Territory **at the moment**?
6. **[Major Customers only]** How interested would you say you are generally in things to do with electricity?
 - a. What are your specific interests?
 - b. Are there times when you're **more or less interested** in energy-related issues?
7. Do you feel you know enough about the electricity supply system in the Territory?
 - a. Are there particular aspects of it you'd like to know more about?
8. Are there any parts of the system or things to do with electricity that you have any issues or concerns with? *Briefly explore reasons for concerns and how long these have been an issue.*
9. What is your understanding of the electricity generation sources used in the Northern Territory?
 - a. Do you have any **particular preferences** about where the community's energy comes from in the future, or how it is produced? *Explore reasons.*
 - b. *What do you think of the fact that the NT Government made an election commitment to have 50% of the electricity from renewable sources by 2025? Were you aware of that? How do you feel about that?*
10. **[Ask NT participants]** Overall, how reliable is the electricity supply? Do you have any or many interruptions? How many in the last year? How long did they last? *Explore acceptability of frequency and length*

Knowledge and Expectations of PowerWater 5-7 mins

11. What is your understanding of **PowerWater's** responsibilities in relation to the delivery of electricity?
12. What are your expectations of **PowerWater**? Do you have any expectations that they are not currently meeting?
13. What are the sorts of things you think it should really focus on over the coming 5-10 years? *Aim to get a sense of whether business as usual is sought, and if not, how different they would like things to be. Are customers looking for any new and different types of services and infrastructure requirements/changes?*

Expectations and Preferences for 5-year Planning 10 mins

14. **[Major Customers only - if not already explored]** I want to come back to value for money, tell us a bit about the rating you've given there – thinking specifically about the electricity network charges.
15. **[Major Customers + Camp Managers]** I'd now like you to think about your electricity and if it were to go up or down, what amount would make a difference to your business/organisation.



APPENDIX

DISCUSSION GUIDE CONT...

- a. **DECREASE:** First, imagine a situation in which your quarterly electricity bill was to go down. What is the minimum percentage amount it would need to go down in order for it to be meaningful, for you to notice and for it to make a difference to you?
- b. **INCREASE:** Now, think about a situation in which your bill was to go up, at what point would you notice it and start to be concerned about it – what is the minimum percentage amount by which your bill would need to increase for you to really notice and feel it?

16. How much would you say you know about how electricity prices in the Northern Territory are set?

Explain if necessary: *Power & Water Corporation (Power Networks) is currently in the process of reviewing its electricity charges and associated services. It needs to develop a proposal for the charges and service levels it will provide to customers for the 5-year period from 2019 to 2024, which it needs to submit to the Australian Energy Regulator early next year. Did you know any of this?*

[Ask relevant stakeholders only] Expectations and Preferences for Regulatory Review Process:

- 17. Do you have any preferences on how you think **PowerWater** should go through the regulatory review process?
- 18. What would you like **PowerWater** to make sure it does when updating the prices and services it provides?
- 19. Do you support or oppose **PowerWater** consulting with stakeholders and the community for their views about the prices and service levels it proposes to charge? *Explore reasons.*
- 20. How would you **most** prefer to be asked for your views about prices and service levels it proposes to change?
 - a. What would be the best way for you to give your input and feedback?
 - b. How involved would you like to be in the process? Would you just like to be able to get information about what services **PowerWater** is proposing to provide, and the associated charges, or would you like the opportunity to be more involved in the decision-making process? What sort of consultation activities would you like to be involved in? *Explore unprompted ideas.*
- 21. And how do you think **PowerWater** should consult customers about the prices it proposes to charge and its service levels?
- 22. **Provide Fact Sheet 1** – Overview of Regulatory Review Process: I'd like you to take a minute to have a read of this information about the Regulatory Review process. *Briefly explore reactions, questions etc.*
- 23. How do you think **PowerWater** should **actually decide** what to focus on in its regulatory proposal, and in turn what service levels and prices it proposes to charge for the 5-year period (from mid-2019 to 2024)?
 - a. How much weight do you think it should give the feedback and input from **all** of the different types of stakeholders?
 - b. What is 'support'? If there are aspects of **PowerWater's** proposal where they are seeking support, what is the minimum level of support you think they should secure in order to go ahead? Should it be like an election where you just need 51% of voters to say yes, or should it be higher? Why? What are the things **PowerWater** should be taking into consideration here?

Reactions to Specific Regulatory Proposal Concepts

15-20 mins

We'll now explore some specific initial ideas **PowerWater** is considering for the **5-year** electricity supply plan

- 24. **PowerWater** is trying to find ways to increase efficiencies in relation to its costs and charges to customers.
 - a. Is this something it should be focusing on? *Why?*
 - b. Can you see any activities or ways in which Power & Water could do things to reduce prices?
 - c. What about the idea of keeping people in jobs? How do you think the company should balance that with trying to reduce costs?
- 25. **RELIABILITY:** Something **PowerWater** could do is change its service levels to reduce the average number of outages customers experience for an increased charge, or it could do less maintenance and allow for more outages as part of reducing costs to customers.
 - a. What do you think about this, in principle?

Think back to the number of **UNPLANNED** outages you have in any average year (e.g. due to storms, trees falling, power, animals striking the lines etc.).

Reduced outages:

- If the number of outages was to be reduced, how many would it have to be per year, in order for it to be meaningful and noticeable to you?
- And how much you would be willing to pay for this improved service?

Increased outages:

- If the number of outages was to be increased slightly, how many would it have to be per year, in order for it to be meaningful and noticeable to you?
- And how much more you would expect to save for this increase in outages?

For **interviewers** reference (explain if necessary):

Region	Avg. Outages per year, per customer	Avg. Duration (min)
Alice Springs	2.23	2 hours and 15 mins
Darwin	2.37	2 hours and 46 mins
Katherine	7.07	3 hours and 56 mins
Tennant Creek	2.22	43 mins

- 26. **RESPONSIVENESS:** Similarly, the charges could be adjusted if the time it takes to reconnect the power after an unplanned outage is changed. What do you think of the idea of reduced prices in return for longer wait times for outages to be restored, or paying more for shorter wait times? *Explore.*

Thinking back to the average length of **UNPLANNED** outages you have in any average year.

Reduced outage times:

- If the time it takes to restore your power was to be reduced, how much shorter would it have to be on average, in order for it to be meaningful and noticeable to you?
- And please write down how much more you would be willing to pay for this improved service?

Increased outage times:

- If the time it takes to restore your power was to be increased, how much longer would it have to be on average, in order for it to be meaningful and noticeable to you?
- And how much you would expect to save for this improved service?

APPENDIX

DISCUSSION GUIDE CONT...

27. Visual amenity: substations.

- Do you know what a substation is?
- Show image. Have you seen any of these around?
- What do you think of them?
- Do you think PowerWater should do anything to improve the look of these? For example, they could be painted, or vegetation could be planted around them or fencing etc. Would you be willing to pay a small increase in your electricity bill (e.g. \$2 a year) for these to be made more visually appealing or less visible?
- At this stage, PowerWater is not actually proposing to do any improvements to the look of its substations for the next five-year period. What do you think of this?

28. Visual amenity: vegetation management and tree trimming.

- Do you know how often PowerWater does vegetation management and tree trimming in your area? What do you think of this?
- Do you think it needs to change the way it does its tree trimming and other vegetation management activities? Or the frequency of its tree trimming?
- (Alice/Tennant Creek) PowerWater currently cuts trees and vegetation around power cables once a year and this costs customers around \$13 a year each. They are proposing to keep this frequency and the costs unchanged. What do you think of this?
- (Darwin/Katherine) PowerWater currently cuts trees and vegetation around power cables twice a year and this costs customers around \$28 a year each. PowerWater is proposing to reduce this to once a year and this would reduce costs by \$13. It would mean that they have to cut trees back further each time they cut them so they don't grow to close to the cables. What do you think of this potential change?

29. Customer connection fees. (do not ask large customers)

- Do you know what the fees are to connect to customers when they move into a new property?
- To explain, for connections during business hours the fee is \$50 and for connections outside of business hours it is \$380. What do you think of these charges?
- At this stage, PowerWater is not proposing to change the connection fee – so its charges would be the same for the next five-year period. What do you think of this?

30. Customer disconnection fees. (do not ask large customers)

- Do you know what the fees are to have power reconnected for customers if it has been disconnected (e.g. due to not paying the bills)?
- To explain, for reconnections during business hours the fee is \$94 (or if you have a 'smart meter' it is \$333). What do you think of these charges? [NB PowerWater doesn't decide who gets disconnected – it is the retailer who sends you the bill that asks PowerWater to disconnect a customer if they don't pay their bill.]
- At this stage, PowerWater is not proposing to change the reconnection fee – so its charges would be the same. What do you think of this?

31. Tariffs

- PowerWater is still developing its initial plan for the tariffs that could be charged to customers and they will get feedback on their planned changes in July this year. The broad principles they expect to apply to large customers include:
 - A likely reduction in the overall revenue collected by PowerWater due to increased efficiency;
 - Current step tariffs changed to simplified flat tariffs;
 - Customers charged to reflect their parts of the network they use (i.e. high voltage customers will only pay for the high voltage parts of the network); and
 - Incentives for large customers to use more of their electricity at low-demand times to reduce the overall demand on the network and the need to spend more on energy infrastructure (thereby keeping future costs down).
- What do you think of these broad principles?

Closing

2 mins

- 32. Just in closing, if there was one thing you would like to say or ask, or even advice you would like to give the Chief Executive of PowerWater regarding the way they consult customers or the community over the coming months, or issues it should really be focusing on, what would that be?

That's all of my questions. Thank you so much for your time today.

APPENDIX

DISCUSSION GUIDE CONT...

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That's all of my questions. Thank you so much for your time today.

DISCUSSION GUIDE

WORKSHEET

Thinking about Power and Water Corporation electricity network services overall, how would you rate it on each of the following?	Rating 0 = very poor to 10 = excellent
a. The quality of the relationship it has with you	
b. The overall reliability of the electricity supply service it delivers (this relates to the number of outages)	
c. Its communications and engagement with customers	
d. Its communications and engagement with key stakeholders	
e. Its relationship with Aboriginal and Torres Strait Islander communities	
f. Spending money on the right things	
g. The value for money it provides for electricity supply	
h. Its environmental performance	
i. Its leadership and management	
j. The expertise and capability of its people	
k. Its financial management	
l. Its contribution to the community in general	
m. Its customer service	
n. Its employment practices and conditions	
o. Its response times to fix interruptions or blackouts	
p. Being innovative and forward thinking	
q. Its openness and transparency	
r. Its approach to electricity disconnections clarify responsibility	

APPENDIX FACT SHEETS

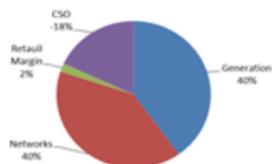


Fact Sheet F

POWER AND WATER CORPORATION

How are Electricity Prices Determined?

Electricity tariffs charged across the NT are made up of 4 different, but important components. The graph below demonstrates the approximate make-up of these components within the tariffs that are charged to customers.



CSO "Community Service Obligation" is a rebate provided by the Northern Territory Government to help reduce the cost of electricity that each customer pays. It reduces the maximum \$/KWh that a customer can be charged.

Generation covers the costs of producing the power.

Networks cover the costs of maintaining the Network (poles, wires, meters, new infrastructure etc.) to ensure that power reaches the customer. This is the focus of the Regulatory Proposal. Power Networks charges retail for the provision of these services.

Retail Margin is an approximate margin charged by most NT retailers.

The Need for Long Term Planning

Since the electricity distribution services Power Water provides are 'monopoly' services (i.e. customers have no choice as to who delivers electricity to their home or business), we are regulated by the Australian Energy Regulator and their role is to ensure that the prices we charge are appropriate.

Power Water is required to submit a regulatory proposal to the Australian Energy Regulator which outlines the tariffs we propose to charge customers from 2019 to 2024. The Australian Energy Regulator will consider this proposal and then determine how much revenue Power Water can recover through network tariffs to run an efficient business, maintain the network and provide the services that customers expect.

The Role of Customer & Stakeholder Engagement?

The Australian Energy Regulator expects Power Water to consult with its customers and other stakeholders to understand their expectations about electricity and get their input and feedback on initial ideas for future tariffs and services levels. This feedback will then be incorporated into the final proposal that is submitted to the Regulator.

The figure below shows how and when Power Water will be engaging with customers and stakeholders.



2

POWER AND WATER CORPORATION

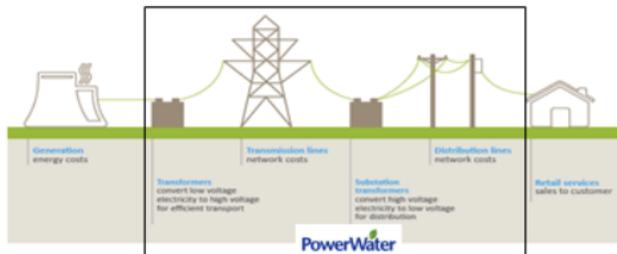
Who is Power and Water Corporation?

Power and Water Corporation (Power Water) is responsible for electricity transmission and distribution and it also provides water and sewerage services across the Northern Territory. Power Water's not-for-profit subsidiary, Indigenous Essential Services Pty Ltd (IES), supplies electricity generation and retail services to 72 remote communities.

Employing over 900 staff living and working in the NT, Power Water is one of the largest employers in the NT. Power Networks is the largest business unit in Power Water with 360 employees who plan, build and maintain a reliable electricity network that ensured that electricity from the generators reaches customers.

About the Electricity Supply Chain

The chart below shows the main components of the electricity supply chain and where PWC fits in.



- Electricity generators** like Territory Generation, are like a 'factory' for electricity. They produce electricity in bulk to meet the demand of the electricity grid;
- Network distributors** like Power Water are like the electricity 'delivery truck'. They transport electricity from the generation plants to homes and businesses. The distributor is responsible building and maintaining the local network of electricity poles and wires;
- Retailers** like Jacana are like the 'shop front' for the electricity supply chain. They purchase electricity in bulk from generators and turn it into a range of retail products to meet customers' needs.

Power Water's Role in Electricity Supply

Power Water owns and operates and maintains the transmission and distribution networks comprising poles, wires, substations and other electricity infrastructure. It responds to outages and ensures that customers have a reliable source of electricity. In total, we service around 80,000 customers across the Territory – the map at right shows our transmission (blue) and distribution (red) lines.



Last updated February 2017

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