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POWERLINK QUEENSLAND REVENUE PROPOSAL

APPENDIX 3.01

Articulous Communications
Powerlink AER Consumer Engagement Research

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Delivering better value



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Powerlink
AER Consumer Engagement Research

- Communication
- Community & Stakeholder Engagement
- Training

1. Executive Summary

As part of the research into Powerlink's AER Revenue Proposal, Articulous Communications has undertaken a study into consumer engagement of other members of the National Energy Market.

These findings are to be used to help guide Powerlink in their next stage of creating their consumer engagement methodology and will be used as background material for Powerlink's engagement workshop in December 2014.

2. Methodology of Research

- Desktop Research: investigating 24 organisations and publicly available data on consumer engagement programs in light of AER regulations.
- Reviewed more than 1,000 pages of materials in relation to the topic including 14 detailed consumer engagement strategies including but not limited to:
 - SA Power Networks Regulatory Proposal
 - Ergon Energy – Informing our plans, Our engagement program
 - Energex Customer Engagement Strategy and Ergon Energy's Independent review of said strategy
 - United Energy – Customer Engagement Strategy
 - Endeavour Energy
 - Transgrid
- Reviewed five AER papers including the CCP1 submission to the AER NSW DNSP Regulatory Proposals 2014-19; AER's Review of provider – Jemena Energy; and AER's review of consumer engagement approaches from all NSW and ACT providers
- Conducted four one-on-one interviews with fellow energy providers and industry bodies in Queensland, ACT and Victoria:
 - United Energy
 - Energex
 - Ergon
 - Energy Networks Australia (ENA)
- Table 4.3 provides a brief snapshot of the publicly available data relevant to this topic



3. Trends – what has worked and what hasn't?

3.1. Four-Staged Approach

Consumer engagement programs that have been more positively received by the AER, and indeed the consumer panel, have been conducted across four stages:

1. **Identifying and recruiting stakeholders** – clarity of methodology as to how stakeholders are discovered and the invitation to participation process is critical
2. **Initial consumer research** – a combination of face-to-face and online forums to mitigate the challenges of geographic and time constraints, ask what they are seeking; inform first draft of consumer engagement plans
3. **Customer review of first submission draft** – using a combination both face-to-face and online methods to capture those who may not be able to contribute in working hours
4. **Presentation of proposal and closure of feedback loop**, also develop ongoing consultative plans

3.2. Techniques Challenges

- **Engagement techniques matched to consumers:** engage on their terms, seek how they want to be engaged.
- **Engagement fatigue is very real:** similar consumer advocate groups are being asked to comment on both distribution and transmission businesses
- **Clarity on the consumers' involvement** in the process is needed
- **Purpose and Impact:** The impact of consumer engagement on energy companies' decisions needs to be more clearly defined.
- **Best practice in evaluation is not being obtained:** measurement needs to be set at frequent milestones and KPIs made publicly available
- **Stakeholder mapping processes** should be very clear and transparent to all stakeholders. E.g. what information has been sought, where and how?

3.3. What questions are energy market providers asking consumers?

- A trade off between any cost increases and investment in infrastructure
- Perceived perception of performance

- Consumer concerns and expectations in relation to engaging with the energy market
- Service areas including:
 - Safety
 - Capabilities to manage growth and meeting future consumer demands
 - Response to severe weather events e.g. storms and bushfires
 - Quality standards.

3.4. Expenditure and effort

- SA Power Networks – is viewed as the benchmark. Processes were managed by Deloitte and Second Road (engagement specialists)
- All positively reviewed processes to date have involved:
 - a combination of face-to-face and online forums to mitigate the challenges of geographic and time constraints
 - quantitative and qualitative data analysis
 - independent verification.
- Consulting firms have played a part – a common theme across consumer engagement programs that have been considered best practice is the appointment of engagement specialists and consulting firms. This has enabled independent assessment of methodology and data and the verification of findings.

3.5. AER Guidelines and Principles

Four best practice principles reflect the aims of the National Energy Laws. The principles are drawn from the Stakeholder Engagement Standard (AA1000SES), Institute of Social and Ethical Accountability (2011) and the International Association of Public Participation. They overarch all aspects of consumer engagement, so service providers should use the following principles in undertaking each component of the guideline:

- Clear, accurate and timely communication
- Accessible and inclusive
- Transparent
- Measurable.

4. General Feedback

4.1 Interviews:

Further insights into consumer engagement trends were identified through four interviews. The key findings are as follows:

Industry

- Talking Power (SA Power Networks) is seen as the gold standard for both the AER and the consumer panel
- Issues are largely geographic to date – i.e. SA and Victoria bushfire risks, Queensland storms
- Feedback is very generic from consumer panels to date – i.e. The need to have better methodology for identifying stakeholders, but how does that manifest itself for distribution or transmission networks
- Challenge with language and understanding
- Challenge with engagement fatigue – particularly with consumer advocate groups. Many providers asking very similar questions.

Energy Providers (three)

- Having the consumer engagement approach fit your business approach is proving challenging
- Stakeholder mapping is a challenge.
- We can talk to the major groups in the space but what about the local community? E.g. local councils
- Proved very challenging to garner interest from the public
- Media channels are critical to talk to the network – and the differences between metropolitan and regional/rural businesses needs to be taken into account. For instance there's a captive market in smaller towns
- Want to discuss minimum spend on the network to maintain reliability
- HR/resource expenditure is needed to improve information sharing
- Shopping centre kiosks were used to gather feedback.
- Willingness to pay research. It must stand up to a high level of scrutiny, particularly by the Consumer Challenge Panel.
- Any proposed links between network enhancement and a rise in consumer costs will be heavily scrutinised.
- Consider online engagement as a way to build quantitative data
- Customer Councils/working groups provide a much needed method for assessing activity on the move, helping to increase organisational engagement agility. Get them across the detail early and allow them to help test assertions.
- Example methodology: facilitated six focus groups, comprising 57 participants, two workshops, one with its consumer panel and another with its large and commercial consumers. The focus groups and workshops informed the design of the WTP survey. This enabled the questions that were included in the survey to address the range of issues that are important to consumers.



4.2 Consumer Panel Feedback (dated Oct 30, 2014)

The Panel identified a number of high-level themes that flow from consideration of consumer engagement activities by Network Business:

- Cost and price implications are not adequately being conveyed;
 - The methodologies of the majority of willingness to pay survey are inappropriate;
 - Measurement indicators are seriously lacking;
 - Inadequate attention is being paid to thorough stakeholder mapping and recruitment;
 - Network service providers (NSPs) are to be encouraged to work towards creating an environment for in depth discussions with consumers; and it is inappropriate for NSPs to claim increased revenues or continued high revenue
- address each of these in more detail below.

The Panel is based on the

An excerpt from a letter sent by the Consumer Challenge Panel to the AER is attached as an appendix to this document.



4.3 Table of Consumer Engagement Activity (desktop research)

Name	AER Consumer Engagement Activity	Methods Used
Energex	Energex carried out a series of engagement activities ranging from surveys to online submissions and public workshops, to gain an understanding of their customers' views and expectations in relation to key topics for their 2015-20 Regulatory Proposal. Utilises the IAP2 planning steps but adds an additional one to reflect internal requirements. Uses the IAP2 Spectrum	<ul style="list-style-type: none"> • Online submissions • Online and offline surveys • Public workshops
SA Power Networks	<p>Referred to by ENA as the gold standard in Consumer Engagement Talking Power encompassed three distinct stages. The 'Research' stage focused on 'listening'. Providing objective information to customers about the energy industry and network services helped with the identification of our customers' expectations and concerns as inputs into the development of possible services and investments for 2015–20.</p> <p>The 'Strategy' stage was designed to progress and integrate customer expectations and concerns identified in the Research stage into our planning for 2015–20. The outcomes of this integration in terms of potential investment and services were presented to customers for confirmation during 'Strategy' stage workshops.</p> <p>This stage also included two collaborative workshops to develop strategies related to the undergrounding of power lines and the clearance of vegetation around power lines. 'Willingness to Pay' research was used to test whether the community would support the strategies.</p> <p>The final activity of the 'Strategy' stage involved release and consultation on our 'Directions and Priorities 2015 to 2020' document in May 2014. (This document outlined their preliminary plans and proposals for 2015–20. It aimed to deliver clarity and transparency on their proposals of services for the future, and importantly regarding the prices customers can expect to pay for them.)</p>	<ul style="list-style-type: none"> • Online and offline surveys • Strategy stage workshops to review draft strategy • Two collaborative workshops related to undergrounding of powerlines and vegetation clearance • Face-to-face and online consultation around priorities documentation

Name	AER Consumer Engagement Activity	Methods Used
Endeavour Energy	<p>Undertook Qualitative and quantitative research to identify public awareness and perceptions, tradeoffs for a reduction in prices and desired levels of consumer involvement</p> <p>Engagement conducted over four phases</p> <ul style="list-style-type: none"> Phase 1: Customer research - summarising existing research, call centre and survey data Phase 2: Education – facts sheets, videos, online polls, Networks NSW integrated campaign – Facebook, YouTube and Twitter Phase 3 Consultation – workshops, MP meetings, stakeholder workshops, feedback tab on website Phase 4: Report – workshops, presentation to Customer Consultative Committee, consultation of retailers, revert back to stakeholders. 	<ul style="list-style-type: none"> Surveys Focus groups Social media campaigns Workshops MP Meetings Feedback capability on their website
Powercor	<ul style="list-style-type: none"> Has undertaken a comprehensive stakeholder engagement program to help better understand the concerns and preferences of our customers. More than 1,000 customers participated in its online survey. They also met with many customers through targeted focus groups and engagement forums held in Caroline Springs, Melbourne central business district, Geelong, Mildura, Warrnambool and Bendigo in May and June this year. Insights from customers, combined with Powercor's regulatory obligations, are helping to shape its directions and priorities for the 2016–2020 period. 	<p>More than 1,000 customers participated in its online survey. They also met with many customers through targeted focus groups and engagement forums</p>

Name	AER Consumer Engagement Activity	Methods Used
Actew AGL	<p>A key part of ActewAGL's engagement strategy has been understanding customer preferences in relation to striking the balance between cost and levels of service.</p> <p>ActewAGL has been at the forefront of 'willingness to pay' (WTP) research utilising world-leading authorities in the application of choice modelling techniques to gain a detailed understanding of these preferences.</p> <p>In 2003, ActewAGL commissioned a WTP study into residential and commercial customers' preferences in relation to electricity supply reliability, electricity supply quality and gas supply reliability.</p> <p>ActewAGL has subsequently been involved in further choice modelling work, undertaken by researchers at the Australian National University (ANU), assessing WTP for overhead-to-underground electricity network conversion and the value of supply reliability to domestic electricity and gas customers.</p> <p>The valuable information generated by these studies is increasingly being used in developing expenditure priorities and programs that deliver net benefits to customers.</p> <p>Periodic research of this nature will form part of ActewAGL's ongoing consumer engagement programme – an approach that has been recognised by the Australian Energy Market Commission. ActewAGL also commissions surveys on an annual basis that measure customer satisfaction with service, assess the extent to which customer expectations are being met, and provide an opportunity for feedback.</p>	<p>Customer satisfaction surveys</p> <p>Customer research</p>

Name	AER Consumer Engagement Activity	Methods Used
United Energy	<p>Submission due in April.</p> <p>Engagement Strategy has five elements.</p> <ol style="list-style-type: none"> 1. Identify & Understand Stakeholders 2. Consult & Communicate with Stakeholders Via a variety of channels, including: face-to-face meetings, workshops and focus groups, surveys, our website and social media. 3. We'll make information and feedback from our consultation and communication publicly available. 4. Consider Our Response We'll consider and assess how we can best respond to identified outcomes. And sometimes we'll seek validation of what we have earned through further analysis. 5. We'll explain the reasons for our decisions in documents that we publish on our website. 	<p>Face-to-face meetings</p> <p>Workshops</p> <p>Focus groups</p> <p>Surveys</p> <p>Website</p> <p>Social media</p>

Name	AER Consumer Engagement Activity	Methods Used
Jemena	<p>Jemena completed a re-design of its engagement process.</p> <p>In designing its engagement approach Jemena decided to engage:</p> <ul style="list-style-type: none"> • The JGN Customer Council, which comprises consumer and industry representatives of residential, small business and large industrial customers, as well as other stakeholders through a series of deliberative workshops, • Residential and small business customers through a series of deliberative forums held in both metropolitan and regional locations • Large industrial customers through one-on-one interviews • Retailers and other network users through forums and some one-on-one discussions • Other market participants and stakeholders including energy intermediaries, the AEMO, the AEMC, the AER, IPART and NSW Government through one-on-one discussions • The broader NSW community through the JGN website and other targeted channels, including distribution of pamphlets and other. 	<p>A series of deliberative workshops</p> <p>The JGN Customer Council</p> <p>A series of deliberative forums held in both metropolitan and regional locations</p> <p>Forums and some one-on-one discussions</p> <p>Other market participants and stakeholders including energy intermediaries, the AEMO, the AEMC, the AER, IPART and NSW Government through one-on-one discussions</p> <p>The broader NSW community through the JGN website and other targeted channels, including distribution of pamphlets and other</p>

Name	AER Consumer Engagement Activity	Methods Used
Ausgrid	<p>Facebook to inform consumers and provide a platform for views. Website to host regulatory documents relating to Transitional and Substantive submissions.</p> <p>Presentation to Ausgrid Customer Council on Ausgrid's approach to its Transitional Regulatory Proposal</p> <p>Presentation to Local Councils on pricing options and performance trade offs of LED street lighting</p> <p>Street lighting forums and working groups with local councils</p> <p>Stakeholder letters on key projects and actions.</p> <p>Research by third parties (including RMIT, Institute of Sustainable Futures) into customer pricing and tariffs and customer perceptions and behaviours.</p> <p>Qualitative research into customer views on Ausgrid operations and plans</p> <p>Consumer engagement included public forum for consumer and welfare group representatives, consumer engagement on major projects, and a Consumer Challenge Panel on Ausgrid TRP.</p> <p>Analysis of EWON data and reports, customer correspondence and direct community consultation on major projects to understand consumer and community views and preferences</p>	<p>Ausgrid Customer Council</p> <p>Consumer Challenge Panel</p> <p>Facebook ad online monitoring</p> <p>Website</p> <p>Forums (variety including public forums and stakeholder forums)</p> <p>Stakeholder letters</p> <p>Research using universities</p>

Name	AER Consumer Engagement Activity	Methods Used
TasNetworks	<p>Their consumer engagement strategy included large industrial customers and input from a wide cross- section of consumers who are connected to the distribution network. This approach provided useful insights to the optimal trade-off between price and reliability. In particular, consumers indicated that:</p> <ul style="list-style-type: none"> ▪ The risk of a less reliable service was not acceptable as a trade-off for lower prices. ▪ By the same token, an increase in reliability was also not supported if it came at a higher price. <p>TasNetworks concluded that their transmission revenue proposal took account of this feedback by focusing on delivering cost efficiencies that would not compromise existing service levels.</p> <p>“We will continue to strengthen our consumer engagement activities, to gain a more detailed understanding of consumers’ preferences regarding the trade-off between reliability and prices. We note, however, that it is unlikely that immediate savings in network costs could be achieved by reducing reliability standards as significant investments in long-life transmission and distribution assets have been made to meet current reliability standards. “</p> <p>Demand side engagement conducted by Aurora Energy in 2013 (which merged to form TasNetworks) involved:</p> <ul style="list-style-type: none"> - Consulting with people on its Demand Side Engagement Register (DSER) to determine if non-network alternatives were viable prior to investing in network augmentation projects over a capital cost of \$5 million - Options report on non-capital options circulated to DSER and on website. Three months to make submissions - Draft Project Assessment Report published which evaluates credible options and costs/benefits. Six weeks to make submissions - Final Project Assessment Report. Thirty days for submissions 	<p>Demand Side Engagement Register</p> <p>Other methods unclear / not detailed</p>

Transgrid	<p>TransGrid overhauled its engagement processes in 2014 after an independent review.</p> <p>Its new approach includes engaging on major projects from the early planning stage when Transgrid identifies a need to address an energy problem, the consideration of non-network alternatives, and a focus on deliberative forums. They now engage at 4 of the 5 levels on the IAP2 spectrum (inform, consult, involve and collaborate) across various projects. Engage on issues including:</p> <ul style="list-style-type: none"> - 5-year business plan - revenue proposal - Major projects (including transmission lines, substations and cable works) <p>Processes introduced since a 2013 review of their engagement include:</p> <ul style="list-style-type: none"> - Internal stakeholder steering committee - Consumer advocates - Roundtables with large energy users, consumer reps and “thought leaders” for feedback on 5-year business plan and revenue proposal - Website - Independent stakeholder research to continually refine their strategies 	<p>Regional engagement forums</p> <p>Demand Management engagement including Innovation Forum on non-network alternatives, engagement on five options</p> <p>Online surveys</p> <p>Deliberative forums with users</p> <p>Focus groups</p> <p>Consumer advocacy workshops</p> <p>Large energy roundtables</p>
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Appendix

Excerpt of letter from Consumer Challenge Panel to AER

1. Cost and price implications are not adequately being conveyed

During consumer engagement activities, there is generally inadequate provision of information about cost and price implications of the preferences that consumers express. Consumers need to be provided with information about cost and price implications of any preferences, options for expenditure and be able to provide preferences based on different options. On the few occasions where cost and price implications have been disclosed, this has almost always not been at the level of options within a proposal. The granular level of a proposal needs to be considered by consumers in sufficient detail so that the elements of investment decisions are subject to rigorous consumer scrutiny.

2. The methodologies of the majority of willingness to pay surveys are inappropriate

The Panel is extremely concerned about inappropriate willingness to pay (WTP) survey methodologies. For example, the underlying premise of some of the surveys is that network prices should increase by the addition of a number of “enhancements” to the services currently provided. In these cases, consumers are not able to consider the efficiency of the current services, whether costs should be reduced, whether the “enhancements” provide value for money or comparative network costs. In other cases, consumers are not being presented with surveys designed as choice experiments. Instead, they are presented with questions about how something is valued, without reference to the potential tradeoffs involved. As stated previously, the Panel believes that WTP information, in and of itself, is insufficient to support particular activities of network businesses.

3. Measurement indicators are seriously lacking

The Panel can find little evidence that businesses are measuring the success of their engagement beyond stakeholder feedback.

Key performance indicators (KPIs) provide a measurable and objective standard to track progress and implement change. They also enable benchmarking to measure current performance. It is essential for network services providers to embrace the use of KPIs for their consumer engagement, to enable assessment of what outcomes the business is achieving and what changes it needs to implement if positive outcomes are not occurring.

While the costs of consumer engagement have been reported, there is no evidence of any attempt being made to quantify its benefits through cost/benefit analysis.

4. Inadequate attention is being paid to thorough stakeholder mapping and recruitment

The Panel is concerned about how stakeholders are identified for engagement purposes. The evidence from NSP consumer engagement activities to date is that the identified stakeholders are not representative of the diversity of consumers using the networks. The different stakeholder engagement methods for different consumer cohorts also need to be thoroughly identified. Internationally, this is achieved through stakeholder mapping and auditing. Ideally, stakeholder identification would mirror international best practice and would involve comprehensive stakeholder mapping and auditing. The Panel believes the processes for identifying



stakeholders need to be made explicit by NSPs in their regulatory proposals.

5. NSPs are to be encouraged to work towards creating an environment for in depth discussions with consumers

The Panel is concerned that consumers are generally being provided with inadequate information on which to make assessments regarding the businesses regulatory proposals. The majority of consultations to date have focused on imparting information about what the businesses are doing rather than the substantive issues that would impact the reset processes.

The Panel believes that the NSPs consumer engagement processes need to work towards allowing in depth discussions with consumers. Consumer engagement must be a two way process, with adequate information and enough time provided to allow consumers to delve in to the detail of issues that impact the reset processes. Consumer capacity to engage in an in depth way during engagement processes also needs to be addressed. It is inappropriate for NSPs to claim increased revenues or continued high revenue allowances based on the current consumer engagement outcomes.

The Panel recommends that NSPs:

- Consider the extent to which consumers are provided information about cost and price implications of any preferences that consumers express;
- Reject the use of WTP information that is used, in and of itself, to support particular activities of network businesses;
- Critically assess the methodologies used in willingness to pay survey work;
- Encourage network businesses to develop consumer engagement KPIs;
- Consider the cost and benefits of consumer engagement activity in a given determination process;
- Seek information from NSPs regarding their processes for identifying stakeholders;
- Encourage NSPs to work towards allowing in depth discussions with consumers; and
- Reject claims by NSPs for increased revenues or continued high revenue allowances on the current consumer engagement outcomes.

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