2018-22
POWERLINK QUEENSLAND REVENUE PROPOSAL

APPENDIX 3.02

Australian Centre for Corporate Social Responsibility Customer and Consumer Perception Research Summary of Results

Delivering better value

Australian Centre for Corporate Social Responsibility

Powerlink Queensland
Customer and Consumer Perception Research
Summary of results
24 April 2015

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1.0 Executive summary

Understanding the views and perspectives of stakeholders is important to the way Powerlink operates and conducts its activities.

This report summarises the results of research into consumer and customer issues in the context of the electricity industry in Queensland. A key driver of this research is Powerlink's Stakeholder Engagement Framework, as well as Powerlink's desire to understand consumer and customer issues in advance of the revenue reset determination process. This process is consistent with the Australian Energy Regulator's (AER) engagement expectations.

Powerlink is updating its Customer and Consumer Engagement Action Plan, based on the insights of this report, which provides a rigorous and deep understanding of the key stakeholders and issues for the present and future of the electricity industry in Queensland.

Powerlink engaged the Australian Centre for Corporate Social Responsibility (ACCSR) to conduct this research. ACCSR interviewed 30 stakeholders nominated by Powerlink between February and March 2015. Participants represented a broad range of stakeholders, including Powerlink's customers, representatives of consumer organisations, government/regulators, and industry associations.

Key findings:

- The main consumer issue is high prices. Stakeholders think that government ownership and regulation contributes to escalating prices by setting parameters that encourage network investment at greater cost to consumers.
- Stakeholders say higher prices have contributed to falling demand as more consumers change their habits to reduce their energy use and costs.
- Stakeholders want more information about Powerlink's future network investments to inform their own strategic planning.

2.0 Stakeholder issues and concerns

Stakeholders shared their views on the most important issues facing the electricity industry and the transmission business in Queensland and what they want to know about Powerlink's future network plans.

2.1 General issues

When asked about their views on the electricity industry in Queensland, stakeholders identified 29 individual issues, grouped into eight themes as shown in Figure 1.

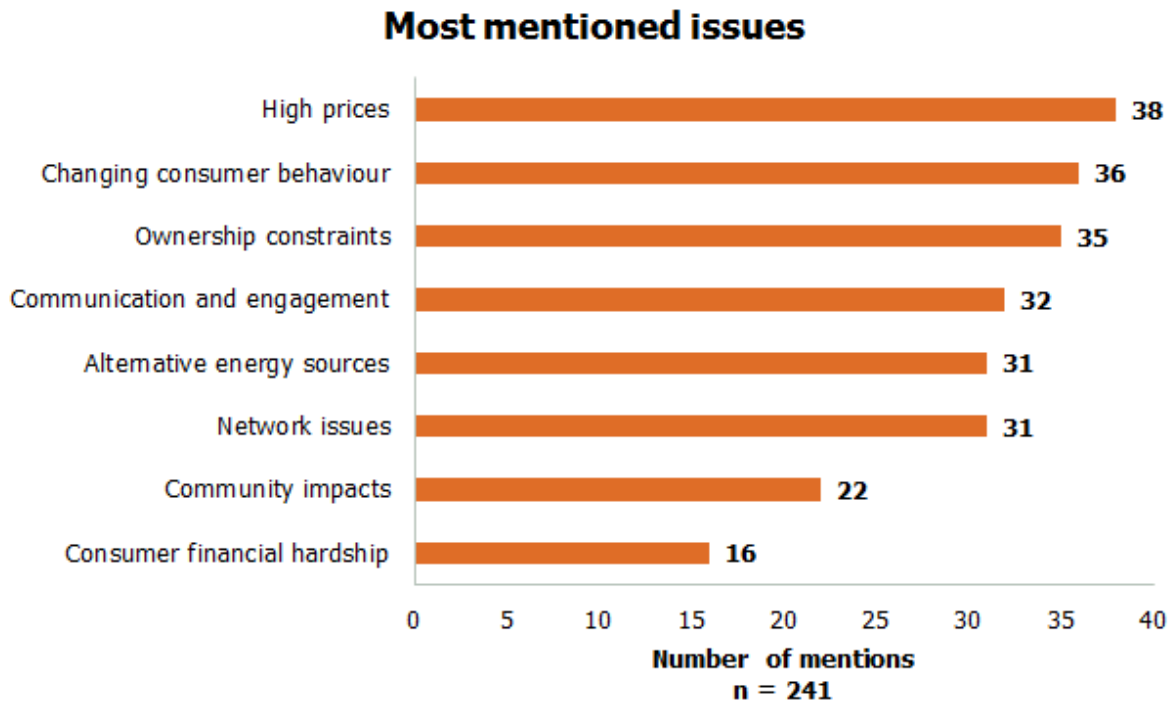

Figure 1: Most mentioned groups of issues

As Figure 1 shows, there are three main areas of interest for stakeholders regarding consumer issues:

1. High prices: stakeholders see this as the main consumer concern. Sub-issues include what stakeholders view as a flawed tariff structure, escalating price pressures, and the need to balance cost with investments in the network.

2. Changes in consumer behaviour: stakeholders see that, because of higher prices, more consumers choose to reduce their energy use and costs. Sub-issues include changing consumer preferences, falling demand, and the importance of meeting consumers' needs.

3. Ownership constraints: stakeholders say the ownership structure in Queensland contributes to escalating prices since network investment occurs at a great cost for consumers. Sub-issues include impacts on business viability, and reduced competition.

2.1.1. Links between general issues

Each of the issues in Figure 1 comprises a set of sub-issues that are connected to one another in the minds of stakeholders. The exploration of how issues connect, revealed two main clusters of ideas: one mainly made up of issues linked to regulation and government ownership and another one primarily related to escalating prices. These two clusters of issues are closely interrelated and suggest that stakeholders establish very strong links between the ownership constraints of the electricity industry in Queensland and its effects on price pressures for consumers.

2.2 Future plans

Participants also shared what they would like to know about how Powerlink plans for future network investment or reinvestment. Stakeholders identified 15 issues, grouped in four categories, as shown in Figure 2.

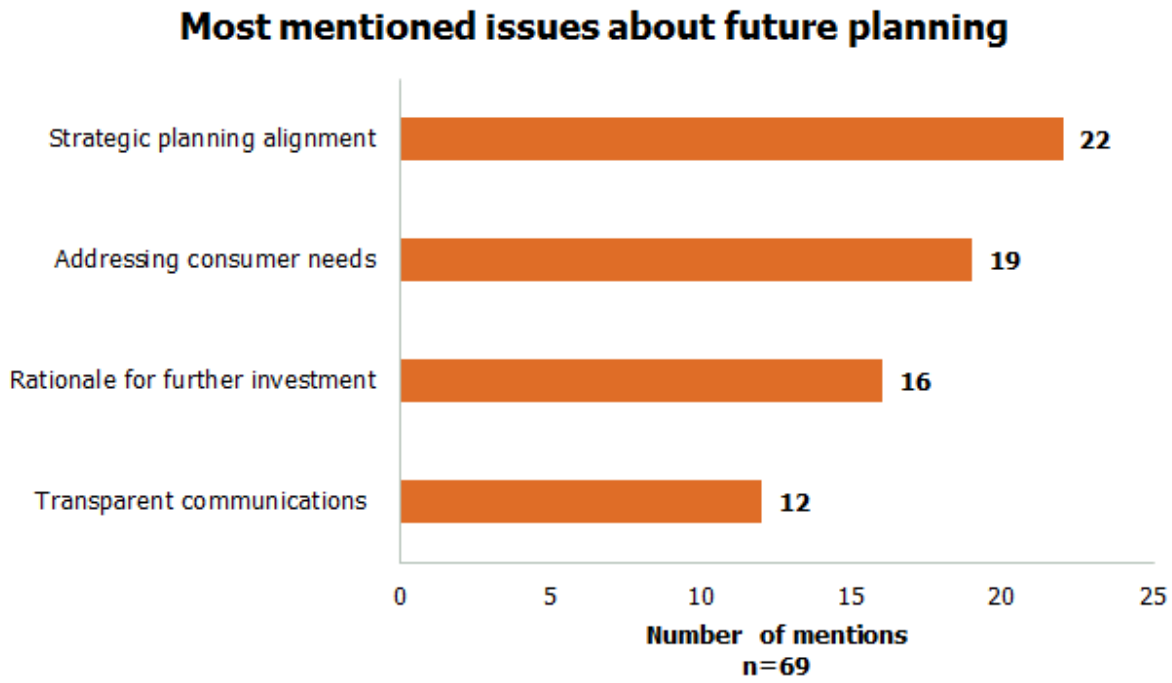

Figure 2: Most mentioned issues about future planning

The main theme for stakeholders is the strategic planning alignment for the future. Stakeholders are interested in learning how future changes in the network affect reliability, how decisions on long-term capital investment planning will occur, how Powerlink can work collaboratively with stakeholders in infrastructure planning and investment to achieve cost-effective outcomes for consumers, and greater market opportunities.

Addressing consumer needs is the second most important theme for stakeholders. Stakeholders want Powerlink to ensure that stakeholders are considered in future price/revenue setting (especially local communities, landholders, and vulnerable populations) and when considering the impact of new investments on power bills of end-user consumers.

Stakeholders also want to understand the rationale for further investment and how that can affect pricing. Respondents expect that decisions are underpinned and justified by clear information and evidence.

When thinking about the future, stakeholders want more dialogue with companies, specifically about key challenges such as household energy use, affordability, and financial hardship measures. Respondents emphasise the importance of the industry getting closer to the consumer, understanding their expectations and empowering them to understand how the electricity market works, the price setting process and how to cooperate on managing their energy use and electricity bills.

2.2.1. Links between issues related to future plans

We looked at how issues about future plans are connected and found that the single most important issue for stakeholders is to understand the business case for new investment, and it is strongly connected to two main groups of topics:

- First, a group of issues that links the business case for new investment to long-term capital investment planning and potential impacts on reliability, and whether future changes might lead to passing costs on to consumers.
- Second, a group of issues that suggests stakeholders want the rationale for investment to be based on evidence and match forecasts of demand changes and economic development.

3.0 Engagement preferences

Most stakeholders told us they would like to remain engaged, predominantly via face-to-face communications. As Figure 3 shows, workshops to develop options for addressing shared issues and regular one-on-one meetings with Powerlink personnel are the most preferred options, followed by direct email communication.

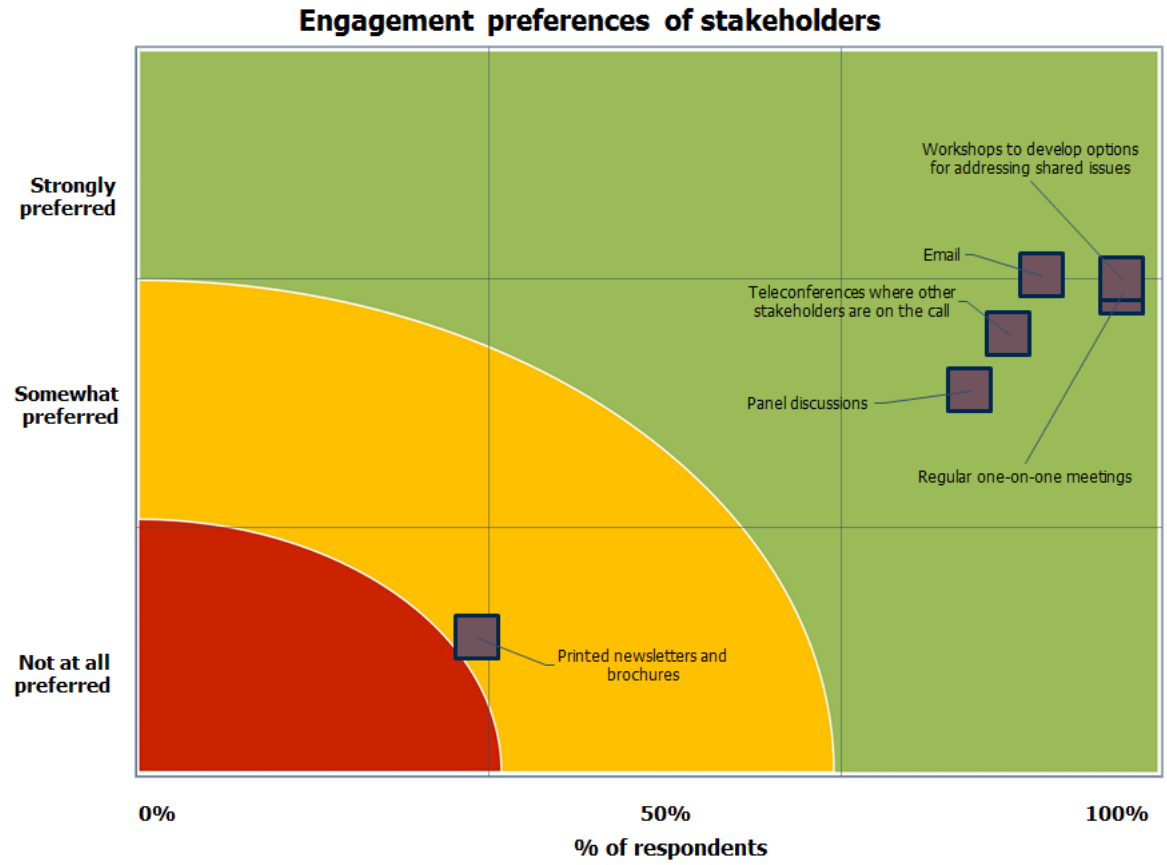

Figure 3: Preferred methods of engagement by stakeholders.

4.0 Powerlink response

Powerlink very much appreciates participants' input into this research. The findings from this research will help Powerlink in several ways, including:

- Inform the best way for engaging with customers and consumers
- Identify opportunities for improvement in future planning and communications with stakeholders
- Using the insights and feedback from the research as a key input into the continuous review of Powerlink's engagement approach
- Effectively identify and map consumers for future engagement processes.

5.0 Appendix

5.1 Methodology

This research involved in-depth interviews with key consumer stakeholders, including Powerlink's direct customers, consumer groups, industry peak bodies, and government/regulator representatives. Powerlink invited 30 stakeholders to participate in this research. Thirty stakeholders were interviewed in February and March 2015.

ACCSR interviewed key individuals from the stakeholder organisations. The interviewees were chosen on the basis that they could provide a good overview of their organisation's relationship with Powerlink.

Interviews ran for approximately 45 minutes and asked stakeholders about:

- Biggest issues important to stakeholders related to the electricity industry in Queensland in general, and the transmission business in particular
- The nature and importance of stakeholders' relationships with Powerlink
- Stakeholders' relationships with one another for context
- Stakeholders' preferences for future engagement.

The interviews combined open-ended questions as well as rating style items to obtain both qualitative and quantitative insights. Open-ended questions were thematically analysed to produce a list of issues, or topics, mentioned by stakeholders. These were then grouped thematically and the number of mentions of each topic were counted and displayed in graphical format.

We analysed both open-ended responses and rating-style items overall, and then grouped responses into stakeholder (self-selected) categories: consumers, customers, industry, government/regulators, and other stakeholders.

We used social network analysis to map relationships between stakeholders, relationships between issues, and relationships between issues and stakeholders.

5.2 List of general issues mentioned by stakeholders

Below there is a list of all the issues that stakeholders mentioned when discussing general aspects of the electricity industry in Queensland.

Theme	Issue	What did stakeholders say on this issue?
High prices	Flawed tariff structure	Productivity losses, current tariff structure which is volume-based is broken.
	Barriers for business	High prices as a barrier to business outcomes. Prohibitive costs and inability to manage high costs of production constrain business competitiveness and productivity, particularly for exporters. Policy uncertainty creates instability and an inability to plan ahead.
	Balance cost and maintenance	Underutilised assets, inflated asset base, tension between keeping costs down but investing in infrastructure maintenance. Need efficient pricing which means less capital expenditure.
	Escalating price pressures	Run up in cost over past five years puts pressure on energy users ad businesses in particular. Reduction in electricity demand and high asset charges. The need for price cuts and criticisms about the revenue determination process.
Ownership constraints	Regulation and government ownership	Government ownership gets passed onto consumers. Now that privatisation has been ruled out, find other ways to adopt more efficient delivery. Uncertainty about government energy policy, potential amalgamation and regulatory rulings about revenue.
	Business viability	How to be relevant in the new market and be considered as value added by customers. The industry at whole doesn't know what new model might be. Understanding customer willingness to pay.
	Reduced competition	Less competition as a result of monopoly structure. Recent government proposal to merge electricity businesses into a single transmission, generation and distribution entity.
	Adopt more customer-centric approach	Weak consumer facing business, need to develop customer relationship management approach, traditional utilities relationship has changed.
Alternative energy sources	Supporting renewables sector	Industry needs to support renewable, low-emissions energy sources, change network design to factor in distributed generation and new sources like wind, solar, battery storage.
	Adapt to disruptive technologies	Need to incorporate new technologies into the way Powerlink runs its business, changed the traditional utilities model of delivery and customer service.
	Less infrastructure required	New technologies are making current assets or the construction of new infrastructure redundant. Reducing the need for current network and distribution model.
	Innovation opportunities	Opportunities to capitalise on new technologies, use existing assets to develop new services.
Changing consumer behaviour	Meeting consumers' needs	Peak load is determined based on volume, not profile usage. Customers are not receiving information about how their energy profile does not impact prices, but standards dictate price.
	Falling demand	Demand has declined due to the lower cost of distributed generation, solar technologies, and the improving cost of performance of energy storage at a household scale. This makes it practical for households and small business to withdraw from the grid but poses problems for the electricity industry and its network planning and service delivery.

Theme	Issue	What did stakeholders say on this issue?
	Demand management measures	Use of demand management and demand response - where that is likely to be an efficient alternative to building more infrastructure.
	Changing consumer preferences	Push factors that mean customers are changing energy consumption behaviour. Offering customers solutions beyond what they used to provide, support the use of alternative technologies to give value added service.
Consumer financial hardship	Affordability assistance	Lack of consumer protections and assistance to those in need. Need to develop more supportive approach to customers in need.
	Access and affordability	Cost of living pressures, heightened public sensitivity to rising costs and affordability, barriers to accessing electricity, remote areas receive lower quality service, less infrastructure.
	Essential service	Electricity is an essential service but is being priced too high for some consumers. It should be affordable given that it is a critical service.
Network issues	Distributed generation	Generation located in south of the state, high cost structure given transmission lines that need to cover vast state geography. Inefficient network design. Need to change where transmission systems are located to accommodate different power sources, including renewables.
	Underutilised network	Inflated asset base, excess network capacity. There should be less infrastructure development as this drives up prices. Use existing network rather than build new assets.
	Reliability	Importance of reliability and its relationship with cost. Can be viewed as a trade-off between ensuring reliability and reducing network maintenance costs.
Communication and engagement	Lack of trust	Lack of direct relationship with utilities companies, particularly transmission business means there's no trust. Hostile attitudes towards electricity industry.
	Greater transparency	The need for greater transparency about pricing, demand modelling, data, analysis, forecasting and how the market functions.
	Relationship challenges	Negative comments about communication. No direct relationship, lack of responsiveness and engagement. Cultural legacy of not having direct relationship with consumers means the organisation lacks this capability.
	More stakeholder engagement	Engaging with community about price reduction and price setting, building greater understanding of the electricity market. Need to share information about demand modelling, customer forecasting, public policy implications and network developments. Potential to collaborate more closely with industry along the supply chain.
Community impacts	Education and capacity building	Lack of understanding on consumer side because the industry is too complex. Need to educate consumers about how the market works, the price setting process and how to manage and reduce household energy use.
	Community impacts of infrastructure	Consumer values related to cultural values, indigenous land in residential areas, effects on amenity and other non-direct effects not related specifically to electricity supply that should go through rigorous, genuine and meaningful consumer engagement.
	Explain impact on prices	Broader community do not understand how electricity prices are set and the impact of network costs on their bill. The need for clear, simple communication about how prices are set.

5.3 List of future planning issues mentioned by stakeholders

Below there is a list of all the issues that stakeholders mentioned when discussing aspects about the future planning of the electricity industry in Queensland.

Theme	Sub-issue	What did stakeholders say on this issue?
Addressing consumer needs	Impact on power bills	More information about how new investments can ultimately affect power bills of end-user consumers
	Cost of capital passed to consumers	Information about the cost of capital flowing to consumers and customers directly connected to the PQ network due to new investments, associated electricity charges. Reflects stakeholder anxiety around further price increases and desire to know more about how PQ plans to cut costs.
	Consideration of impacted stakeholders	Desire to know more about who would be impacted by price/revenue setting, and future investment decisions. Need to give due consideration to needs of consumers, as well as potentially affected communities and landholders, vulnerable populations, and the environment
Strategic planning alignment	Long-term capital investment planning	Knowledge of PQ's investment plans can assist stakeholders to assess the long term contribution they will be expected to make, to increase in network capacity, and associated financial implications
	Impacts on reliability	Comments about how changes occurring in the network enables clients to identify and plan for risks to the overall stability of the system, including the fact that modifications may have an impact on capital works at the site level to ensure compatibility.
	Efficiency through collaboration	Comments about how PQ can work collaboratively with stakeholders, in infrastructure planning and investment, to achieve cost effective outcomes for consumers.
	Greater market opportunities	Knowledge of new investments/network expansion, including expansion to other states, enables stakeholders to plan for business expansion with greater certainty about reliability of supply, and provide greater market opportunities.
	Network accessibility and growth	Potential growth opportunities for decentralised/off-grid generators and renewable energy generators, and how/where new links will be built to provide access to the network.
Rationale for further investment	Investment business case	Stakeholders want to understand the overall justification for further investment, including information, intelligence and experience used for decision making.
	Match investments and demand forecasts	Need to know more information about how demand growth and economic development have been considered in decisions to invest or not invest in the network.
	Alternatives to new investment	Rather than investing in new infrastructure, maximise the efficiency and utilisation level of the network, consider other options, use the network smarter and limit investment.
Transparent communications	Simple communication	The need to present clear and easy-to-understand (less technical) information to stakeholders
	Greater transparency	Greater transparency around the revenues and price setting, investment planning and decisions, and cost of transmission in the overall bill.
	Positive comments about communication	Positive comments about how PQ already communicates well, provides necessary and timely information to stakeholders.
	More communication required	Need for informing about PQ's investment plans, in order to enable meaningful consultations with affected stakeholders (communities and landholders), as well as electricity consumers, including identifying where collaboration does not occur, and strengthening relationships with important stakeholders.