Attachment C.5

SAPN_The NTF Group Response to SACOSS

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SA Power Networks

C.5: NTF Response to SACOSS

Prepared for SA Power Networks

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Review Team

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1. INTRODUCTION

1.1   Background

The NTF Group ("NTF") has been engaged to prepare this response by SA Power Networks ("SAPN"). The context of this report is the Distribution Price Determination being conducted by the Australian Energy Regulator ("AER") in relation to SAPN's Revised Regulatory Proposal for the 2015-2020 period.

1.2   Scope of this response

The document sets out NTF's response to statements made by the South Australian Council of Social Service (SACOSS) regarding Willingness To Pay (WTP) research undertaken by NTF on behalf of SAPN.

In this document, page/para references are to page and paragraph numbers of a submission dated January 2015 by SACOSS entitled "SACOSS Submission to Australian Energy Regulator on SA Power Networks' 2015-2020 Regulatory Proposal".

1.3   Expertise

The NTF Group is a leading Insights and Analytics firm, with expertise in, and a specialist focus on, *inter alia, "*willingness to pay" research. NTF has been in operation for nearly 20 years, and its clients count amongst some of the largest, most influential and reputable corporations in the region.

The consultants undertaking this review have over 70 years of combined experience in market research survey and analysis techniques and their application.

Curriculum Vitae for the NTF project team are appended.

2.   SACOSS STATEMENTS

In its submission to the AER, SACOSS made statements and assertions regarding the WTP research, which are addressed in this document. Amongst the most unwarranted are:

1. SACOSS incorrectly asserted: "The use of online surveys skews the sample" (this related to sample composition)
2. SACOSS raised doubt about the legitimacy of "sample weighting" undertaken in the research
3. SACOSS has questioned the way in which costs were presented to respondents, stating it "is highly contestable and open to being considered misleading".

Most seriously, SACOSS associates the WTP study undertaken by NTF with "push polling".

3. NTF REVIEW OF SACOSS STATEMENTS

3.1 'The use of online surveys skews the sample'

Based on the survey composition, the assertion made by SACOSS is baseless and without foundation.

The following table shows the proportion of:

1. concession customers,
2. households receiving an annual income less than approximately $16,000 per annum, and
3. people aged 65 years and over,

amongst the sample to be within two percentage points of the actual population proportions.

	Survey	Population
Concession customer	28%	26%
Consumers aged 65+	21%	22%
HH income < $15.6pa*		8%
HH income < $16.4pa*	8%	

* Adjusting for non-response

Table 1 – NTF WTP Research: Sample comparison to ABS

As this table shows, even without weighting, the survey is not skewed in any material manner. While the survey composition demonstrates SACOSS' assertion is baseless, it is acknowledged that there is emerging a growing challenge for the market research industry in obtaining representative samples using only one method of respondent recruitment. While not all people have access to the Internet at their home, increasingly, nor do all households have access to a landline, and this pattern appears to be changing rapidly with a 13 percentage point decline in the proportion of households with fixed lines over the past four years.

	Dec 2009	Dec 2013
Fixed-line telephone	88%	75%
Mobile phone only	12%	25%
Mobile phone	85%	93%
Fixed-line telephone only	13%	7%

Table 2 – Household Telephony Patterns

These data have been widely reported:

[CCI Report](1) | [ACMA Publication](2) | [ACMA Report](3)

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[1] http://www.cci.edu.au/sites/default/files/shaukka/Older%20Australians%20and%20the%20Internet%20report%20FINAL.pdf

[2] http://www.acma.gov.au/theACMA/Library/Corporate-library/Corporate-publications/australians-hungry-for-everything-the-internet-has-to-offer

[3] http://www.acma.gov.au/theACMA/Library/researchacma/Research-reports/acma-research-and-publications-1

This is why, in line with industry best practice, NTF used a mixed-mode design which is a proper and accepted practice.

3.2 'Re-weighting of results'

On page 29, para 5 of the SACOSS submission, under the heading "Re-weighting of results" SACOSS states: "The selection of these weights is contestable."

The statement by SACOSS is false and misleading.

The practical effect of weighting the sample was to reduce the stated level of willingness to pay (WTP) reported, as it reduced the weighting applied to solar households (both concession and non-concession).

The 19% of 'core' hardship / concession customers referred to by SACOSS, as explained in NTF's report, are households receiving a government concession and who do have solar panels installed. The sample was weighted to reflect the fact that 26% of households in SA receive a government energy bill concession.

The rationale for weighting the sample was to ensure that the proportion of solar households in the survey reflected the actual population. As NTF described in the report, there was an over-representation of respondents in its sample from solar households. NTF presumes these respondents have a higher level of interest in the category, and therefore participated at higher levels in the research.

Regardless, NTF was required to correct for this over-representation, and did so through post weighting. The weighting of surveys to reflect known populations, particularly where any over-representation can affect the subject of interest (in NTF's case, willingness to pay) is common industry best practice.

Industry data[4] on solar penetration clearly shows pockets of high penetration amongst areas of high social disadvantage. NTF assumes SACOSS is well aware of this phenomenon. Therefore, to state that solar customers have greater financial resources and therefore greater willingness to pay is factually incorrect, and contrary to the stated findings of the research and a plethora of publically available data.

The table below lists the top 10 postcodes in relation to solar installation (collectively the average solar household penetration is 37%, compared with 28% for all other SA postcodes), all of which are in below average income areas.

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[4] http://www.recagents.asn.au/wp-content/uploads/2014/04/GET-Postcode-report-for-RAA-April-2014.pdf

	Postcode	Locality/area	Rooftop solar systems	Solar Hot Water (incl. ASHP)	Total solar installations	Total dwellings	Dwellings with Rooftop Solar + Solar Water	Postcode cf. state average income	Urban classification
SA									
1	5159	ABERFOYLE PARK area	3,928	709	4,637	12,856	36%	*Below average income*	Major urban - Capital City
2	5162	MORPHETT VALE area	3,968	593	4,561	14,111	32%	*Below average income*	Major urban - Capital City
3	5211	VICTOR HARBOUR area	2,881	1,271	4,152	8,917	47%	*Below average income*	Regional - Low
4	5108	SALSBURY area	3,347	655	4,002	15,397	26%	*Below average income*	Major urban - Capital City
5	5114	CAREY GULLY area	2,979	940	3,919	11,014	36%	*Below average income*	Major urban - Capital City
6	5158	HALLETT COVE area	3,179	469	3,648	9,177	40%	*Below average income*	Major urban - Capital City
7	5095	MAWSON LAKES area	1,733	1,755	3,488	7,559	46%	*Below average income*	Major urban - Capital City
8	5118	GAWLER area	2,063	971	3,034	7,381	41%	*Below average income*	Regional - High
9	5253	MURRAY BRIDGE area	2,042	631	2,673	7,983	33%	*Below average income*	Regional - High
10	5173	ALDINGA BEACH area	1,613	1,004	2,617	5,719	46%	*Below average income*	Regional - Low
		Total Top 10	27,733	8,998	36,731	100,114	37%		
		Total other	135,085	40,441	175,526	628,272	28%		
		Total SA	162,818	49,439	212,257	728,386	29%		

Table 3 - GET Postcode for RAA April 2014

Solar customers were defined as such regardless of their income or concession status, because their stated preferences resemble those of other solar households (by definition which receive higher incomes). Treating these respondents as 'solar' households rather than hardship households for the purpose of weighting reduced the reported levels of willingness to pay, but was the appropriate treatment in light of the survey insights.

In relation to Bushfire Risk Areas (BFRA), the only way to accurately flag a household as being in a BFRA is to capture their address. For example, there are postcodes classified as both BFRA and non-BFRA. We elected not to do this for reasons of time and respondent privacy, but note 73%[5] of the state can be defined as BFRA. SACOSS' point assumes consumers only make choices which benefit them financially, which this and other willingness to pay research demonstrates is an incorrect assumption.

3.3 Presentation of costs

On page 32, para 3 of its submission, SACOSS states "… the presentation of costs in the survey instrument is highly contestable and open to be considered misleading."

This statement by SACOSS is incorrect and misleading.

What was presented to respondents was exactly the financial impact of the choice NTF was asking respondents to make. It was explained to respondents that regardless of their decision, there would be a modest reduction in price. This was a true statement of the cost impact for consumers, and prices were couched as quarterly to correspond with quarterly bills. Respondents could choose to retain the savings in full, or pay for service improvement.

Presenting the actual costs and context in a completely transparent manner cannot in any view be considered misleading.

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[5] There are over 71,000 kilometres of overhead lines, and approximately 73% are located in BFRA/HBFRA (NB: based on proportion of kms at the time NTF conducted the WTP survey).

3.4 'Push polling'

On page 29, para 5 of its submission, SACOSS states: "…SACOSS has heard the WTP research described as "push polling"."

NTF rejects the association between its WTP research and "push polling". The statement made and description used by SACOSS is false.

Push polling is an inflammatory, pejorative term used to undermine legitimate research that has been designed and analysed with extreme care and professional diligence. The Concise Oxford English Dictionary (11th Ed) defines "push poll" as "ostensible opinion poll in which the true objective is to sway voters using loaded questions".

Wikipedia refers to "push poll" as: "In a push poll, large numbers of voters are contacted briefly (often less than 60 seconds), and little or no effort is made to collect and analyze response data".

NTF rejects absolutely the assertion that NTF engaged in "push polling" in the course of its technically sound "willingness to pay" research.

4. APPENDICES

Greg Taylor CV

Joan Nelson CV

Tony Corke CV

GREG TAYLOR - DIRECTOR

Greg Taylor has over eighteen years' experience in the design, implementation and analysis of both qualitative and quantitative research. He is a member of the AMSRS. Before co-founding The NTF Group with Joan Nelson in 1995, he was the General Manager of the Financial Market Research division of a national market research agency, with a team of researchers specializing in financial markets. He has particular expertise in the areas of customer segmentation, value proposition development, customer selection and targeting, database modelling and choice modelling and demand projections.

Greg has been involved in numerous econometric and discrete choice modelling studies for transformational studies in both infrastructure and services. His experience in quantitative research is essential for segmenting and sizing the market. He has implemented research in many organizations and has played a key part in organizational transformation.

Greg has been an Adjunct Professor of Boston University and has lectured at the Australian School of Government (ANZSOC) on the use of quantitative methods in government policy development as related to decision making under uncertainty.

Over the past years he has managed assignments in Australia, China, New Zealand, the United Kingdom, and the United States for major Australian and multinational clients.

Major projects for which he has conducted research include:

- Customer satisfaction modelling for Telstra
- Customer segmentation and organizational transformation for Australia Post
- Customer satisfaction modelling for Suncorp
- Analysis of customer data and customer segmentation for Department of Human Services
- Demand projections for transport and housing in Shanghai
- Regulatory pricing: Willingness to pay for new water infrastructure, Yarra Valley Water (2 re-sets)
- Regulatory pricing: Willingness to pay for electricity infrastructure, Citipower
- Regulatory pricing: Willingness to pay for electricity infrastructure, SAPN

Greg has been involved in numerous econometric and discrete choice modelling studies for both infrastructure and services. His experience in quantitative research is essential for segmenting and sizing the market.

He has developed expertise in online quantitative research, particularly in the area of choice modeling, using NTF's own software.

In recent years he has become a regular speaker at 'Big Data' conferences and has taught groups at the AGSM the fundamentals of dealing with large data sets.

JOAN NELSON – DIRECTOR

Joan Nelson is a highly experienced qualitative researcher, member of the MRSA, and the American association of qualitative research consultants, QRCA. She was previously NSW General Manager of a national research company and was responsible for introducing choice modelling to the Group. She has special interests in social policy research, infrastructure, and the use of choice modelling techniques in a social context.

Major infrastructure projects for which she has conducted qualitative research include:

- Sustainable Sydney: Community Attitudes to sustainable transport and planning in Sydney
- Friends of Sydney: community attitudes to public transport
- Bishop Austrans: Evaluation of attitudes to new ultra light transport
- Demand for accessible transport – people with various disabilities
- Women's transport needs – multi-trip transport
- Transport for Greater Sydney: Attitudes amongst transport decision-makers to what the public wants of public transport, compared to what the public wants
- Personal Public Transport – Perth; Gold Coast
- Queensland Rail: freight customer attitudes
- Attitudes to transport and housing needs in Shanghai
- Feasibility study for VFT (South Coast route – Sydney to Melbourne 1990)
- Willingness to pay for new water infrastructure – Victoria and South Australia
- Willingness to pay for new electricity infrastructure - Victoria

Joan has been involved in numerous demand projection studies for infrastructure, new services and new products. Her experience in qualitative research is essential for these quantitative studies as her work assists in segmenting the market and defines the attributes on which customer decisions are based.

TONY CORKE – HEAD OF MODELLING & ANALYTICS

Tony Corke is responsible for a team of experienced, in-house analysts and for sourcing and managing suppliers of world-class modelling services from a range of prestigious institutions.

His experience managing the analysis for large and complex projects in eHealth, e-commerce, banking and finance sectors well qualifies him for analysing the data across a wide range of client organisations. He has developed customised algorithms for numerous clients to append on their own internal databases and provide predictive selection of data for internal use. He believes strongly in knowledge transfer and is a valued member of Analyst First, an organisation that works closely with a number of government departments to support higher level analytics within those organisations.

Tony's impressive work history has helped him gain expertise in information architecture and management, data warehousing, customer relationship management, as well as data-driven and internet marketing. Previous roles have included Vice President Information, for a US internet startup company, Chief Manager, Information Management for one of Australia's 4 major banks, and Programme Director, Group Information Programme also for a major Australian bank.

Modelling and analysis projects include:

- Customer segmentation and profiling for Department of Human Services

- Customer demand modelling for electricity infrastructure

- Willingness to pay for electricity infrastructure (SAPN 2015 re-set)

- Modelling ROI of Wireless infrastructure in a major hospital in NSW

- Analysis of benefits of a Radiology information Service in hospitals in Queensland

- Willingness to pay for water infrastructure in Victoria and South Australia

- Willingness to pay for electricity infrastructure for Victoria

- Modelling environmental attitudes for a large project on sustainability in Victoria

In addition to these projects, Tony has been head of analytics for a range of studies where his background in econometrics, and as a former CIO of a major Australian bank has been invaluable.