Attachment 17.3

The NTF Group:
Service-Price Research Findings

October 2014

Service-Price Research Findings

23rd of October 2014

Background

- Currently, SA Power Networks are developing a proposal to the AER for the 2015 – 2020 regulatory control period.
- There has been a significant amount of consumer feedback on reliability and customer sentiment around the increasing cost of electricity.
- The NTF Group were therefore commissioned to conduct research to obtain valuable insights on supply reliability and price related issues and to explore price / supply reliability trade-offs.

Methodology

FOCUS GROUPS

- Focus groups were held in Adelaide and Port Augusta (13th and 14th August 2014) to explore the trade-off customers may make between price and reliability to provide insights prior to designing a quantitative survey; to find the words and phrases that customers use to describe satisfaction with their distribution company and to understand how they define 'reliability.'

Focus Group 1:

- Respondents living in different suburbs around the Adelaide metropolitan area. There were 4 men, 4 women and included both single and married; ages ranged from late twenties to early sixties, with representatives of each decade; range of income and amount of bill.

Focus Group 2:

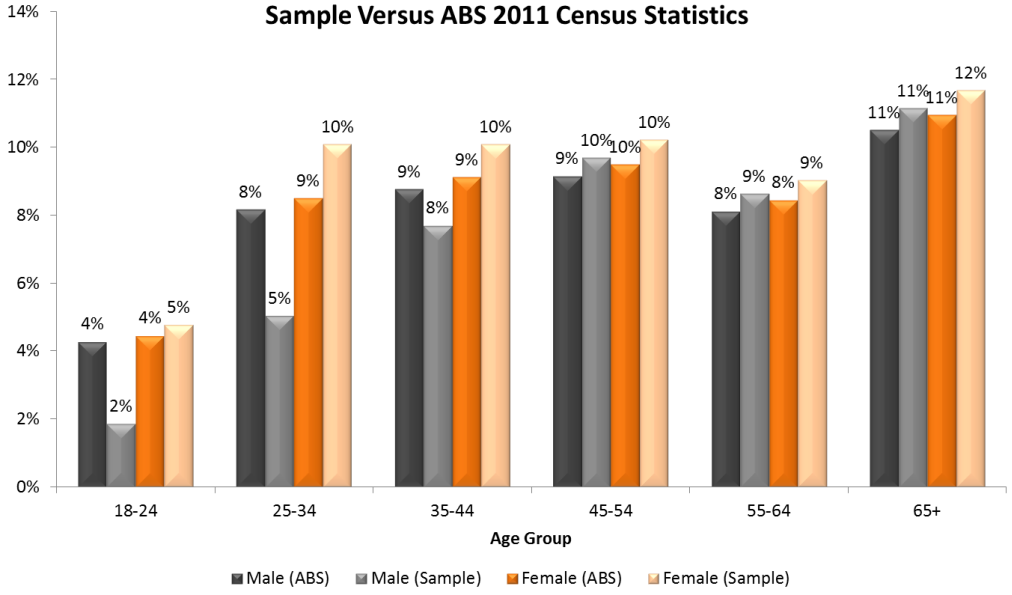
- Respondents lived in and around Port Augusta. There were 4 men, 3 women and included both single and married; ages ranged from late twenties to early sixties, with representatives of each decade; range of income and amount of bill.

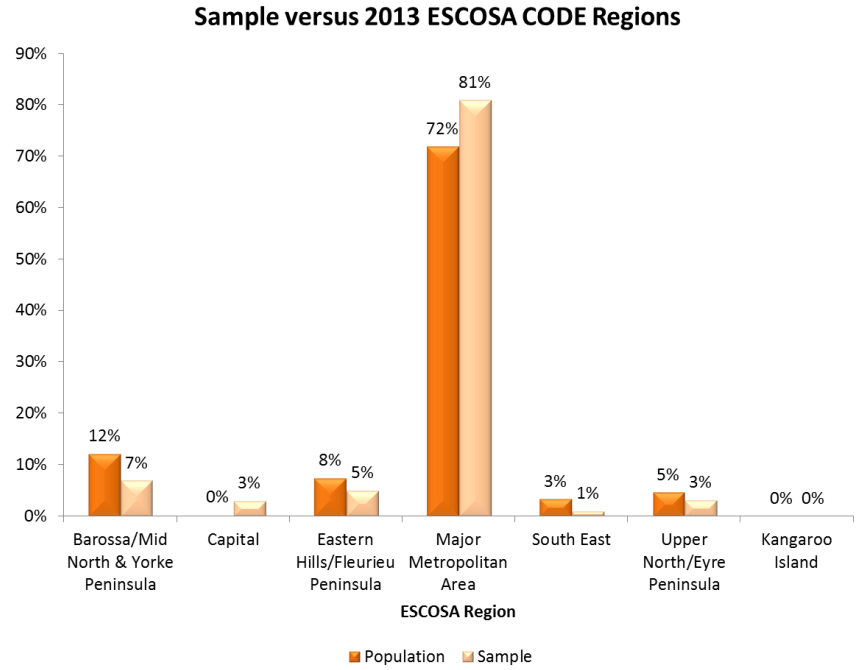
ONLINE SURVEY

- An online survey was conducted to obtain metrics to understand the price/supply reliability trade-off and effects that supply satisfaction, customer experience and demographics might have on this trade-off.
- Fieldwork commenced on the 29th of August and was completed on the 8th of September.

Online Survey Sample

- A total of 753 South Australian residents completed the survey.
- Respondents were sourced from a reputable online panel provider, and age/gender quotas were set to obtain a representative sample of South Australia.



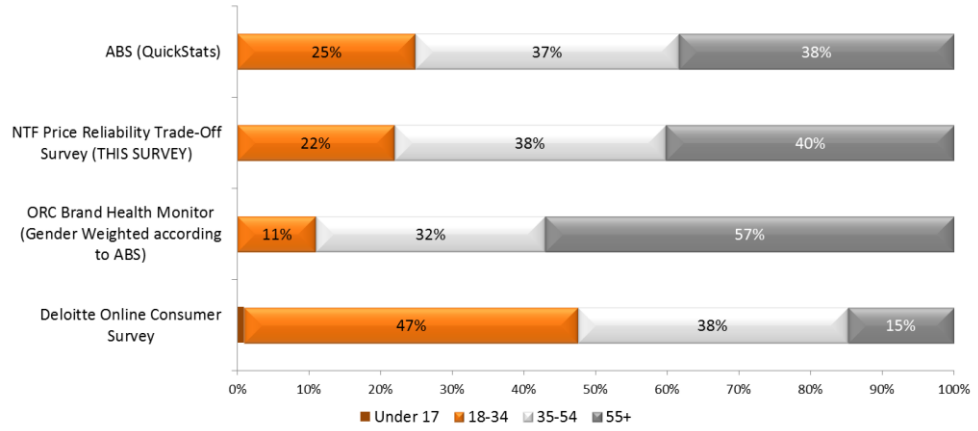


- A 9% skew towards major metropolitan areas was tested and did not have any material difference to the results of this survey. 10 respondents postcodes were not able to be identified due to input errors. Major Metropolitan areas include Mount Barker, Mount Gambier, Port Augusta, Port Lincoln and Whyalla.
- The raw sample had 37% of respondents receiving a state government energy concession on their electricity bill, 10 percentage points more than the population. The data was weighted by concession status according to the concession figure in the ESCOSA, Annual Performance Report 2011/12: 193,000 recipients (27% of the residential customer base). At this time, the 2012/13 concession figure is not publicly available.

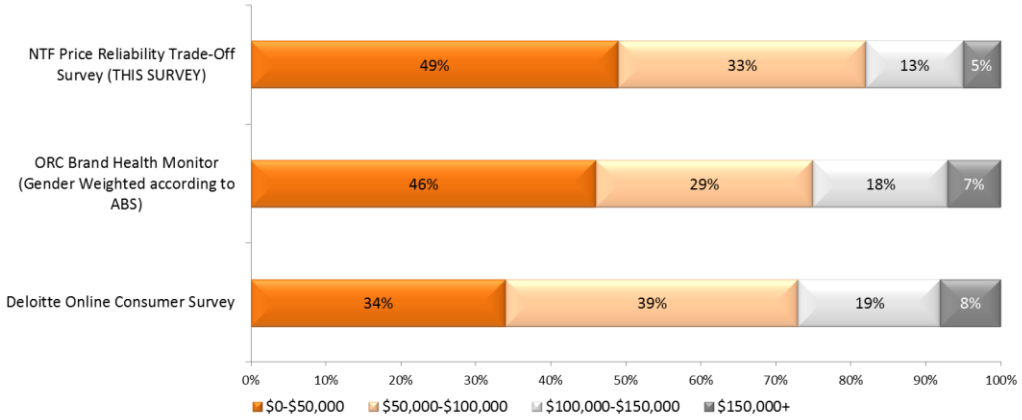
Referenced Research Material

- Throughout this presentation, there are comparisons to the ORC Brand Health Monitor conducted in June 2014, and Deloitte's Online Consumer Survey conducted in May-June 2013 where similar questions were asked of respondents. It is important to note key sample differences between these different research studies.
- NTF's Willingness to Pay (WTP) research has not been included in these comparisons due to different demographic groupings but was representative of the South Australian population.

Age Breakdown of Sample



Household Income Breakdown of Sample



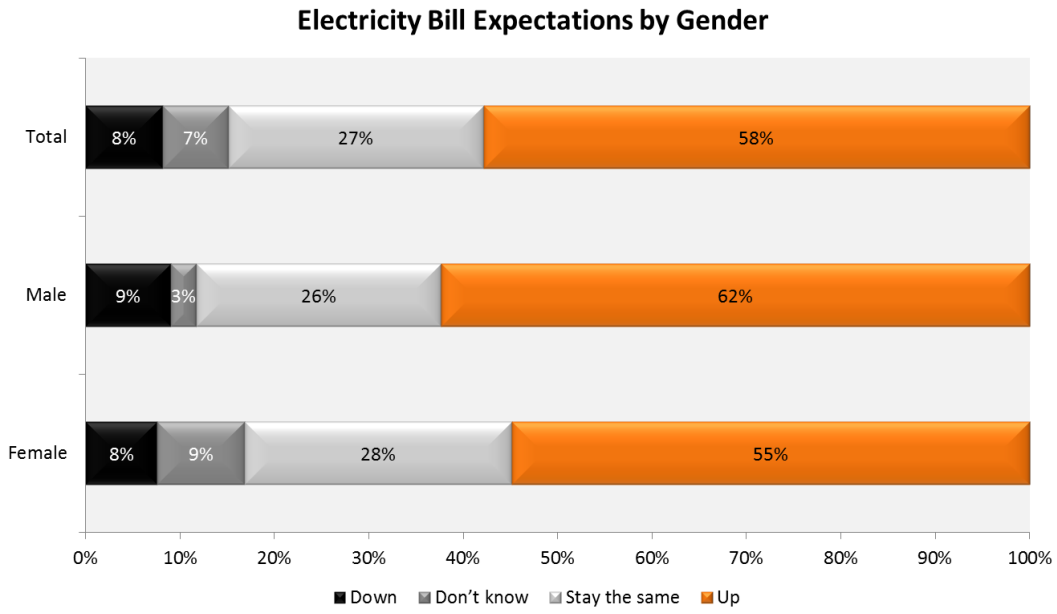
PRICE EXPECTATIONS

Price Expectations

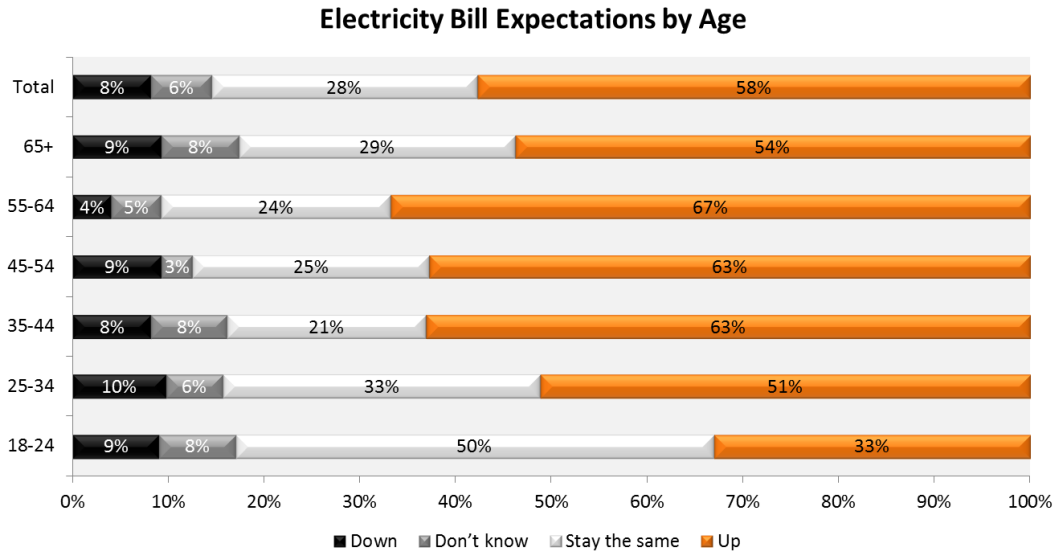
- Respondents were asked whether they expected their total electricity bill to go up, down, or to stay about the same over the next year.
- 58% of South Australians expect their total electricity bill to go **up** over the next year which is 22 percentage points lower than the Brand Health Monitor results from June 2014. This significant change may be attributable to the announcement of the carbon tax repeal in July 2014.
- 8% of South Australians expect their total electricity bill to go **down** over the next year, which is 2 percentage points higher than the Brand Health Monitor results from June 2014.

Expectation	% of respondents	Median Change		Average Change		Average Change (**Trimmed:** computed after deleting the lowest 5% and highest 5% of values)	
		$ (quarterly bill)	% (per year)	$ (quarterly bill)	% (per year)	$ (quarterly bill)	% (per year)
Go up	**58%**	**$60**	**10%**	**$116**	**16%**	**$93**	**12%**
Go down	**8%**	**$50**	**7%**	**$149**	**17%**	**$104**	**13%**
Stay the same	**27%**	N/A	N/A	N/A	N/A	N/A	N/A
Don't know	**7%**	N/A	N/A	N/A	N/A	N/A	N/A

Price Expectations by Gender and Age



- Males and females are just as likely to expect their total electricity bill to go up, stay the same or go down over the next year.

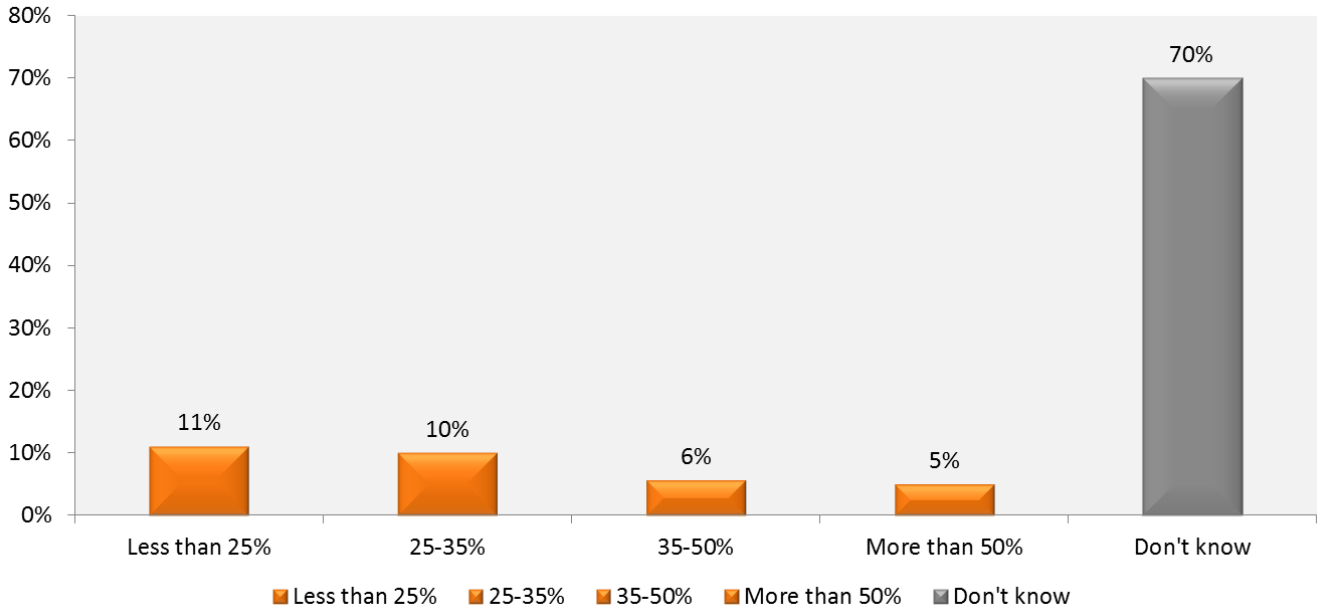


- Residents aged 18-24 are less likely to expect their electricity bill to go up over the next year.

Proportion of Bill that goes to SA Power Networks

- 70% of respondents indicated that they did not know what proportion of their total electricity bill went to SA Power Networks, compared to 85% in the ORC Brand Health Monitor.
- The focus groups revealed that customers do not understand or realise there are different components of an electricity bill. Participants were given a pie chart with the breakdown of their bill:
  - *"I don't know what they mean – what's distribution, what's transmission, what's PV FiT?"*
  - *"I don't look at it because I don't have a say in it".*
  - *"You pay your bill to AGL and that's all you know."*

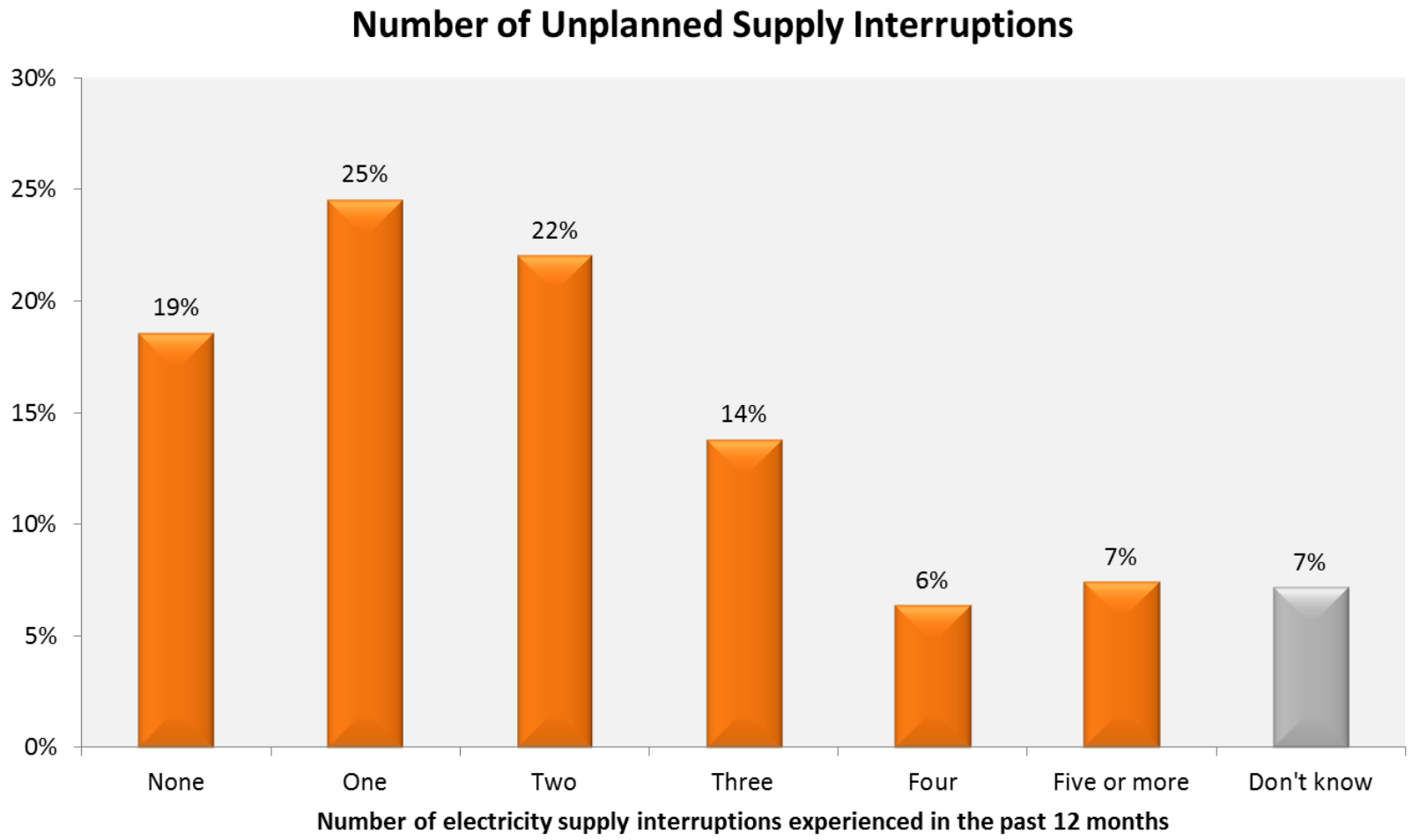
Approximately, what proportion of your total electricity bill goes to SA Power Networks, the operator of the electricity distribution network (i.e. the poles and wires) in South Australia?



CUSTOMER EXPERIENCE

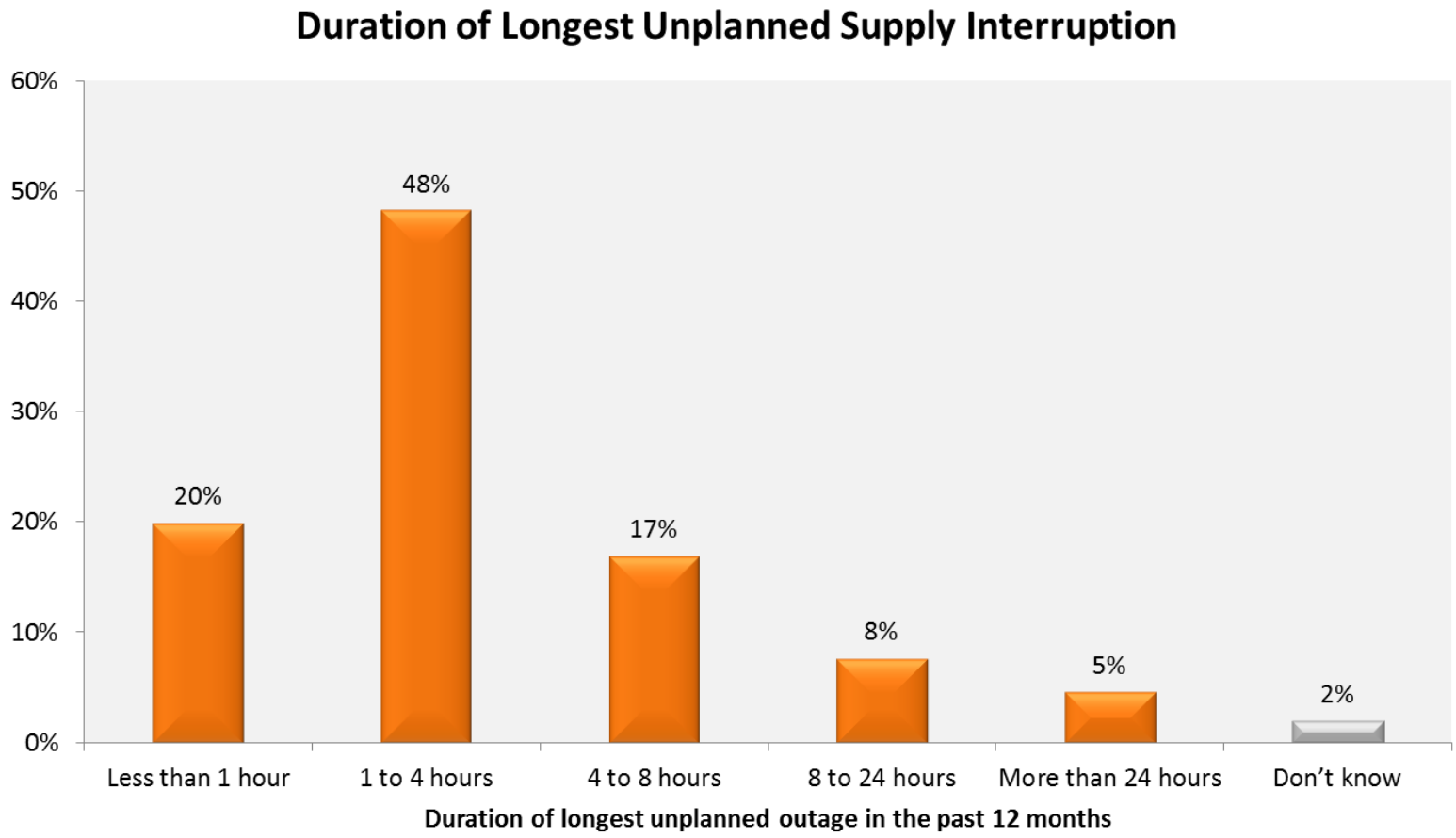
Number of Unplanned Supply Interruptions

- 19% of respondents had not experienced an unplanned supply interruption in the past 12 months, which is consistent with NTF's WTP research (17%).
- 27% of respondents had experienced three or more unplanned supply outages which again is consistent with the WTP research (29%).



Longest Unplanned Supply Interruption

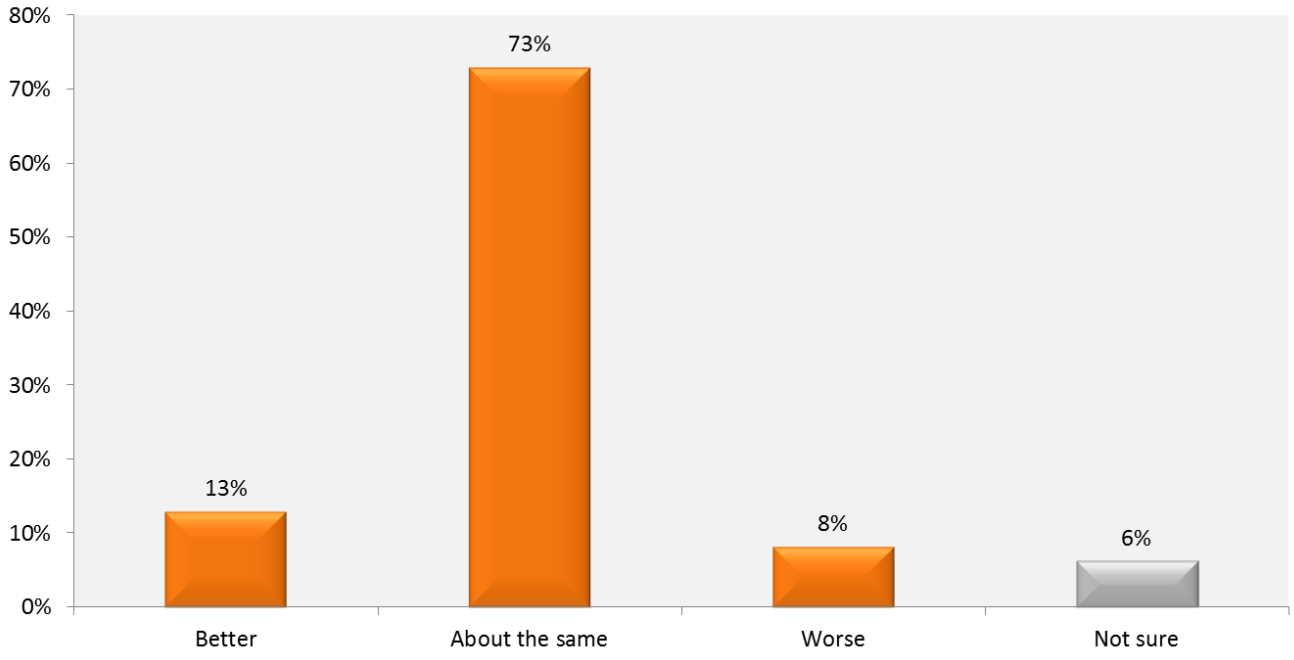
- Just under half of the respondents indicated that their longest unplanned supply outage in the past 12 months was 1 to 4 hours in duration.



Historical Supply Reliability

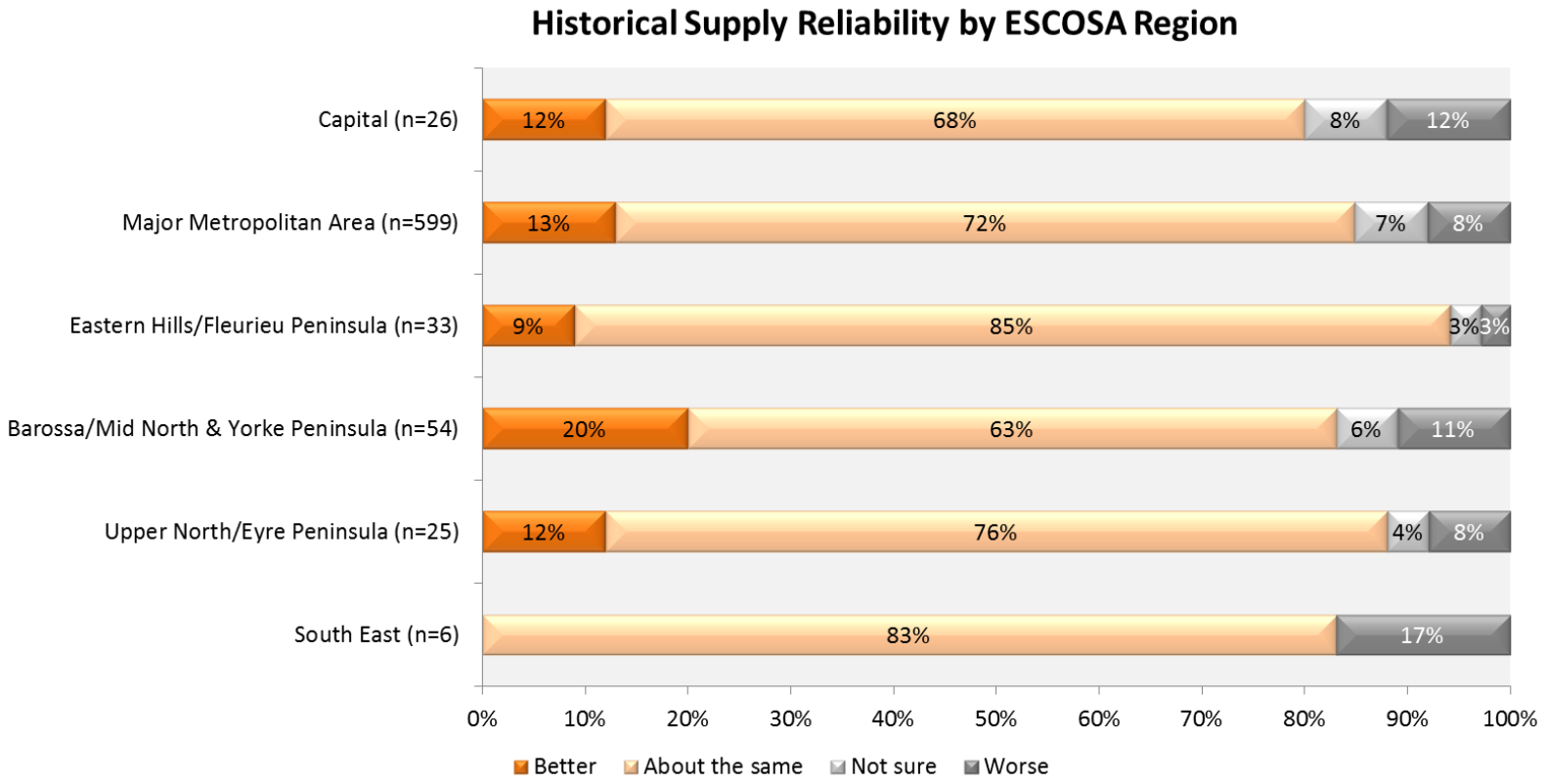
- 73% of respondents thought that the reliability of their electricity supply was 'about the same' as the past 12 months. This is 15 percentage points higher than the WTP research.
- In the WTP research, 33% of respondents thought the reliability of supply was better than the previous 12 months compared to only 13% in this research.
- A few participants in the focus groups said they had experienced improvement in their supply reliability compared to previous years, but generally they were referring to a longer time frame than 12 months:
  - *"I think it's really improved out of sight. Three or four years ago there was a change."*
  - *"It doesn't seem to be going off as much anymore."*

Over the past 12 months, has the reliability of your electricity supply become better, worse or has it stayed about the same?



Historical Supply Reliability by ESCOSA Region

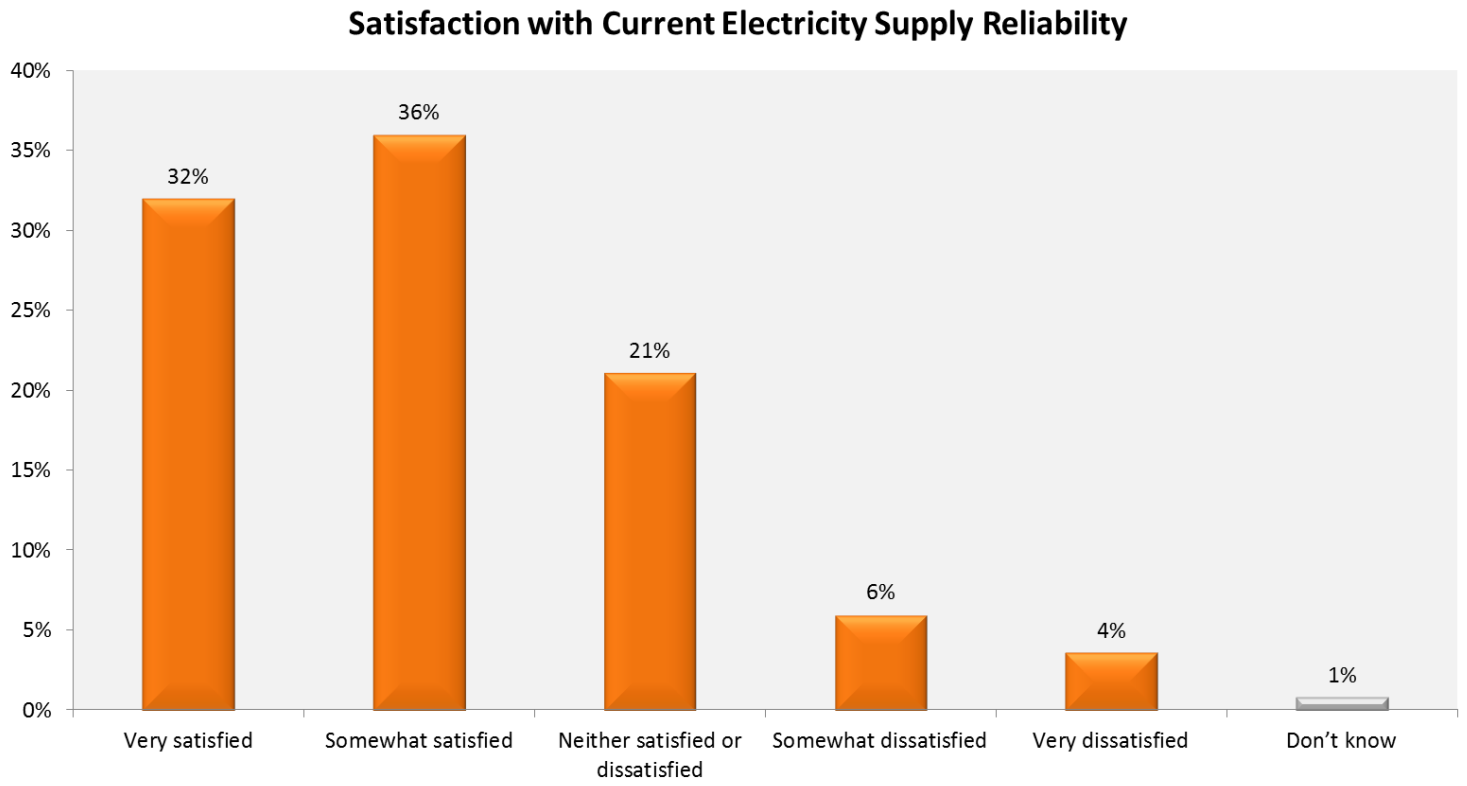
- It appears that the Barossa/Mid North and Yorke Peninsula respondents were more likely to say that their electricity supply reliability was better over the past 12 months, however, this was not proven to be statistically significant.
- In fact, these results did not show any statistical significance.
- Major Metropolitan areas include Mount Barker, Mount Gambier, Port Augusta, Port Lincoln and Whyalla.
- The sample size for the South East region is not statistically reliable.



SATISFACTION WITH SUPPLY RELIABILITY BY CUSTOMER EXPERIENCE

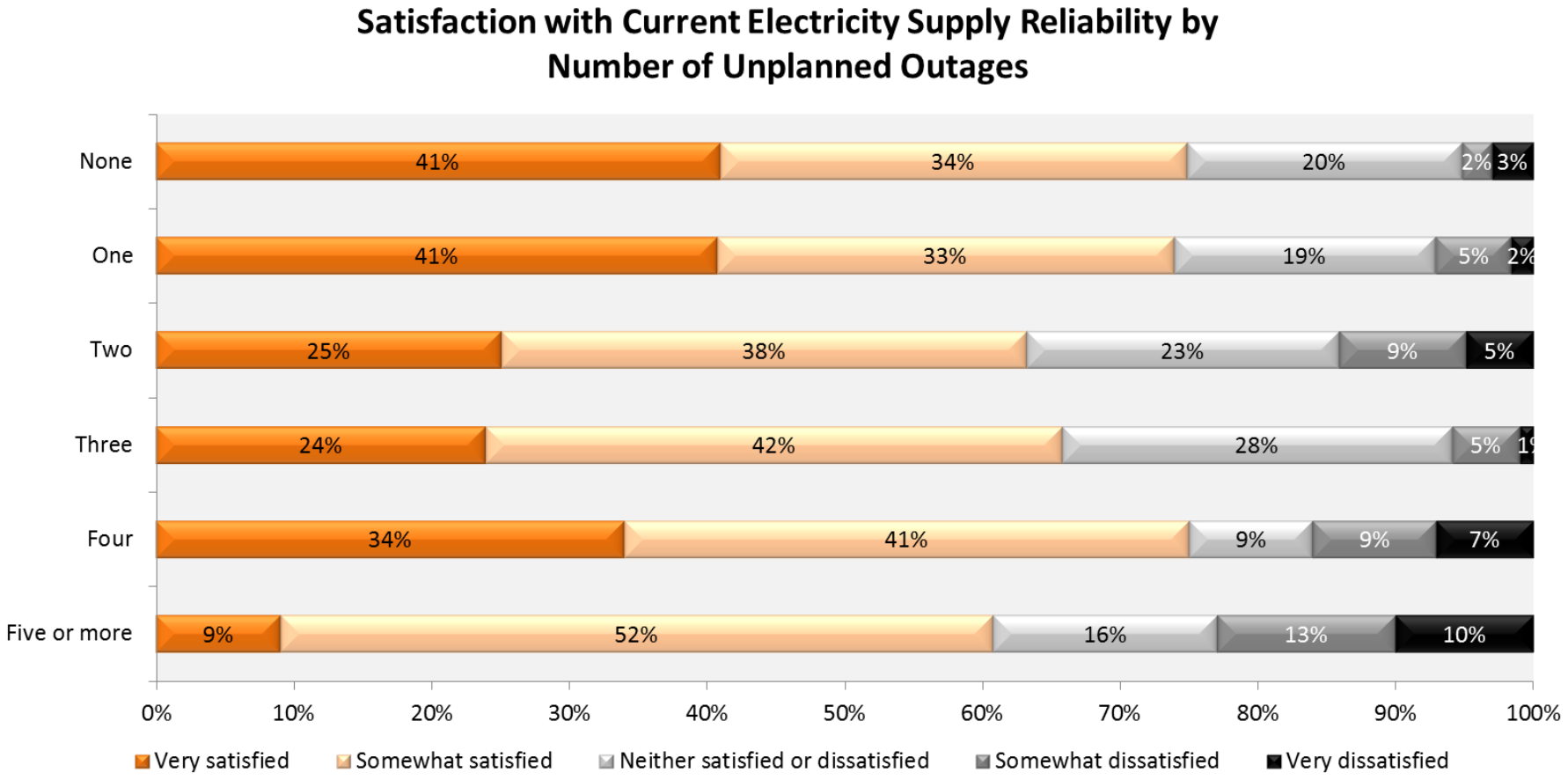
Satisfaction with Current Supply Reliability

- 68% of respondents were either very satisfied or satisfied with their current electricity supply which is 20 percentage points lower than the Deloitte's Stage One Online Consumer Survey.
- However, there was only 6 percentage point increase in dissatisfaction, illustrating a significant shift from being satisfied to neither satisfied nor dissatisfied. The proportion of respondents with a neutral view shifted from 7% to 21% between the two studies.
- Focus group participants suggested that they were generally satisfied. They thought that maintenance must be at a fairly good level as they did not have many outages and, if they did, these were fixed very quickly.



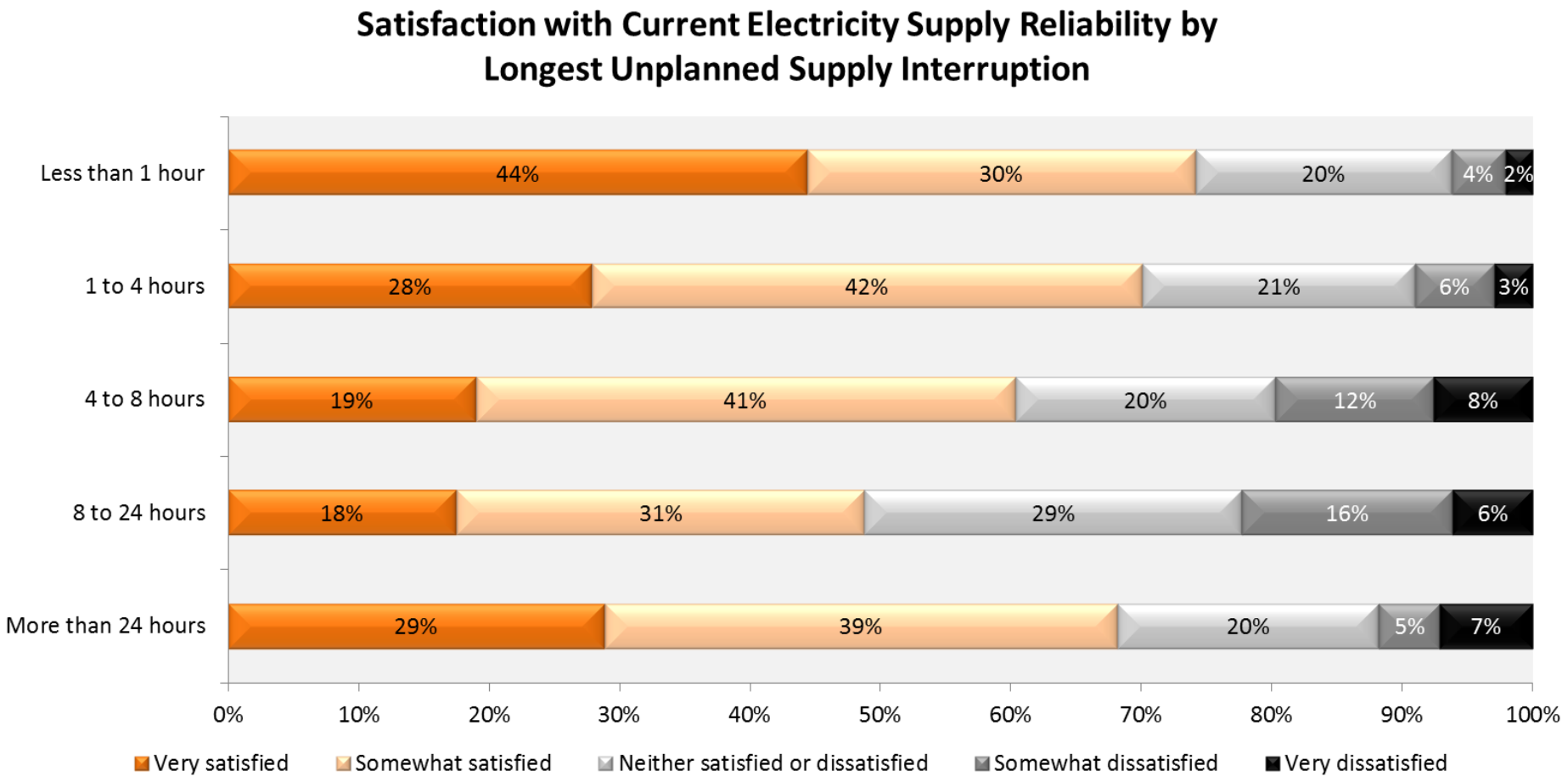
Satisfaction by Number of Supply Interruptions

- Dissatisfaction with supply reliability is higher amongst those who have experienced five or more outages in the past 12 months.
- Not surprisingly the highest level of satisfaction with reliability was amongst those who had experienced none or only one power outage in the past 12 months.



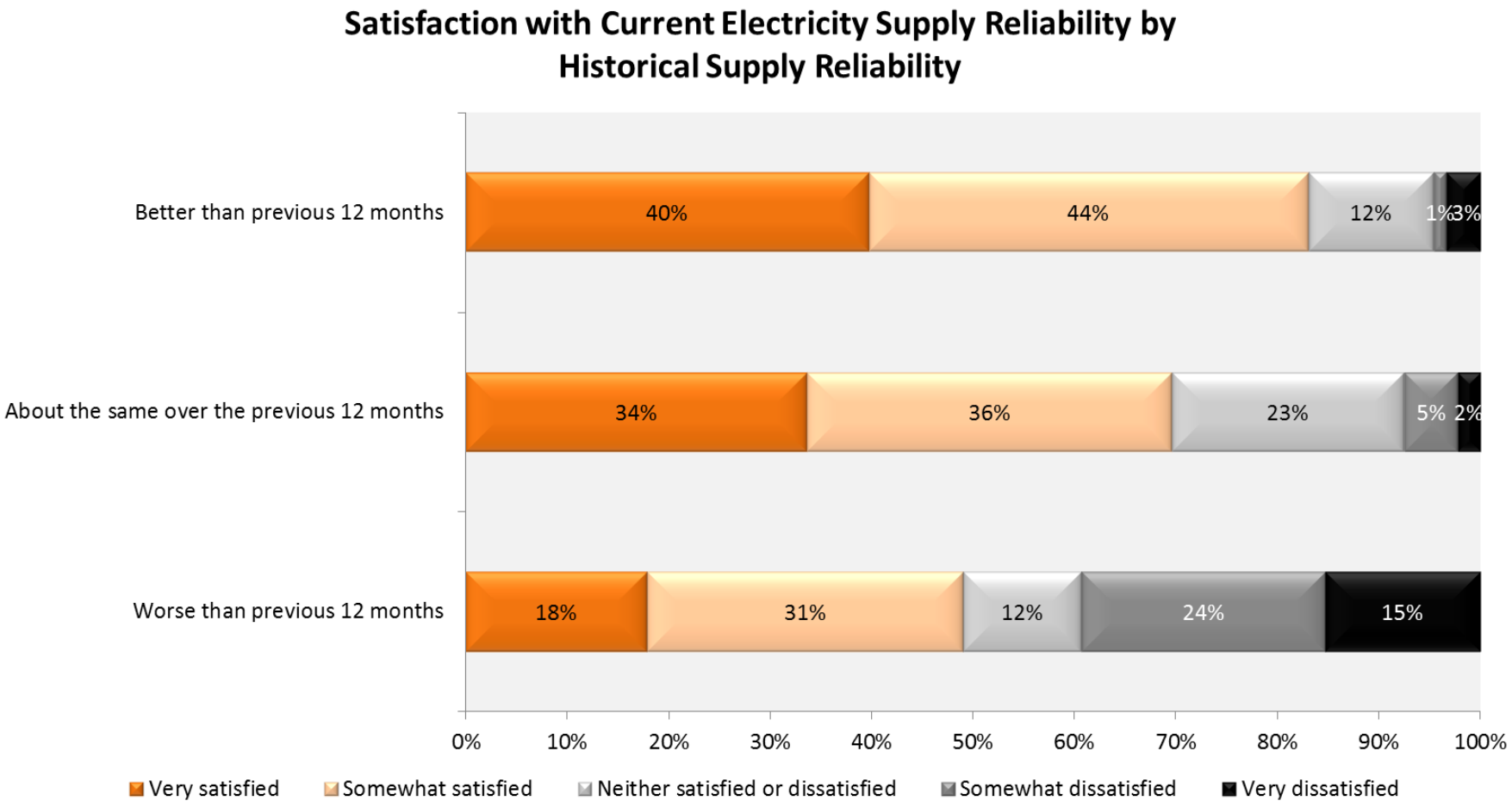
Satisfaction by Longest Unplanned Supply Interruption

- 44% of respondents whose longest unplanned outage was less than an hour are very satisfied which is significantly higher than respondents whose unplanned outages were longer than an hour.



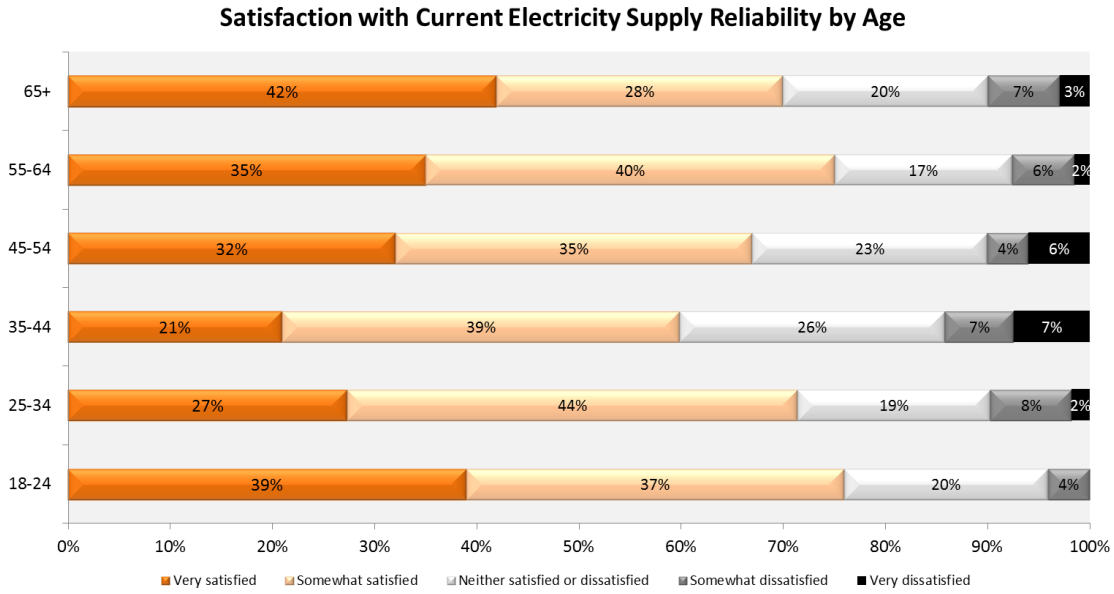
Satisfaction by Historical Supply Reliability

- Respondents who thought that their electricity supply had become worse over the past 12 months are less likely to be very satisfied and much more likely to be dissatisfied or very dissatisfied with current supply reliability.

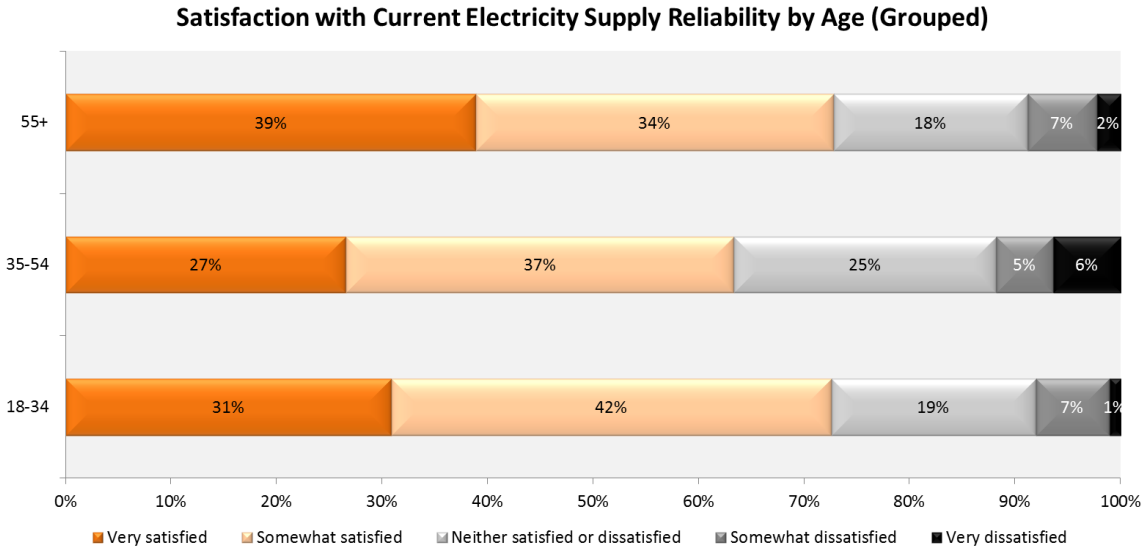


SATISFACTION WITH SUPPLY RELIABILITY BY DEMOGRAPHICS

Satisfaction by Age



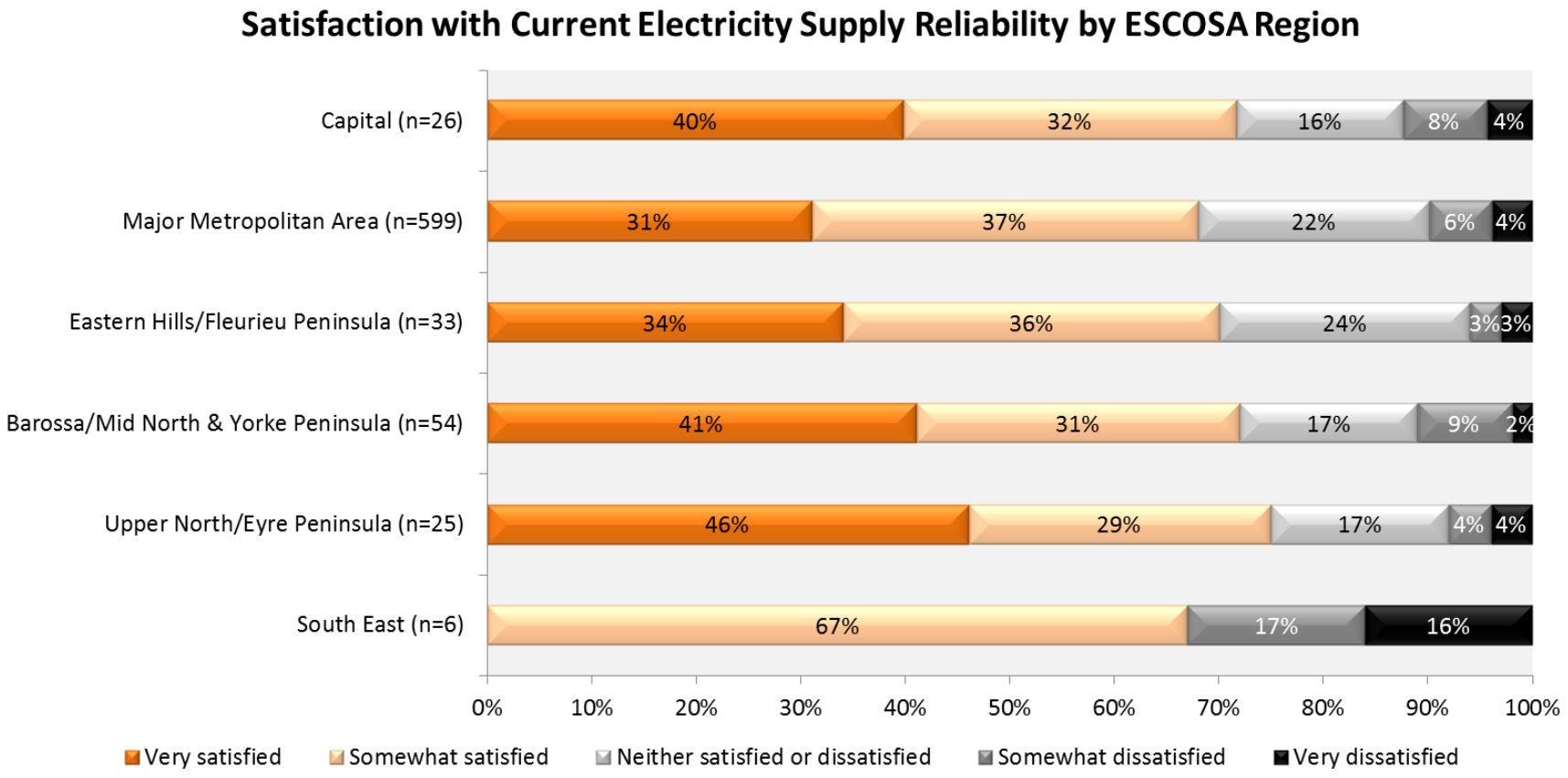
- Supply reliability satisfaction does not differ significantly across age groups.



- However, when we collapse age into 3 groups, those aged 55+ are more likely to be **very** satisfied with supply reliability.
- Overall satisfaction, however, remains consistent across all age groupings.

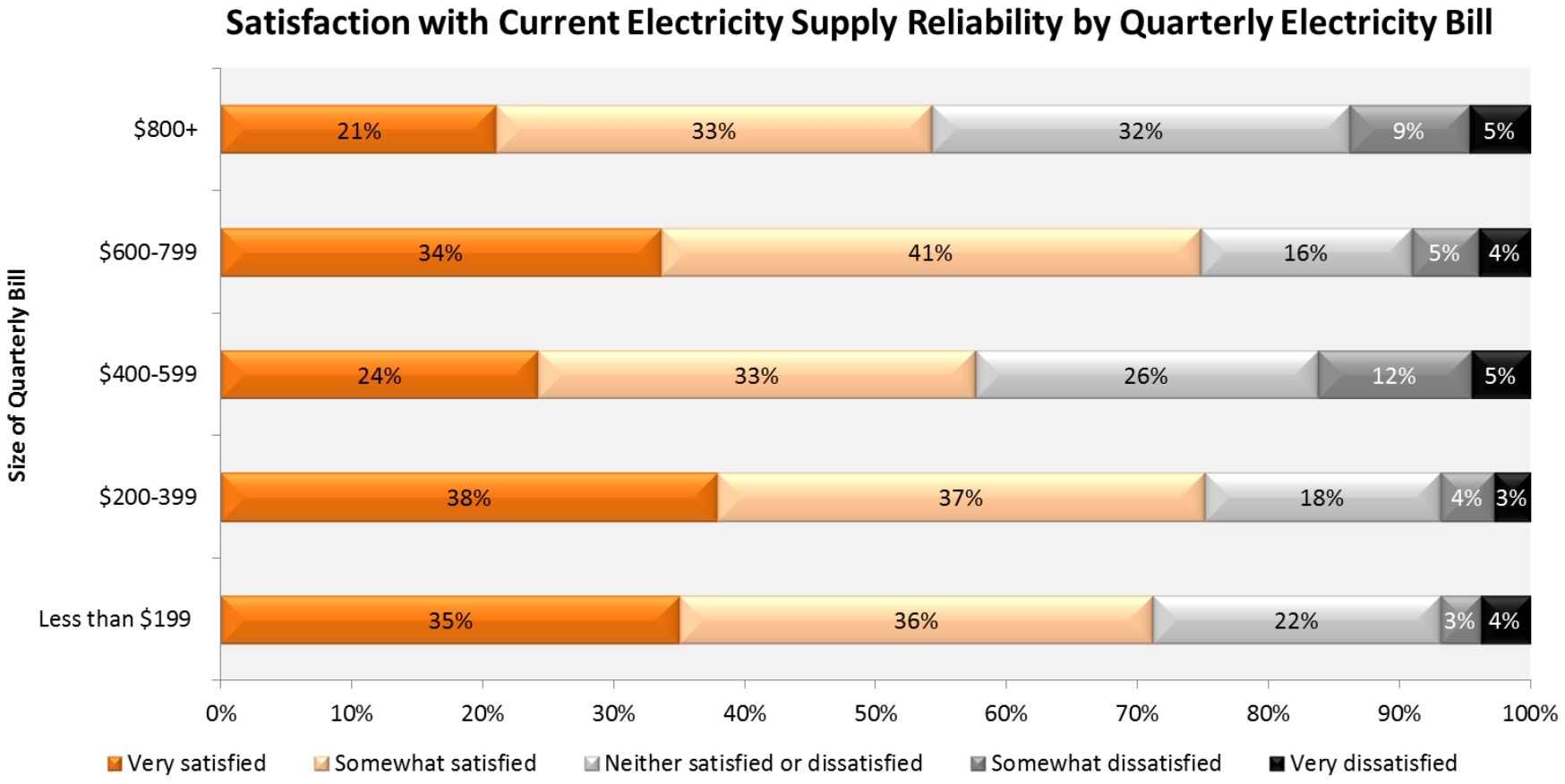
Satisfaction by ESCOSA Region

- Supply reliability satisfaction does not differ significantly across ESCOSA Regions.
- Major Metropolitan areas include Mount Barker, Mount Gambier, Port Augusta, Port Lincoln and Whyalla.
- The sample size for the South East region is not statistically reliable.



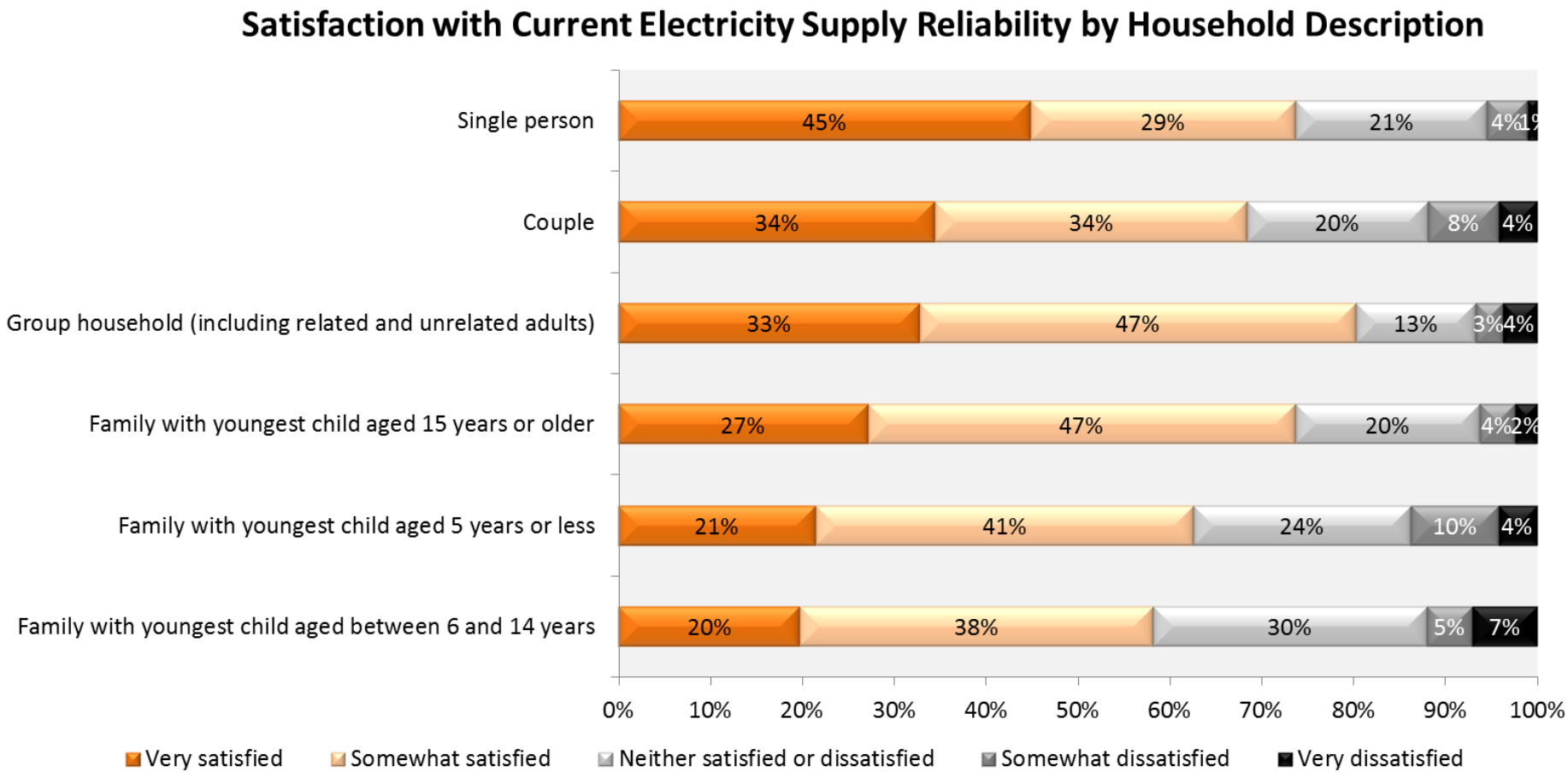
Satisfaction by Quarterly Electricity Bill

- Supply reliability satisfaction does not differ significantly by Quarterly Electricity Bill.
- The average residential (5MW) customer's annual bill is $1757 (ex GST), which lies within the $400-599 group.



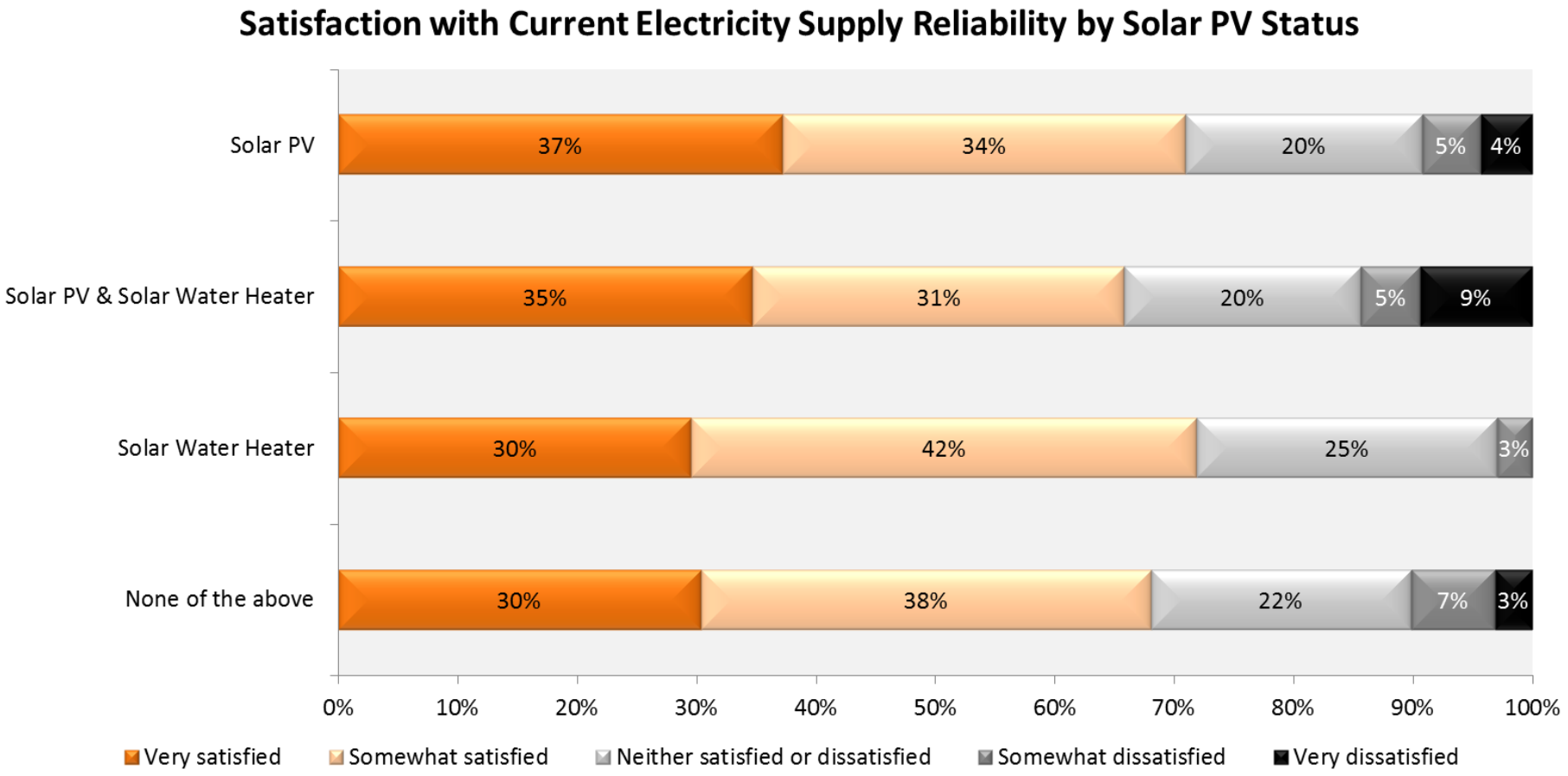
Satisfaction by Household Description

- Supply reliability satisfaction does not differ significantly by household description.



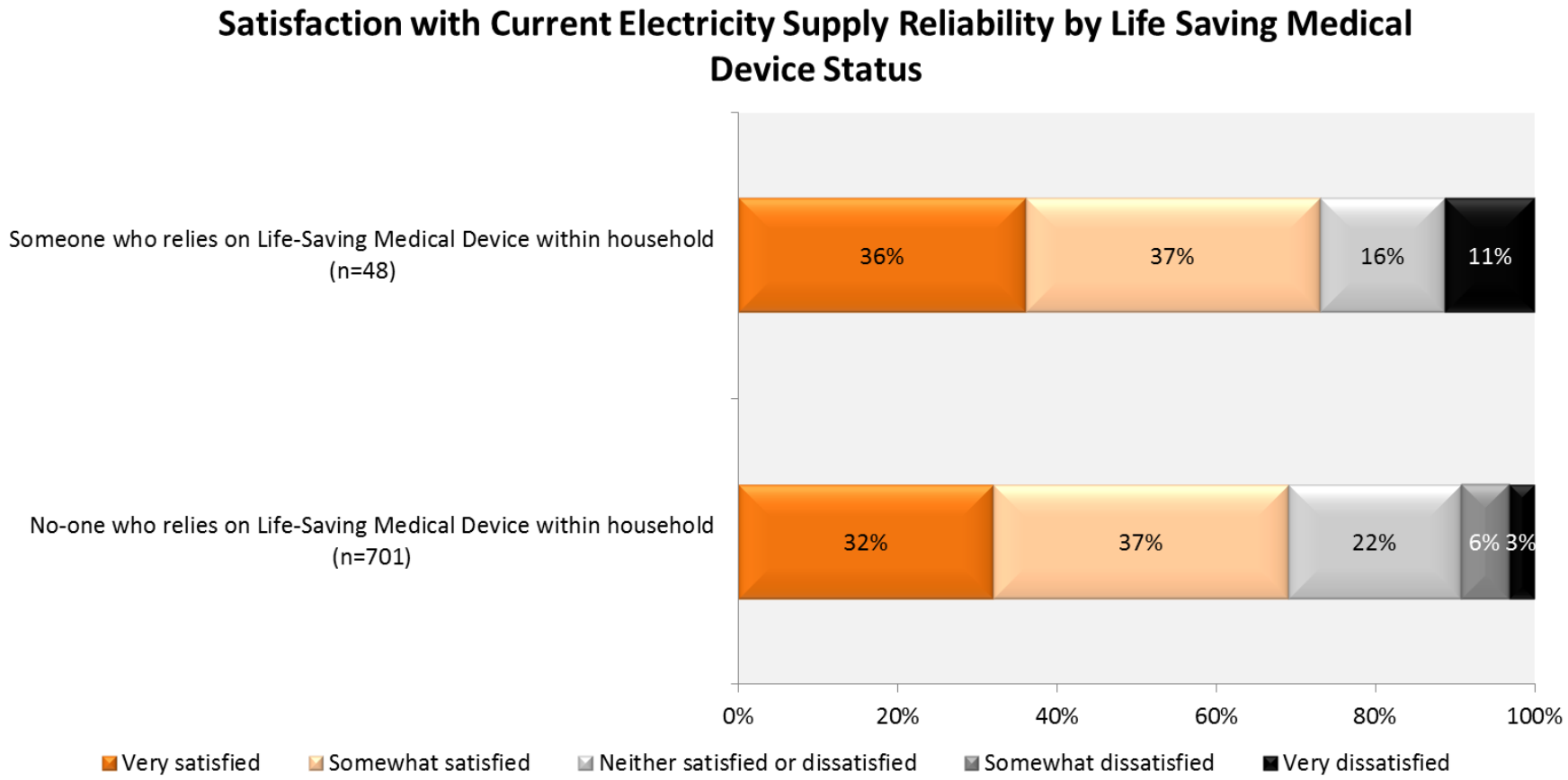
Satisfaction by Solar PV Status

- Supply reliability satisfaction does not differ significantly by solar PV status.



Satisfaction by Life Saving Medical Device Status

- Households that have someone who relies on a life-saving medical device are more likely to be very dissatisfied with supply reliability, 11% versus 3%.



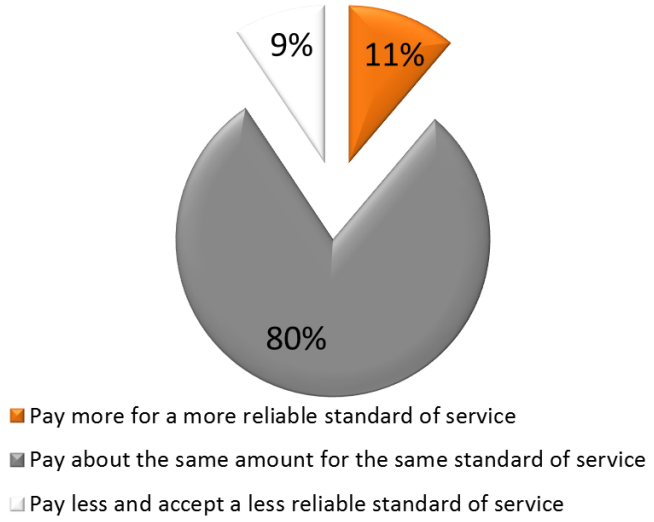
SERVICE-PRICE TRADE-OFF

Service-Price Trade-Off

Respondents were asked whether they were more likely to pay more for a more reliable standard of service, pay about the same for about the same standard of service or pay less and accept a less reliable standard of service.

- 80% of respondents would most likely **pay about the same amount for the same standard of service.** This segment of customers are:
  - *More likely to be very satisfied with their current supply reliability*
  - *Less likely to be aged 18-24*
- 11% of respondents would most likely **pay more for a more reliable standard of service.** This segment of customers are:
  - *More likely to live in Adelaide (postcode 5000)*
  - *More likely to have someone in their household rely on life-saving medical devices*
  - *More likely to have better supply reliability than previous years*
- 9% of respondents would most likely **pay less for a less reliable standard of service.** This segment of customers are:
  - *More likely to be 35-44*
  - *More likely to be employed part-time*
  - *More likely to be dissatisfied with their current supply reliability*
  - *More likely to expect their electricity bill to go down over the next 12 months*
  - *More likely to not have anyone in their household rely on life-saving medical devices*

If you had a choice, which of the following would you most likely do?



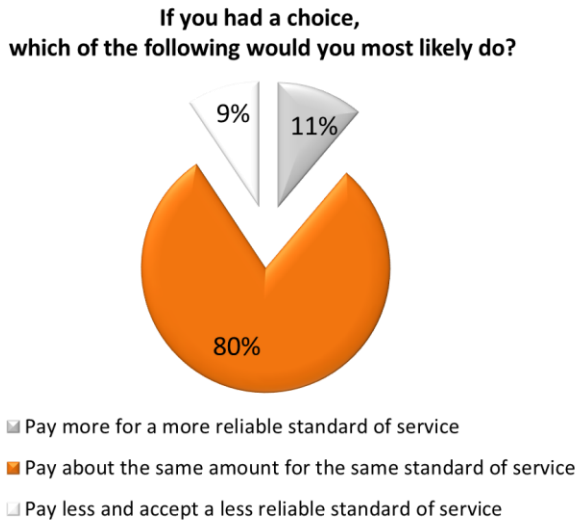
Service-Price Trade-Off

- Results were consistent with the findings from the two focus groups which preceded the online survey:
  - Focus group participants revealed that they would not be willing to pay more for improved supply reliability, nor were they willing to accept a less reliable service even if it meant a discounted quarterly electricity bill.
    - *"I don't want to pay more because I don't have any interruptions now".*
  - However, some did think that 'other people' may be interested.
  - As a concept it was not well-received and drew cynicism from the majority of respondents:
    - *"I feel suspicious about why they'd be offering anything."*
    - *"They want to drop the maintenance?"*
    - *"You shouldn't have to offer me a reduction in service to give me a reduction in price."*
    - *"What are they doing to compromise it?"*
  - Some wondered how it would be implemented, because it would require everyone to accept the situation.
  - Further, the idea of paying more to have fewer outages did not appeal as many thought there were few outages anyway.
- The same themes emerged in the open ended question in the quantitative survey which asked respondents why they wanted to keep the status quo…

‘Likely to Pay the Same’ Respondents

- 80% of respondents opted to pay about the same for the same standard of service. Reasons for this include:

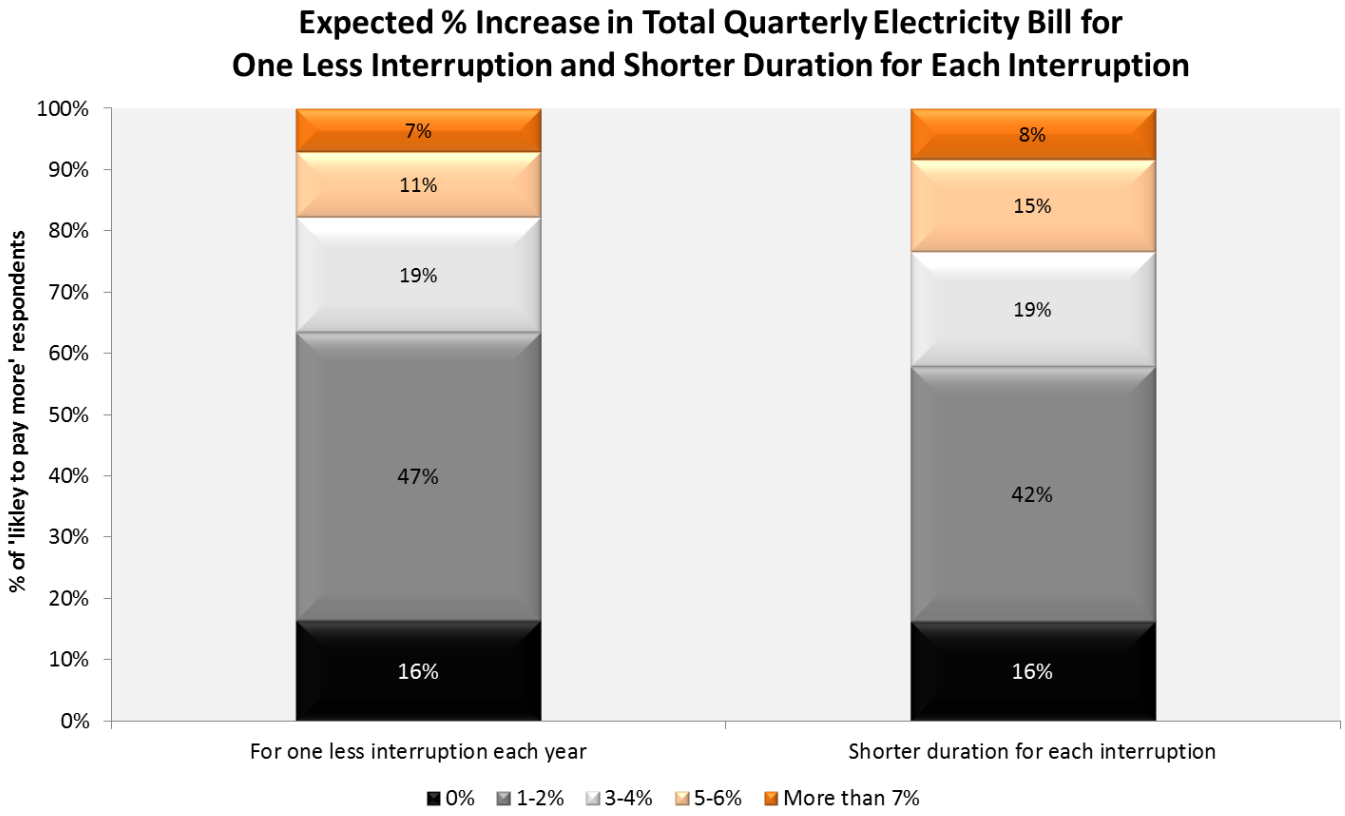
- **The current service standard is satisfactory (34%)**
  - *As I have no great problems with my electricity supply I am happy to continue with this and also knowing that I would not have an increase is better for my budget.*
  - *We've only had one power outage in the past twelve months. I don't see the point of paying more as the service seems to be quite reliable, and I wouldn't want to pay less to receive a less reliable service.*
- **It’s already expensive or participant believes they pay enough already (15%)**
  - *Power bills are already too high, and paying for something that ought to be 'the norm' is just another way of increasing prices for no real apparent reason.*
  - *Because I believe that I am already paying far too much for the supply charge for what I consider to be an inadequate service!*

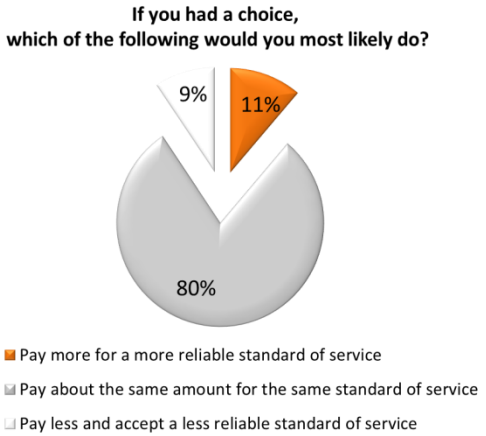


- **Cannot afford more than currently paying (12%)**
  - *As a pensioner I can not afford to pay any more & must therefore compromise my expectations which I find unacceptable.*
  - *I would pay more for a more reliable service but cannot afford to do so. Electricity is dear enough as it is.*
- **Not wanting to pay more (9%)**
  - *I don't want to pay any more than I already do and I don't want less reliability either.*
  - *Don’t wish to pay more and will not accept an unreliable service.*
- **Don’t believe reliability could get any better or that SA Power Networks could guarantee it (5%)**
  - *Cant see a guarantee that if you pay more you will get better service.*
- **Other responses (5%)**

‘Likely to Pay More’ Respondents

- If respondents selected that they were likely to **pay more for more reliable standard of service,** bearing in mind that approximately 50% of unplanned interruptions occur on a week day during normal business hours, they were asked whether it was more important for them to experience fewer interruptions or shorter interruptions:
  - *66%* said it would be more important to experience fewer interruptions*
  - *34%* said it would be more important to experience shorter interruptions*





This chart reveals:

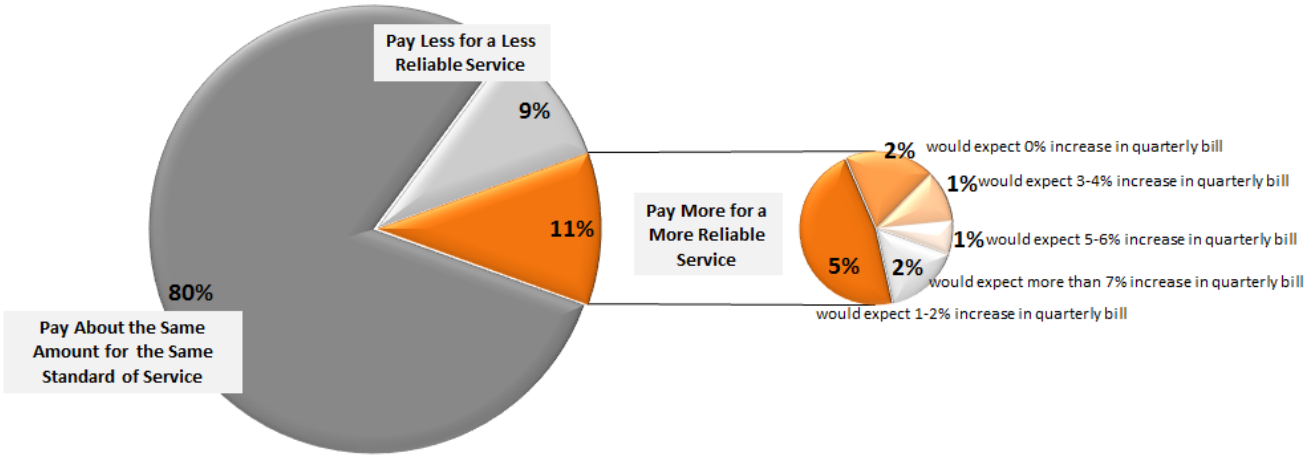
- 47% of ‘likely to pay more’ respondents **(5% of total respondents)** would expect a 1-2% increase on their quarterly bill for one less interruption each year.
- 42% ‘likely to pay more’ respondents **(4.5% of total respondents)** would expect a 1-2% increase on their quarterly bill for a shorter duration for each interruption.

***A similar question was asked in Deloitte’s Online Survey. However, it was only asked of those who were dissatisfied their electricity supply reliability. 59% said fewer interruptions could help improve satisfaction, 14% said shorter interruptions and 27% said ‘other’ which included lower prices and reduced tariffs.**

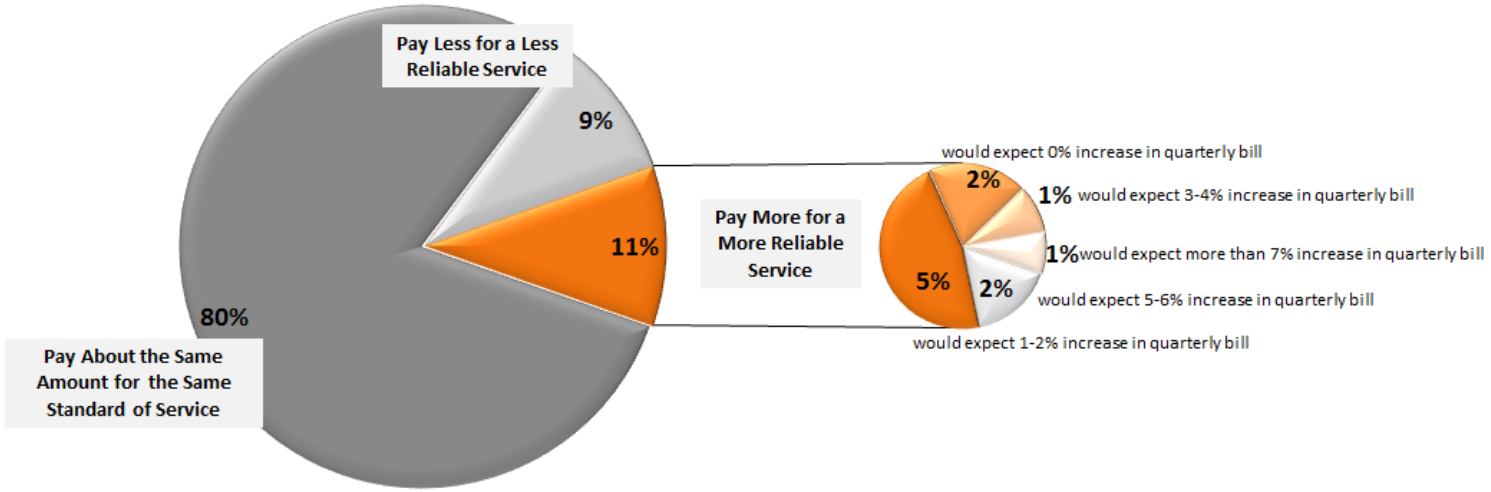
‘Likely to Pay More’ Respondents

- This page shows the previous pages results in a pie format purely for illustrative purposes, breaking down the ‘pay more’ slice of pie.

For One Less Interruption Each Year

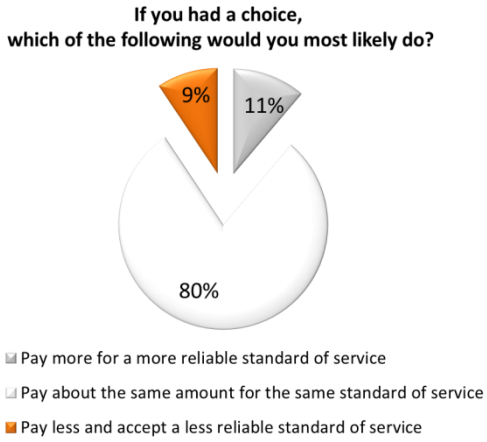


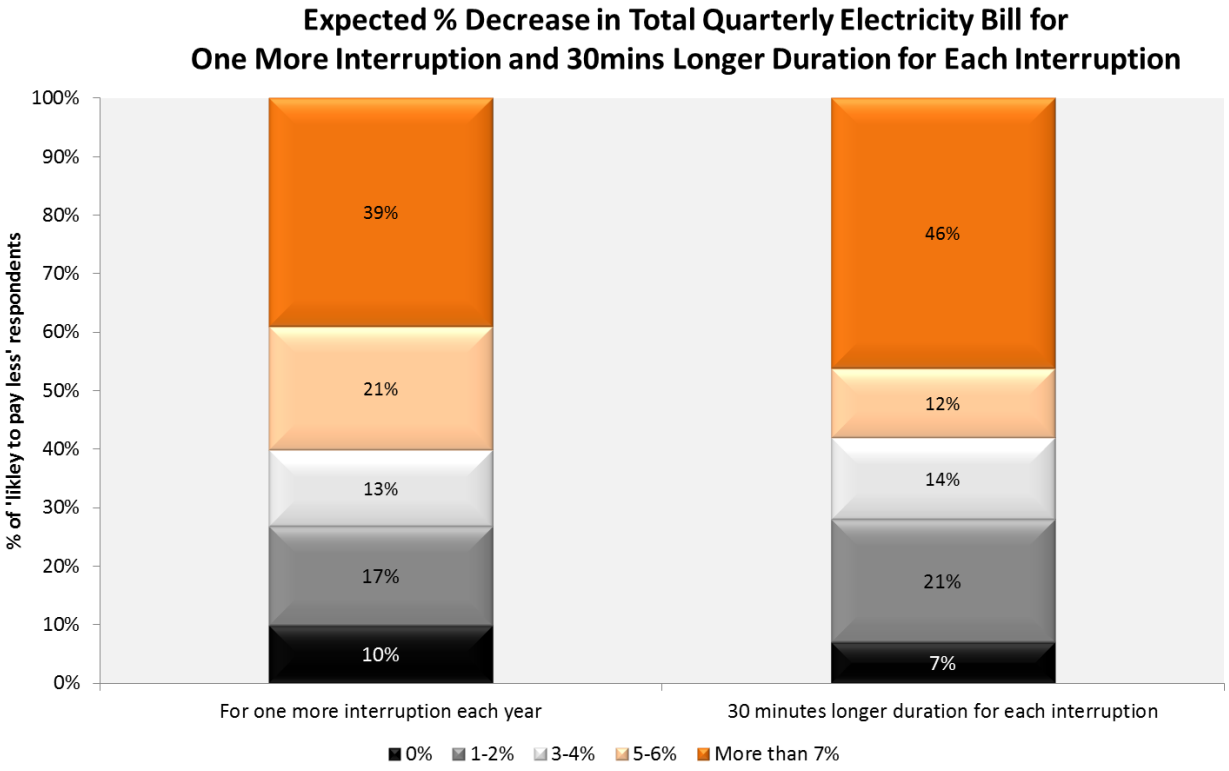
Shorter Duration for Each Interruption



‘Likely to Pay Less’ Respondents

- If respondents selected that they were likely to **pay less for less reliable standard of service,** bearing in mind that approximately 50% of unplanned interruptions occur on a week day during normal business hours, they were asked whether they would be more willing to accept experience more interruptions or the same number of interruptions with a longer response time (e.g. half an hour more to respond):
  - *42% said more interruptions*
  - *58% said the same number of interruptions with a longer response time*





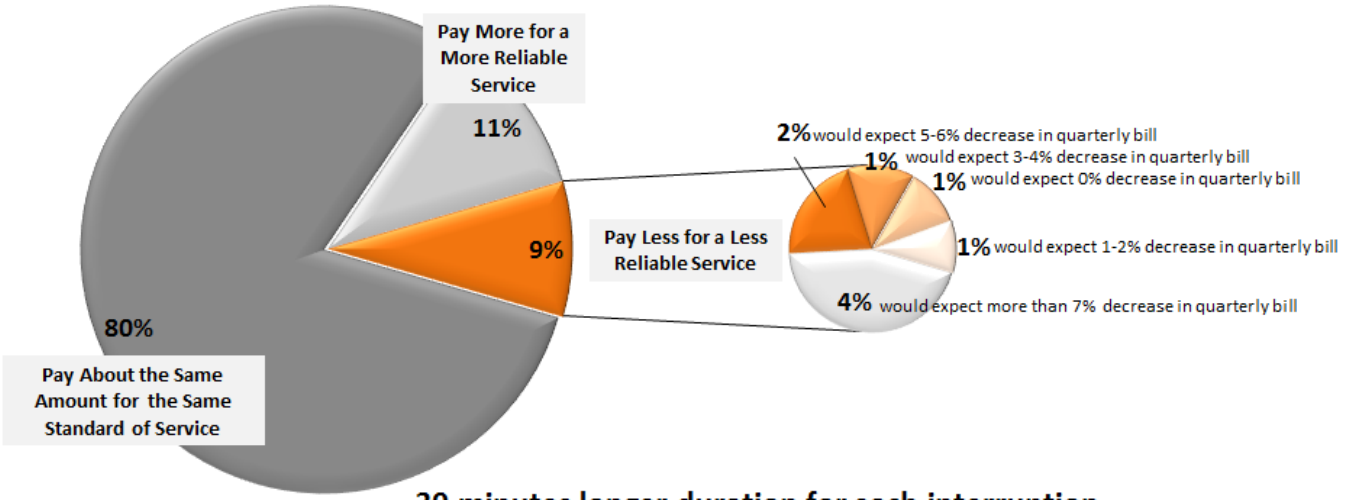
This chart reveals:

- 39% of ‘likely to pay less’ respondents (3.5% of total respondents) would expect more than a 7% decrease in their quarterly bill for one more interruption each year.
- 46% of ‘likely to pay less’ respondents (4.2% of total respondents) would expect more than a 7% decrease in their quarterly bill for 30 minutes longer duration for each interruption.

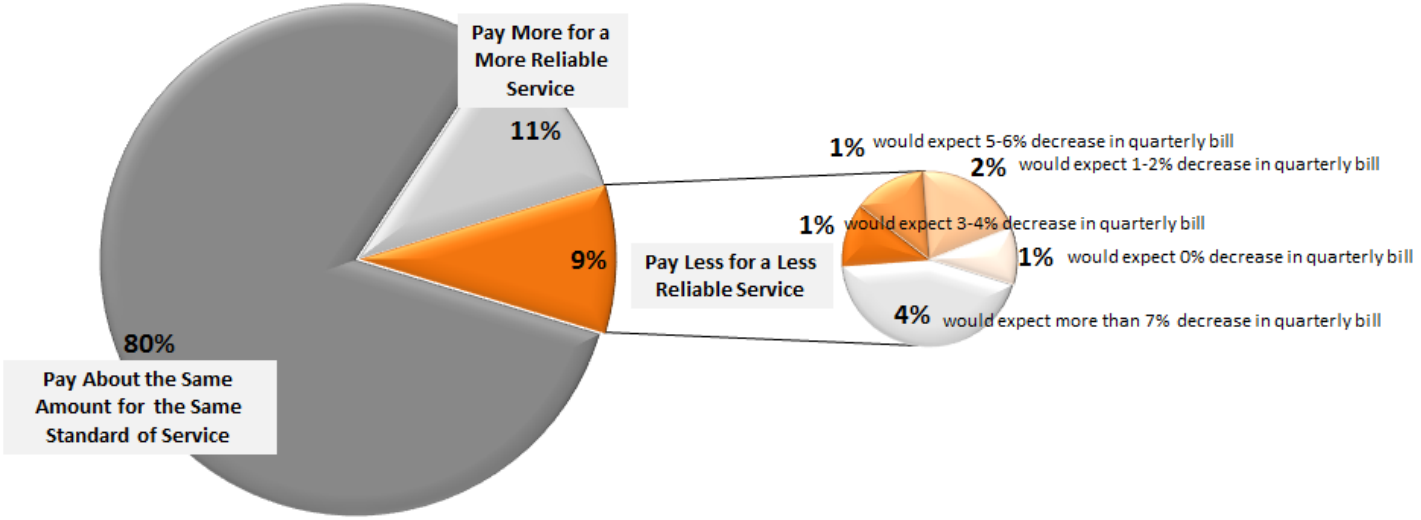
‘Likely to Pay Less’ Respondents

- This page shows the previous pages results in a pie format purely for illustrative purposes, breaking down the ‘pay less’ slice of pie.

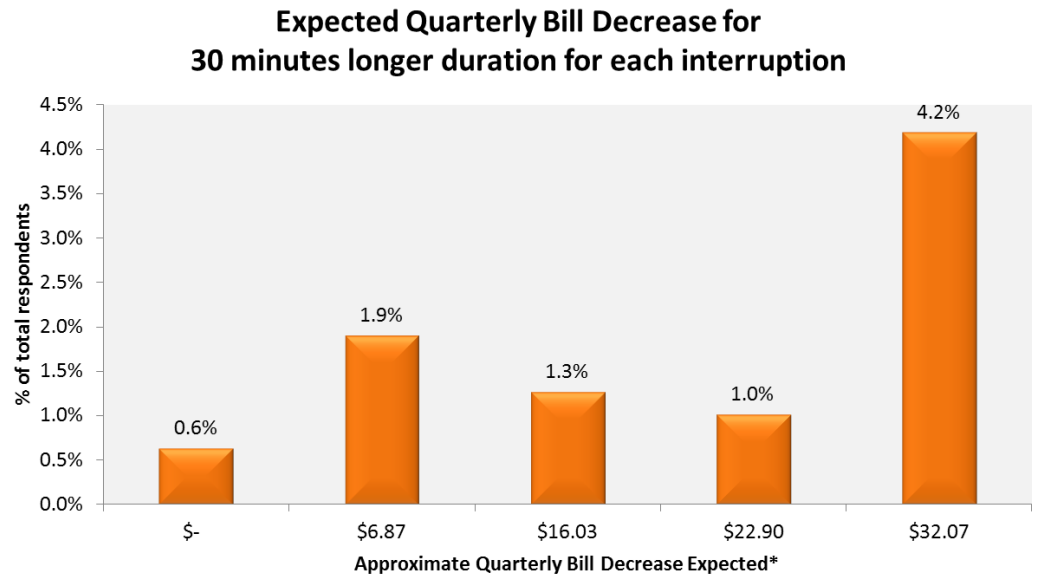
For one more interruption per year



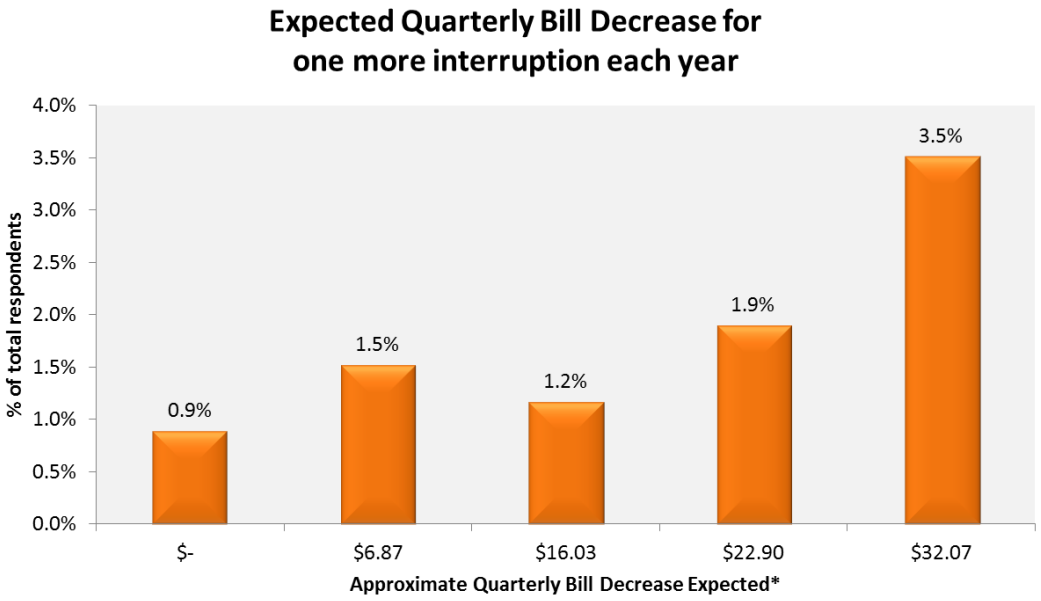
30 minutes longer duration for each interruption



‘Likely to Pay Less’ Respondents cont.



- 4.2% of total respondents (46% of likely to pay less respondents) would expect at least a 7% decrease in their total quarterly electricity bill equivalent to approximately $32.07* or more for 30 minutes longer duration for each interruption.



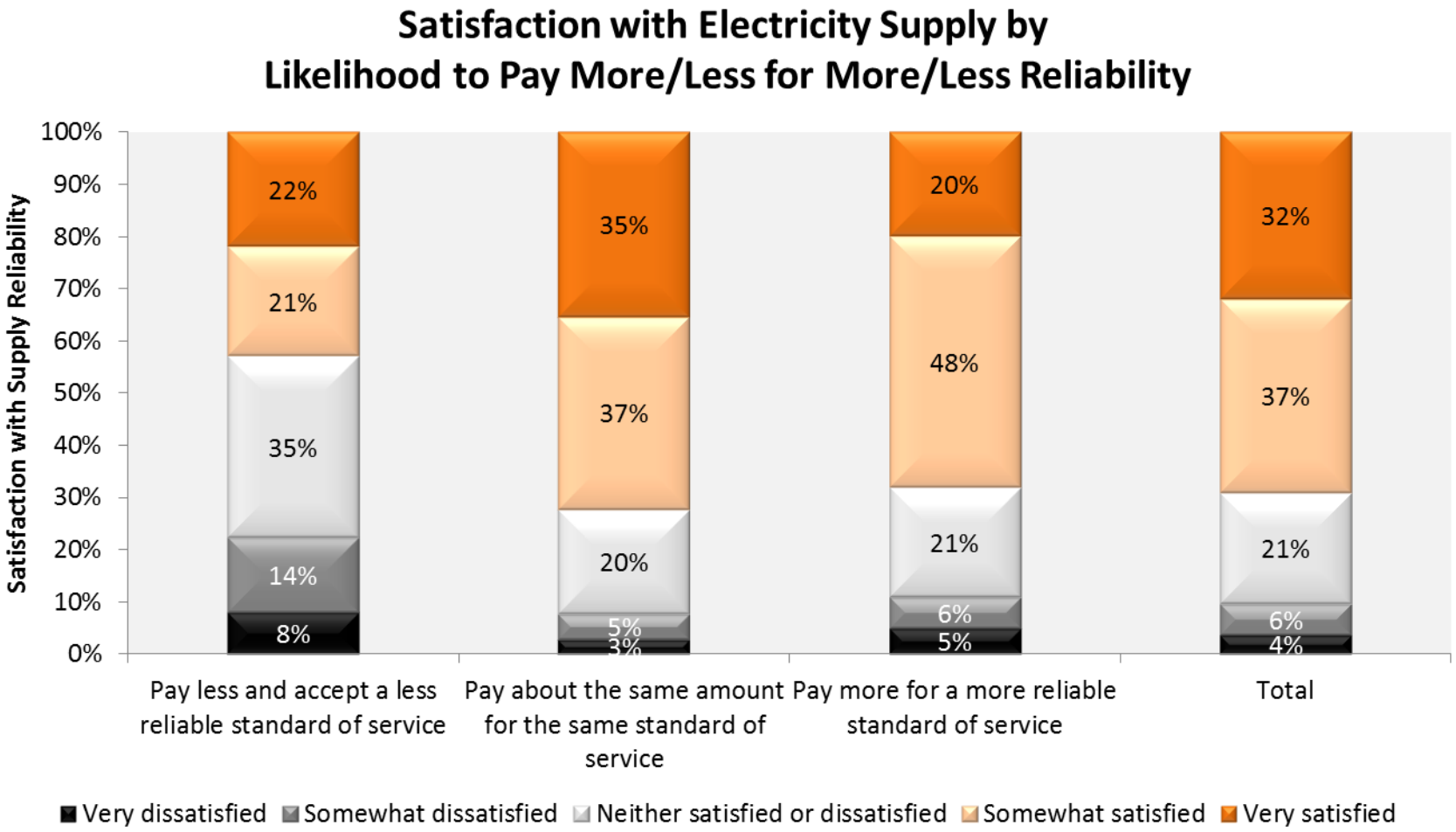
- 3.5% of total respondents (39% of likely to pay less respondents) would expect at least a 7% decrease in their total quarterly electricity bill equivalent to approximately $32.07* or more for one more interruption each year.

***Based on the midpoint of expected percentage increase on quarterly bill and average midpoint of quarterly bill for the ‘likely to pay less’ segment.**

SERVICE-PRICE TRADE-OFF BY CUSTOMER EXPERIENCE

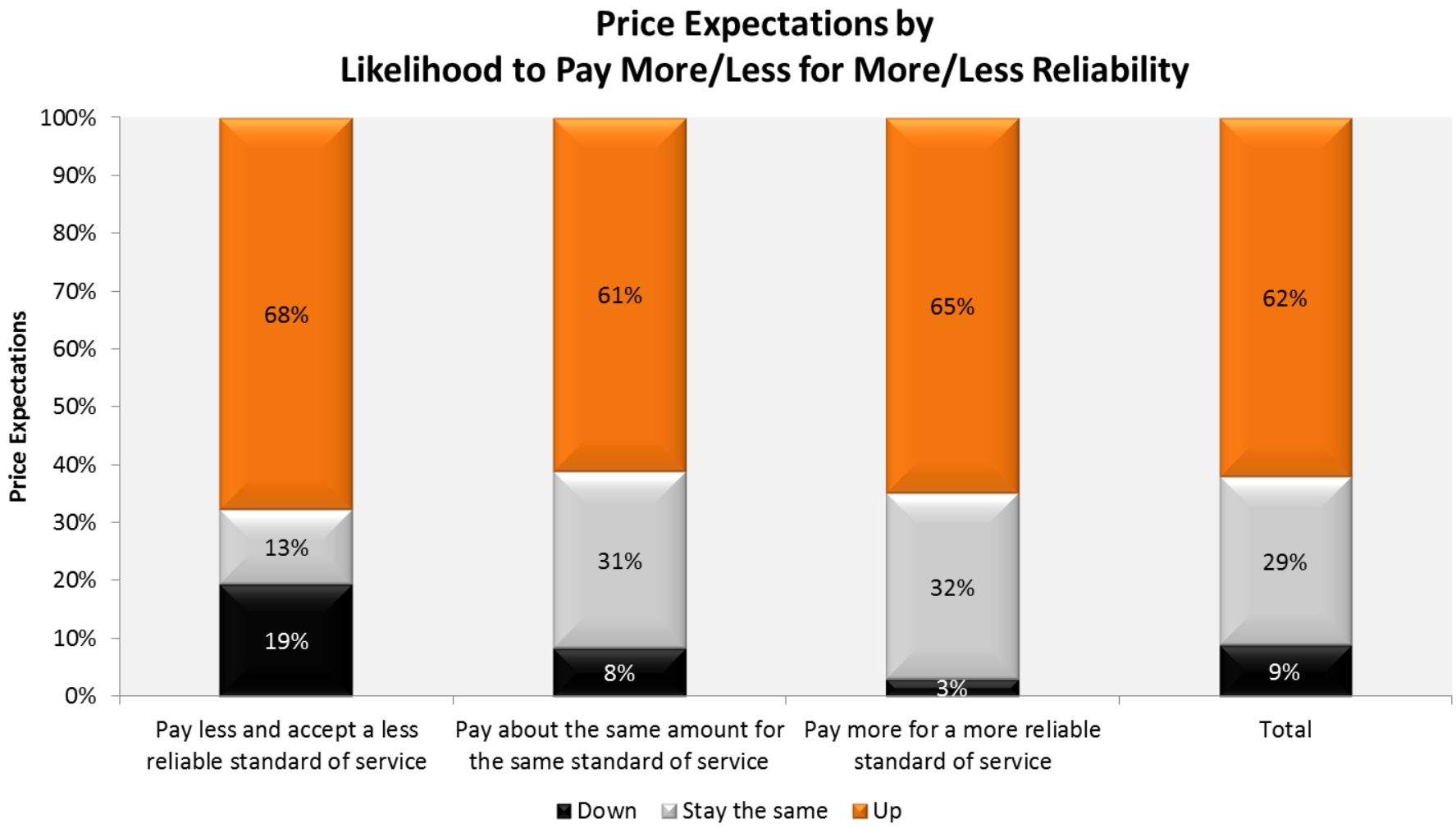
Trade-Off by Satisfaction

- Respondents who chose to pay less and accept a less reliable standard of service are more likely to be very dissatisfied with their supply reliability, 8% versus 3% (pay about the same) and 5% (pay more).
- Respondents who chose to pay about the same amount for the same standard of service are more likely to be very satisfied with their supply reliability, 35% versus 22% (pay less) and 20% (pay more).



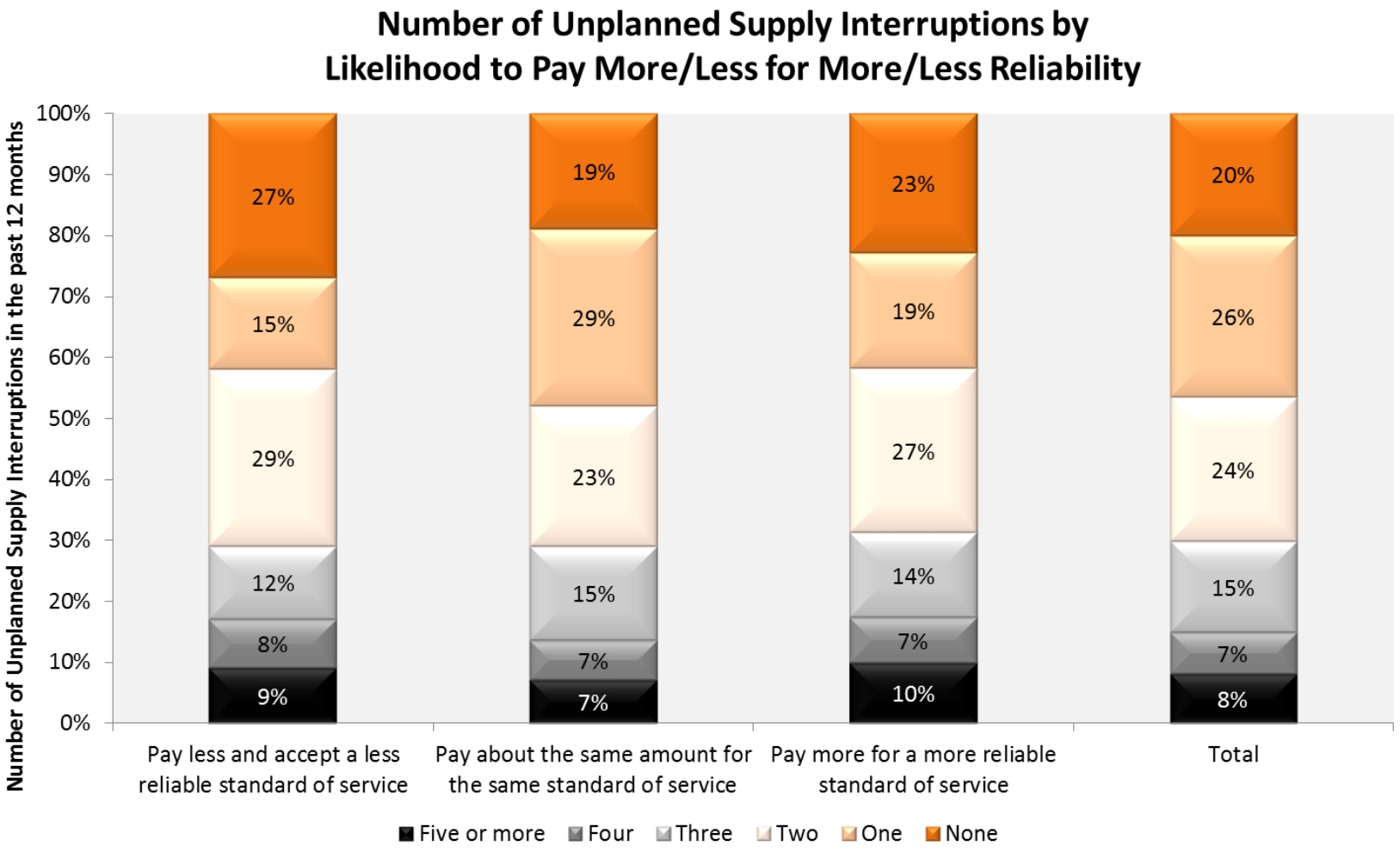
Trade-Off by Price Expectations

- Respondents who chose to pay less for a less reliable standard of service are more likely to expect their electricity bill to go down over the next 12 months, 19% versus 8% (pay about the same) and 3% (pay more).



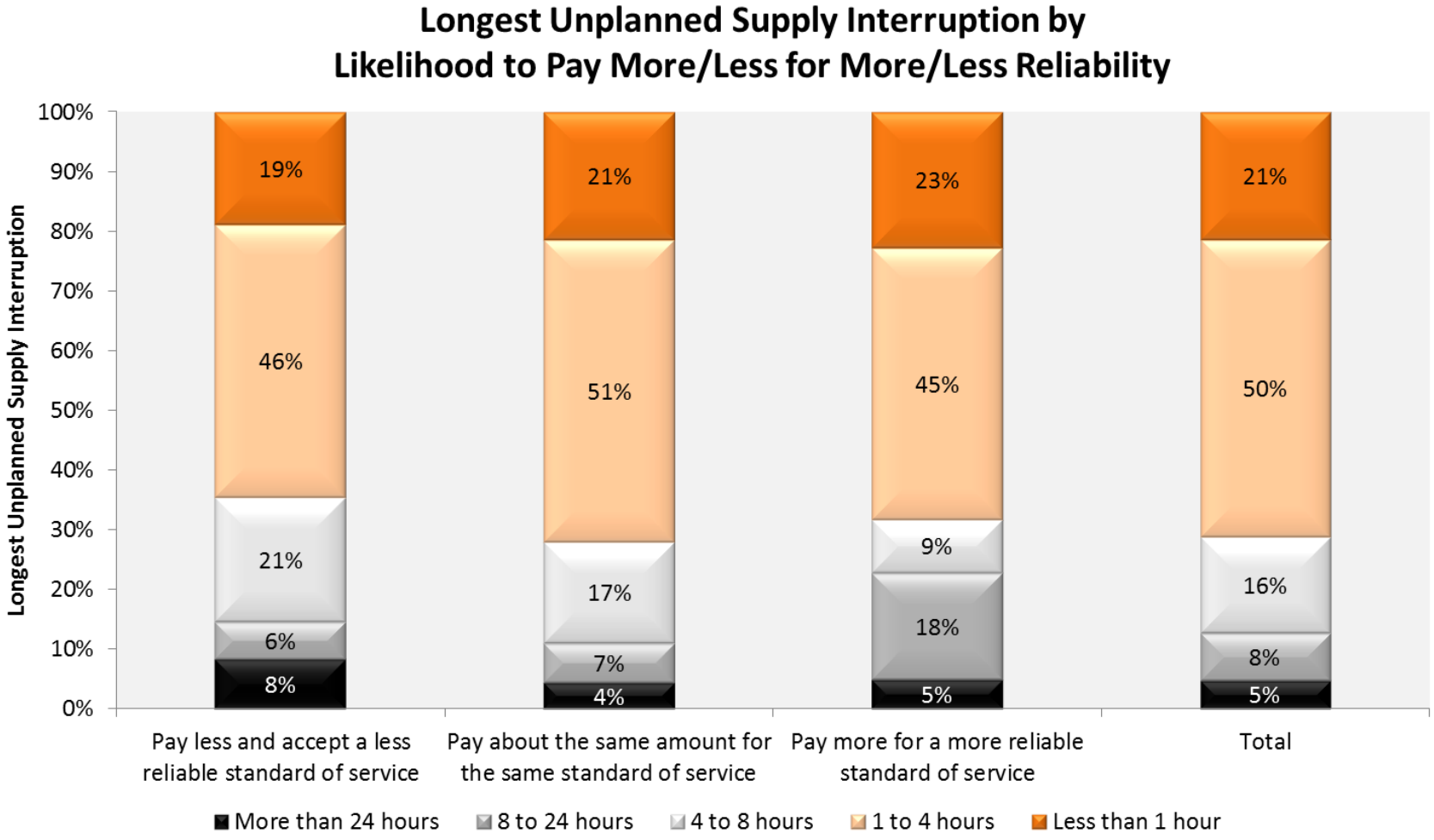
Trade-Off by Number of Unplanned Supply Interruptions

- There is no significant difference between the three segments in terms of the number of unplanned supply interruptions in the past 12 months.



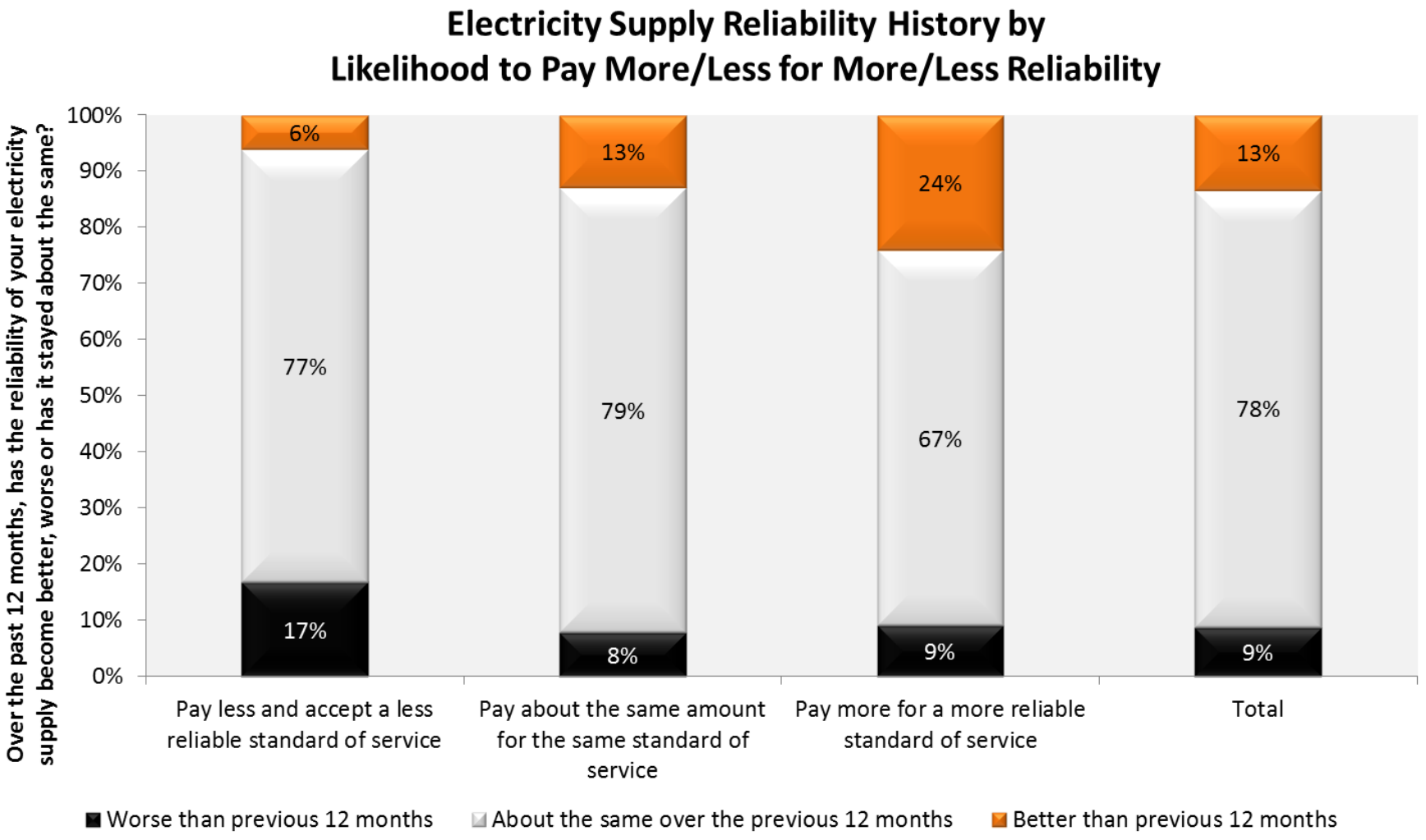
Trade-Off by Longest Unplanned Supply Interruption

- There is no statistical significance between the three segments in terms of respondent's longest unplanned supply interruption duration.



Trade-Off by Supply History

- Respondents who chose to pay more for a more reliable standard of service are more likely to have experienced better reliability of supply over the past 12 months, 24% versus 6% (pay less) and 13% (pay about the same).

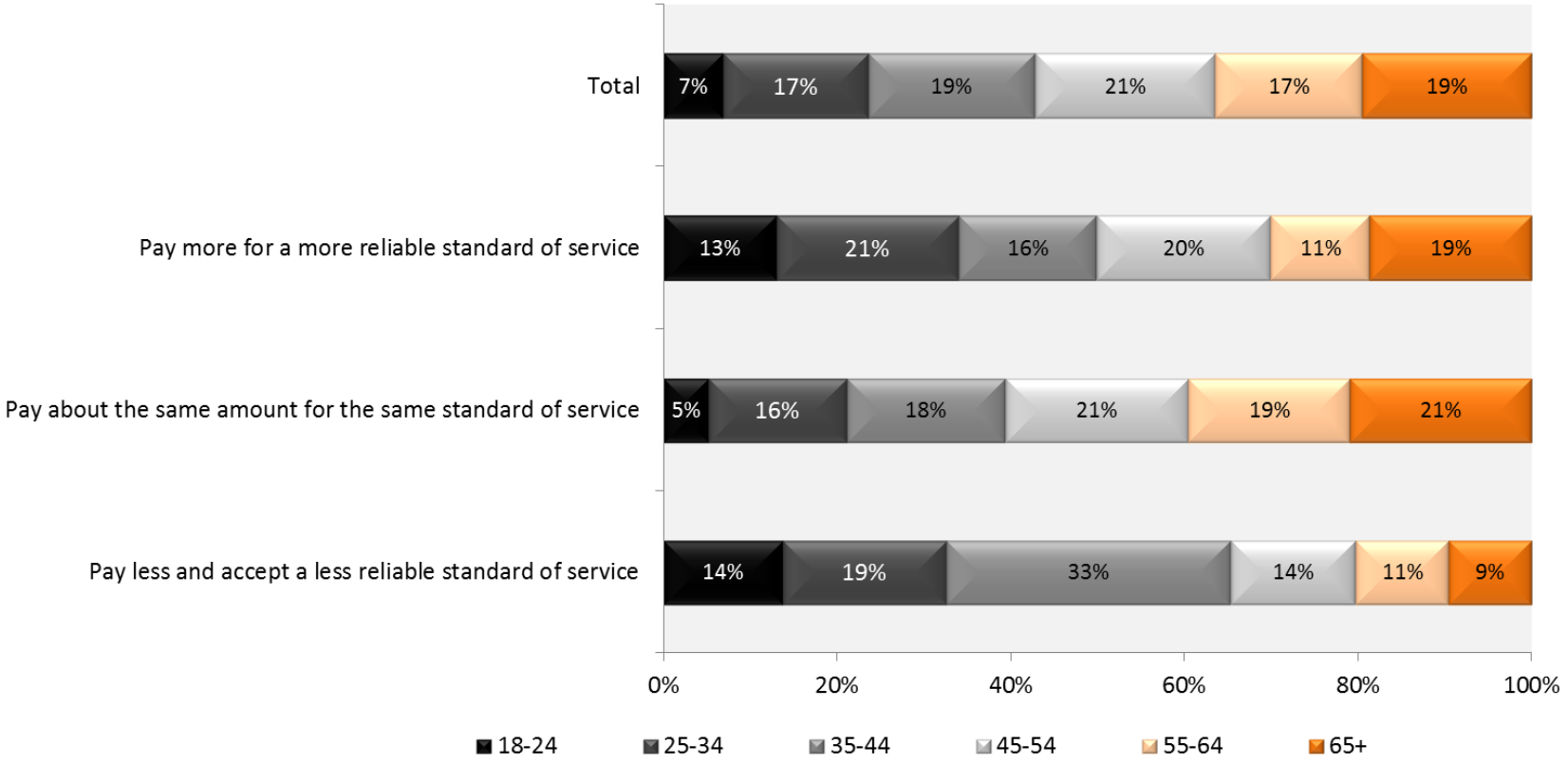


SERVICE-PRICE TRADE-OFF BY DEMOGRAPHICS

Trade-Off by Age

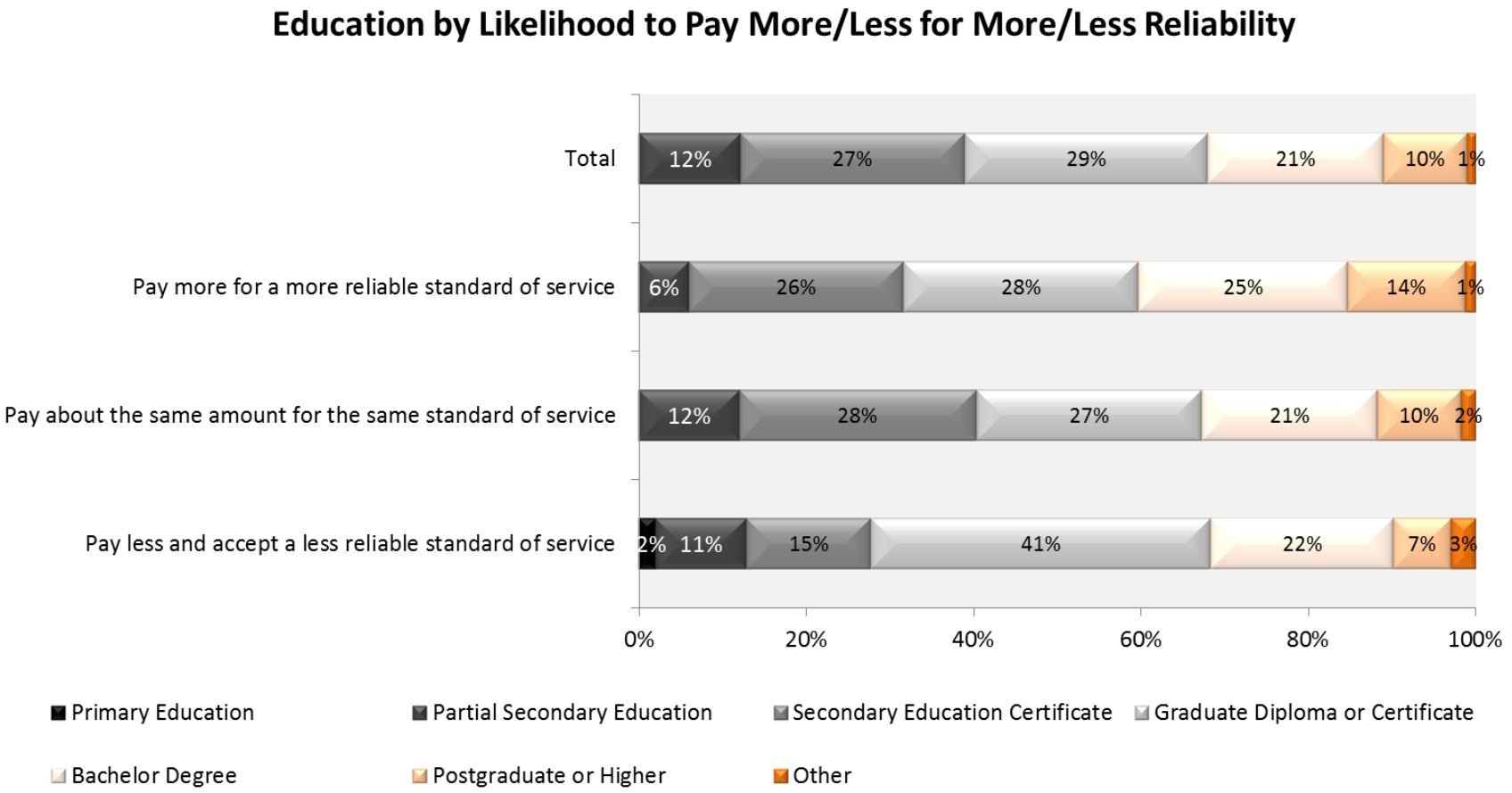
- Respondents who selected to pay less and accept a less reliable standard of service are more likely to be between the ages of 35-44, 33% versus 16% (pay more) and 18% (pay about the same).
- Respondents who selected to pay about the same are less likely to be aged 18-24, 5% versus 13% (pay more) and 14%(pay less).

Age by Likelihood to Pay More/Less for More/Less Reliability



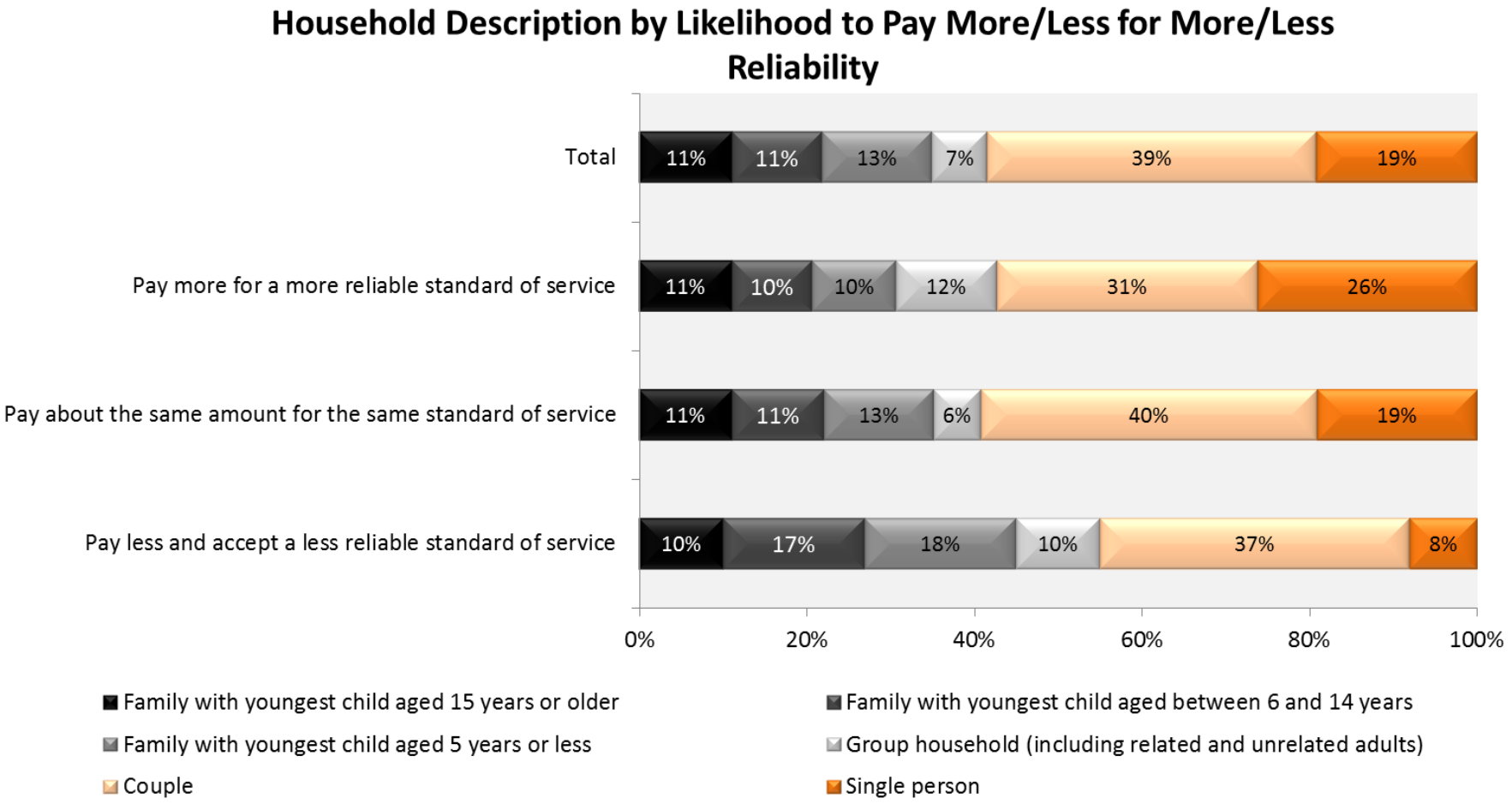
Trade-Off by Education

- There is no statistical significance between the three segments in terms of respondent's education.



Trade-Off by Household Description

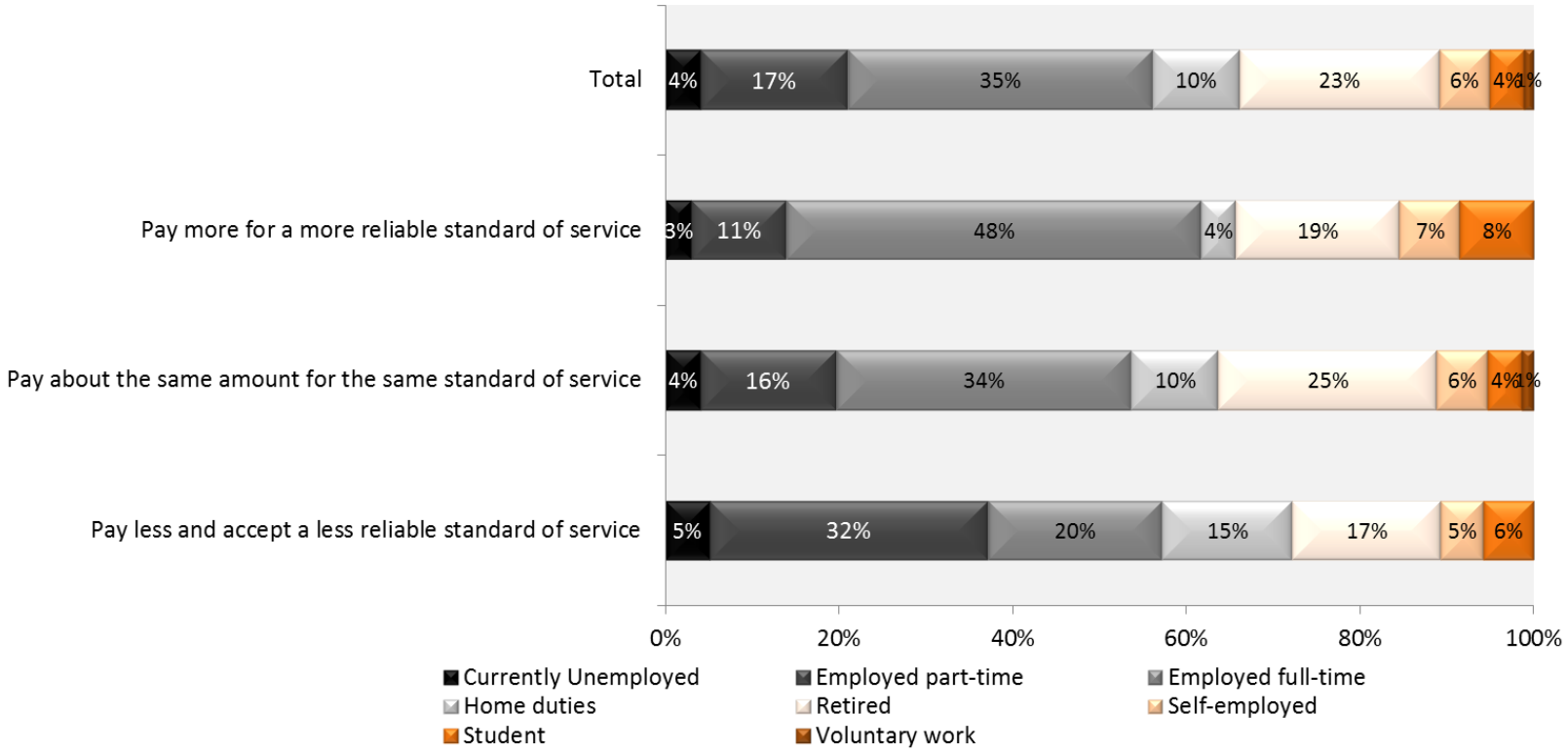
- There is no statistical significance between the three segments in terms of respondent's household description.



Trade-Off by Employment Status

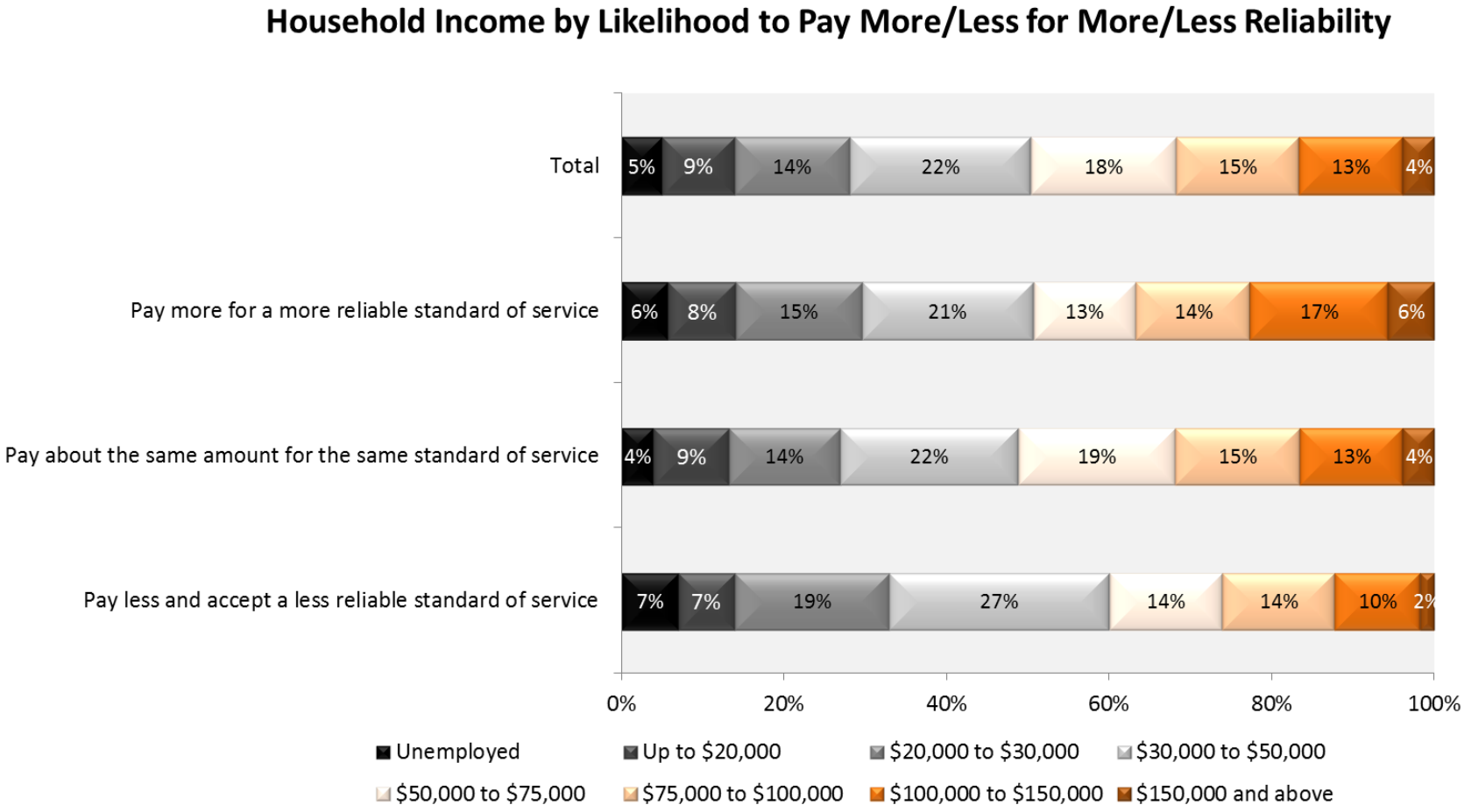
- Respondents who chose to pay less for a less reliable standard of service are more likely to be employed part-time, 32% versus 11% (pay more) and 16% (pay about the same).
- Respondents who chose to pay more for a more reliable standard of service are more likely to be employed full-time, 48% versus 34% (pay about the same) and 20% (pay less).

Employment Status by Likelihood to Pay More/Less for More/Less Reliability



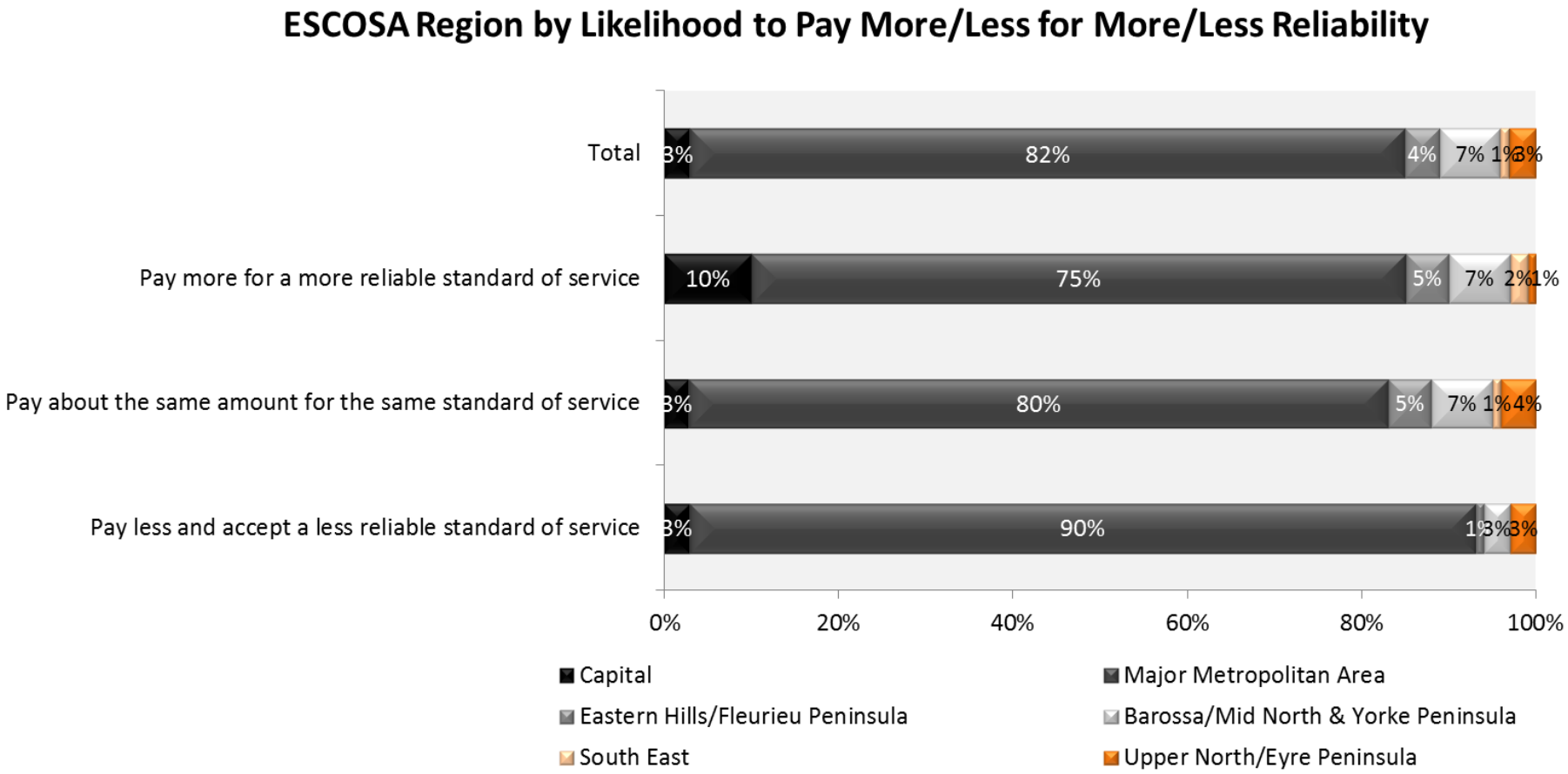
Trade-Off by Household Income

- There is no statistical significance between the three segments in terms of respondent's household income.



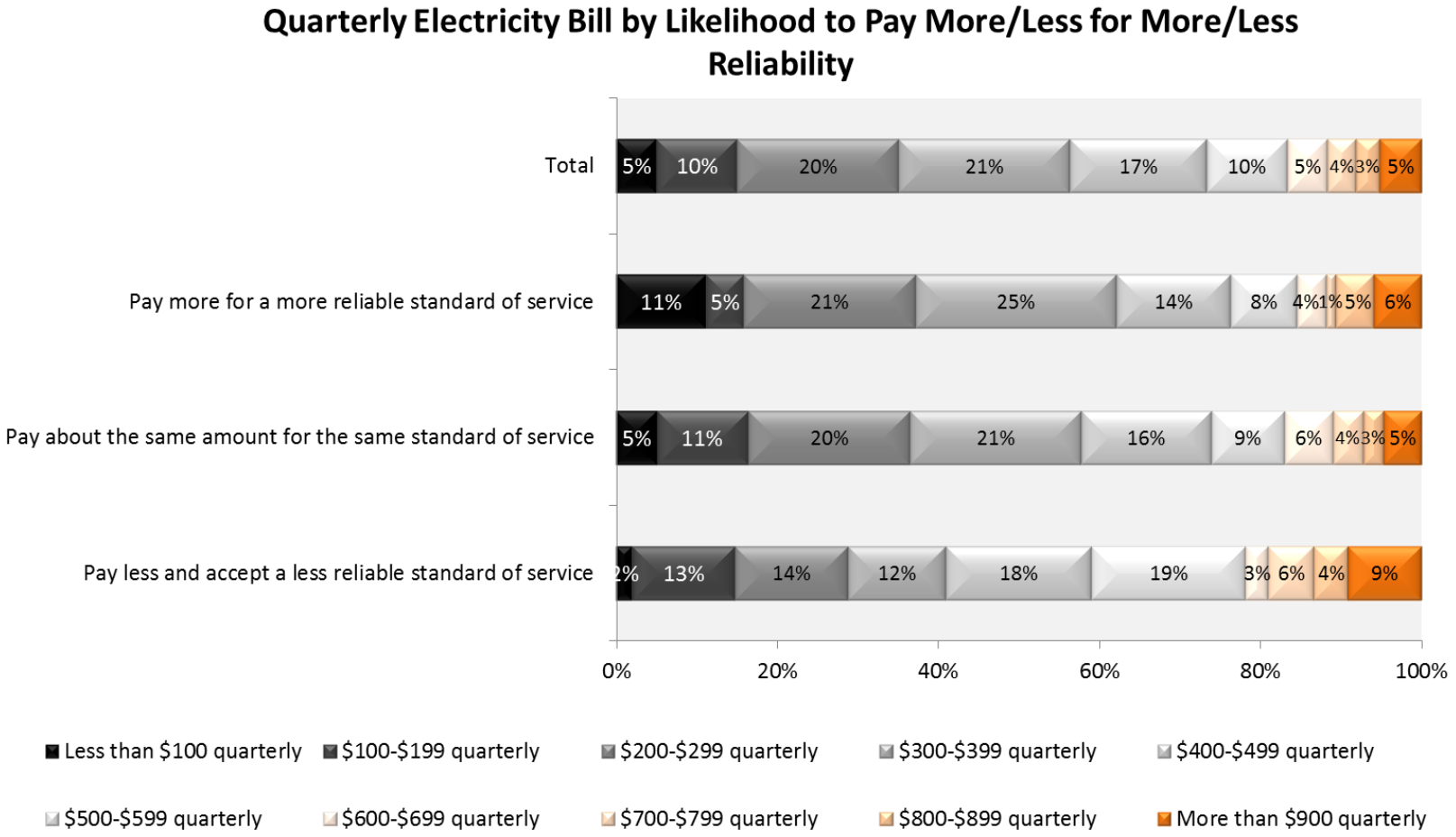
Trade-Off by ESCOSA Region

- Respondents who chose to pay more for a more reliable standard of service are more likely to reside in Adelaide (postcode 5000).
- The sample size for the South East region is not statistically reliable.



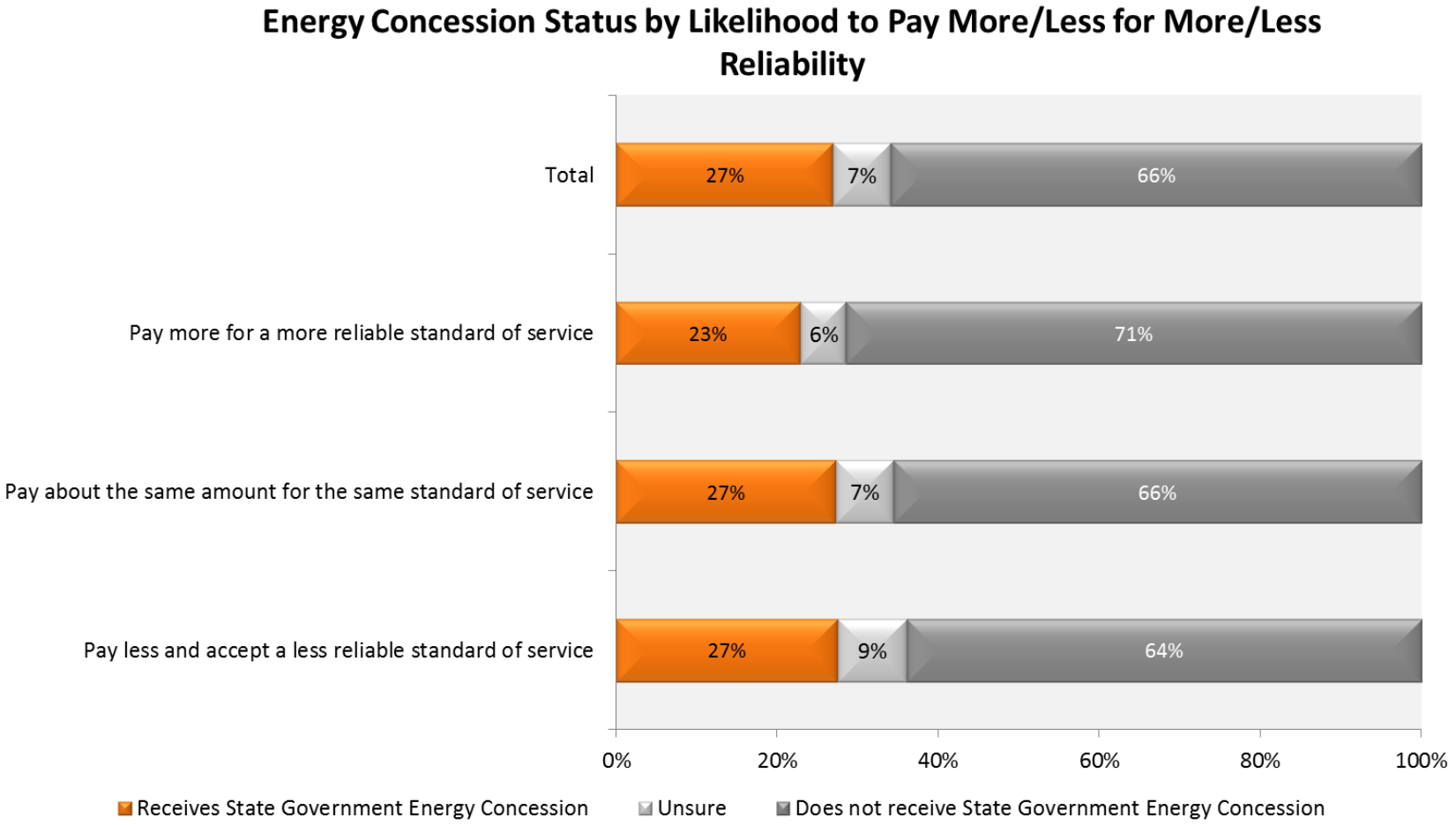
Trade-Off by Quarterly Electricity Bill

- Respondents who are likely to pay less for a less reliable standard of service are more likely to have a larger quarterly electricity bill.
- For instance, 41% of the pay less/accept less segment had an electricity bill lower than $399 quarterly, compared to 62% of the pay more for a more reliable standard of service.



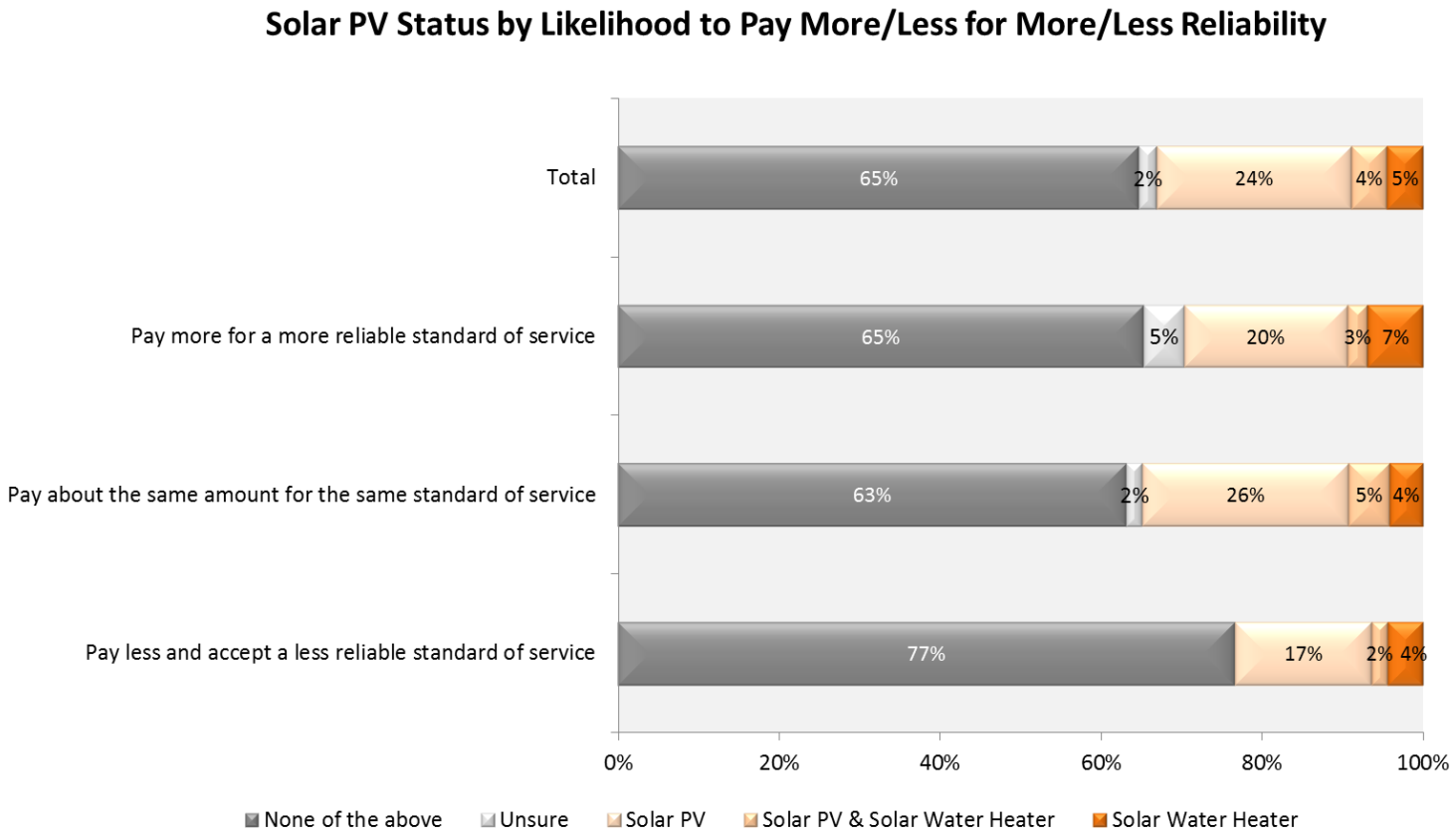
Trade-Off by Energy Concession Status

- There is no statistical significance between the three segments in terms of respondent's energy concession status.



Trade-Off by Solar PV Status

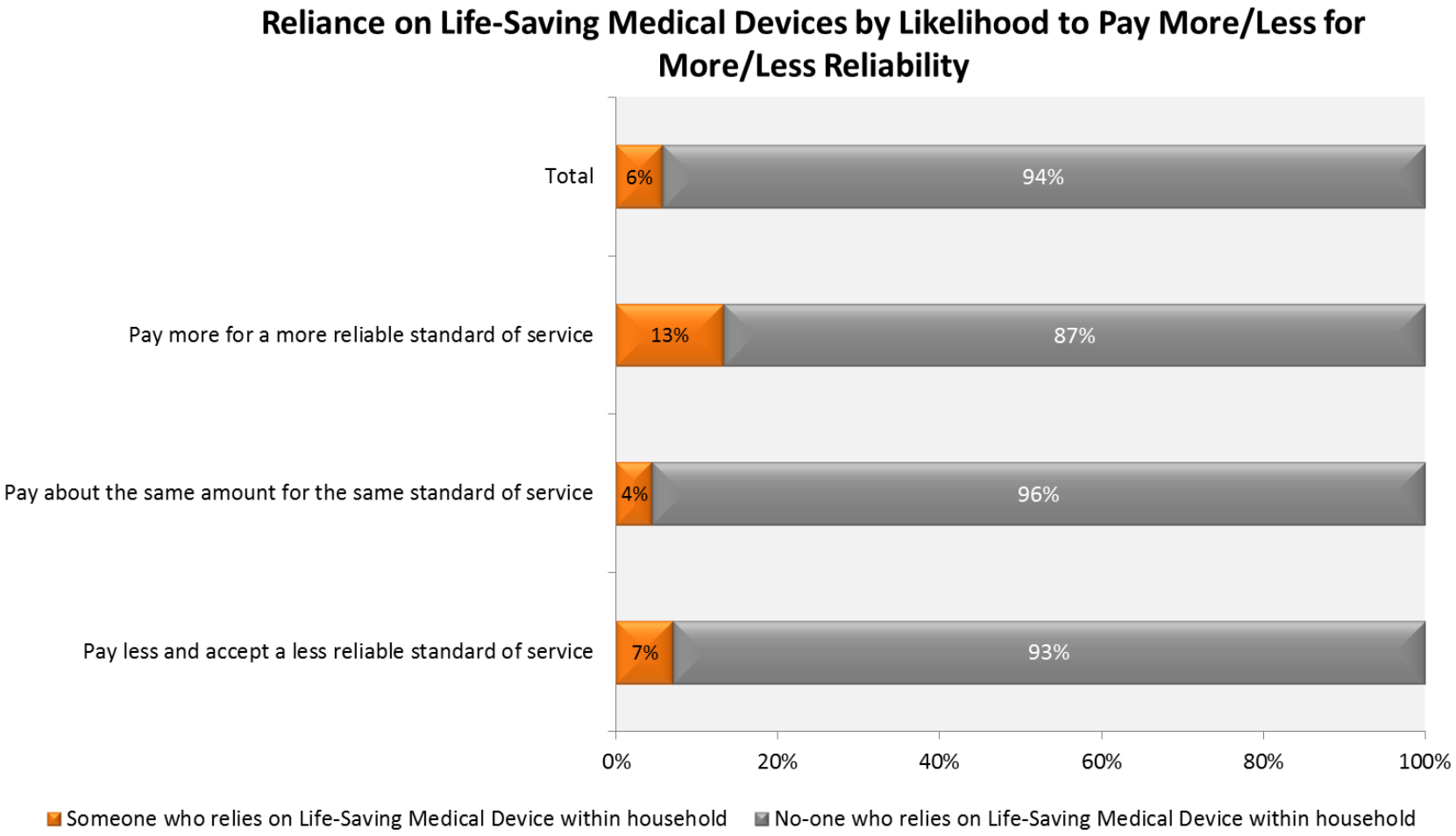
- 28% of the sample indicated that they had a solar PV which is 7 percentage points higher than reported by the clean energy regulator in January 2014.
- However, there is no statistical significance between the three segments in terms of respondent's solar PV status.



Clean Energy Regulator (2014), Postcode Data Files, January 2014 Retrieved from: http://ret.cleanenergyregulator.gov.au/REC-Registry/Data-reports

Trade-Off by Life-Saving Medical Devices

- Respondents who chose to pay more for a more reliable standard of service are more likely to have someone reliant on a life-saving medical device living in their household, 13% versus 4% (pay about the same) and 7% (pay less).



Trade-Off by Reliability Feeders

- Reliability Feeder data was appended to the data by means of respondent postcode.
- There was no statistical significance evident between the three segments (pay more/pay less/pay about the same) and the low reliability feeders (28).