



Qualitative Research Report



TransGrid

Qualitative Research Report – Final Version

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Executive Summary

Newgate Research conducted qualitative research with residential and commercial customers to explore their knowledge and perceptions of TransGrid, consult on key elements of its Five Year Plan and determine information needs and communications preferences going forward. The research comprised one three-hour focus group in Sydney CBD and two four-hour forums in Parramatta and Wagga Wagga amongst a total of n=60 participants who were recruited as representative of urban and regional communities.

Knowledge and Perceptions of TransGrid

Participants had very limited knowledge of TransGrid beyond it being connected with electricity in some way and were generally unaware of the distinction between transmission and distribution. Despite this, participants were very interested in issues associated with electricity, primarily because they are acutely aware of rising electricity prices and are keen to understand the reasons for this and what they can do to save money.

Most participants initially had a neutral opinion of TransGrid because they didn't know much about it. After hearing more about the organisation during the course of the presentations most developed a positive opinion about it for the following reasons:

- They liked that it was going out and talking honestly with the community about the issues it faces and was thoughtfully making plans for the future with consumers' interests in mind;
- They got to know about TransGrid and effectively got a lesson on the electricity system. This answered a lot of questions they had about why electricity prices are so high; and
- They found that TransGrid only accounts for 8% of their electricity bill – most felt this was quite low relative to the nature of the infrastructure and the importance of its role in ensuring reliability.

After hearing more about the organisation, some participants' had low-level concerns about TransGrid including:

- Questions about the degree to which consumers are now paying for past planning mistakes, with some suggesting that current consumers are paying for the need to overhaul 50-year-old infrastructure. There was a feeling that current consumers were being made to bear the brunt of these costs rather than the costs being spread out over a long period of time.
-
- Whether TransGrid can rely on forecast demand as the basis for dramatically reducing its capital expenditure over the next five years. Many felt that falling demand was counter-intuitive in the context of a growing population and increased use of electrical gadgets and worried that reducing capital expenditure at this time may mean that demand outstrips supply at some stage in the future.
- The future of TransGrid in the context of increased focus on renewable energy and potential privatisation and the flow-on impacts this could have on price and reliability.

TransGrid's Five Year Plan

TransGrid managers gave three short presentations on various aspects of its Five Year Plan and participants had the opportunity to ask questions and discuss these at their tables before responding to some questions using wireless handsets. Overall participants were

comfortable with TransGrid's plan and gave it an average grade of B+, with 90% agreeing that TransGrid has a sensible plan for the future. Key points follow:

- **Capital Expenditure:** Participants commented that TransGrid's approach reflects its concern for consumers and appreciated that the proposed spend was much lower than for the previous period. However there was some concern about the accuracy of demand forecasts on which the lower spend is based and TransGrid's ability to respond quickly if demand lifts to ensure continued reliability. When asked to rate the acceptability of TransGrid's proposal for capital expenditure on a scale of 0 to 10 where 0 means not at all acceptable and 10 extremely acceptable, participants gave an average score of 7.2.
- **Non-Build Options:** Participants were positive about TransGrid's efforts to avoid building new infrastructure and efforts in this area contributed to improved perceptions of the organisation but it was clear that lack of understanding about peak demand impacted responses. The concept of demand management was well received but some were worried that it represented an unfair burden on industry and that it could constrain future growth. Conversely, there was a lot of interest in learning more about smart meters and what individuals could do to use less electricity. There was strong interest in TransGrid's pilot battery storage project.
- **Operating Expenditure:** There was general acceptance of TransGrid's plans for operating expenditure with an average score of 6.7 out of 10, largely because it is essentially unchanged from the previous period and they saw examples of efforts to keep costs down wherever possible. Participants agreed with a series of specific proposals including:
 - To keep spending approximately \$3 million a year over the next five years on planning to enable better long-term decisions on capital expenditure, equating to around 35 cents per year for the average household (average acceptability rating 7.4 out of 10).
 - To increase operating expenditure by \$2 million each year over the next five years to invest in ways to reduce energy demand and potentially the amount that will need to be spent on new infrastructure, equating to around 25 cents per household per year (average acceptability rating 7.5 out of 10).
 - To spend \$2 million each year on consumer communications and engagement activities, equating to around 25 cents per household per year (average acceptability rating 7.2 out of 10).
- **Network Pricing:** Participants were asked their opinion of TransGrid's current approach to pricing which currently involves 50% of the transmission fee based on a flat rate that everyone across the state pays and 50% based on a variable rate based on the location that reflects the actual cost of getting energy to the users' local substation. There was a fairly even split between those who were comfortable with this approach and those who wanted to see slightly more weight given to the flat rate. A minority sought more weight on the variable rate. We note that any adjustment would require a change to the National Electricity Rules
- **Price vs Reliability:** Most participants admitted they take electricity reliability for granted. When prompted to consider it in more detail, they generally put a very high premium on reliability. When told that electricity transmission prices will need to

increase slightly by around \$4 per annum over the next five years to maintain the current level of reliability (frequency and length of blackouts), the majority (61%) said they would prefer to pay that price. Just under a third (31%) said they would rather pay the same as now and accept slightly more blackouts and a further 8% said they would prefer to pay slightly less than now and accept more blackouts.

Communications and Engagement

While qualitative research participants strongly supported the idea of TransGrid doing more to inform the community about itself and what it does, their opinions about the quantity and complexity of information that it should provide differed considerably.

While all felt TransGrid should communicate what it is and does and who owns it, in reality most were simply interested in understanding what elements make up their electricity bills, why they are rising and what they can do to keep their costs down. Some were also interested in understanding the broader electricity chain and the future of electricity in Australia.

A much smaller proportion were interested in a summary of TransGrid's Five Year Plan with a focus on the issues it faces, what it is doing to keep costs down and its environmental implications. Other topics of interest included potential privatisation of TransGrid, smart meters, falling electricity demand and renewable sources of energy.

While they are happy to receive this information from TransGrid in the absence of any other source, many felt that this information would ideally come from an organisation representing the electricity industry as a whole.

Participants suggested this information be communicated using a wide range of channels, reflecting the enormous variety of media that people use. The focus was on directing people to a well-designed interactive TransGrid website using a range of channels including social and conventional media, with other participants expressing interest in advertising, brochures and presentations to community groups.

Research Objectives

The key objectives of this qualitative research amongst residential and small business energy customers in New South Wales (NSW) were to:

1. Explore awareness, knowledge and perceptions of TransGrid;
2. Consult on key elements of TransGrid's Five Year Plan including:
 - The acceptability of its proposed capital expenditure;
 - Reactions to its approach to non-build options;
 - The acceptability of its proposed operating expenditure including increased investment in planning, non-build initiatives and communications and engagement;
 - Trade-offs between price and reliability; and
 - Pricing models.
3. Determine whether customers would like TransGrid to engage with them and assess the different information needs and communication preferences among various customer groups.

This work was undertaken as part of TransGrid's commitment to improved customer consultation. It was also designed to meet the requirements of the Australian Energy Regulator's (AER) Draft Consumer Engagement Guideline for Network Service Providers. The results will feed into TransGrid's Five Year Plan. Please see Appendix 1 for the research question line.

Other engagement work undertaken on the Five Year Plan included a six hour Consumer Advisory Workshop with industry, community and business groups and a six hour Large Energy User Roundtable. Some of the issues that arose during this consultation were tested with residential and small business consumers in this project.

Note that TransGrid has also commissioned Newgate Research to conduct a quantitative study with a sample of n=600 electricity consumers in NSW. This will be conducted in March 2014.

Methodology

Newgate Research conducted the following qualitative research amongst n=60 residential and small and medium business (SME) participants across NSW:

- One three-hour **focus group** held in Sydney CBD on 19 November with nine participants including seven residential consumers and two owners and managers of small to medium enterprises (SMEs). The purpose of the focus group was to test the discussion guide, quantitative questions and TransGrid's presentation for the subsequent deliberative forums to ensure participants easily understood them. Significant refinements to the guide, quantitative questions and presentations were made prior to the forums.
- One four-hour **deliberative forum** held in Wagga Wagga on 25 November. This forum comprised 19 participants, including 16 residential consumers and three owners and managers of SMEs. Wagga Wagga was chosen as a representative regional centre in NSW. At this forum participants were seated at two tables split by household income, with one comprising people with a household income of less than \$60,000 and the other of \$60,000 or more.
- One four-hour **deliberative forum** held in Parramatta on 27 November. This forum comprised 32 participants, including 23 residential consumers and nine owners and managers of SMEs. Parramatta was chosen as a representative urban center in NSW. At this forum the SME participants sat together and residential customers were grouped at three tables by household income – below \$50,000, between \$50,000 and \$90,000 and above \$90,000. Naturally participants were not aware of the reason for their placement at certain tables but it allowed the facilitators to observe potential differences in knowledge and opinion.

Recruitment was undertaken by specialist recruiter J&S Research using a recruitment script and screening questionnaire prepared by Newgate Research. Key elements of the approach follows:

- **Residential Consumers:** A mix of general community segmented by household income with a mix of ages and life stages. All participants had to be the main or joint bill payer in the household. We deliberately included some individuals who were from a non-English speaking background. Vulnerable customers were targeted and this included recruiting single parents, individuals who receive government support payments and those who are unemployed.
- **SMEs:** Owners and managers of energy-intense companies with less than 200 employees. All had to hold primary responsibility for financial decisions within the business. Industries represented included manufacturing, printing, food, retail, and cold storage.

In line with standard market research practices, all participants received an incentive for their time. Incentive amounts depended on how much time the research would take, location, and whether it was for a residential or SME participant. Given SMEs are harder to recruit than residential participants, they were offered a higher incentive. Incentive amounts follow over the page.

| Location | Residential consumer | SME consumer |
|--------------------------------|----------------------|--------------|
| Sydney CBD focus group | \$120 | \$160 |
| Wagga Wagga deliberative forum | \$150 | \$200 |
| Parramatta deliberative forum | \$150 | \$250 |

Facilitation was led by Newgate Research CEO Sue Vercoe, with table facilitation by Jasmine Hoye, Tanya Ploen and Bruce Dier. A copy of the discussion guide, the stimulus material used in the research and the presentations can be found in the Appendices.

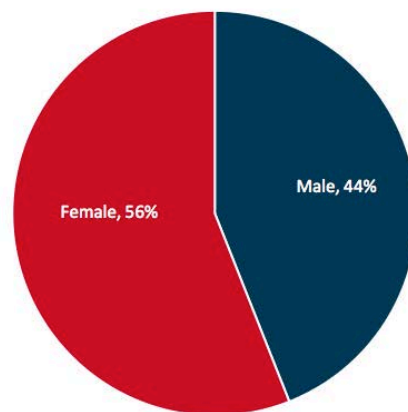
Quantitative data was also collected at the focus group via a paper-based survey and at the forums via IML handheld audience response technology. Questions were typically asked at both the beginning and end of the sessions to allow results to be compared. The results were collated and are shown throughout the report.

When comparing these results with subsequent quantitative survey results, it will be important to keep in mind that while participants were recruited to broadly reflect the community, by the end of the forum they were more likely to be engaged with the topic and, as result of the TransGrid presentations and discussions at their tables, were more knowledgeable about the various aspects of the Five Year Plan.

Demographics

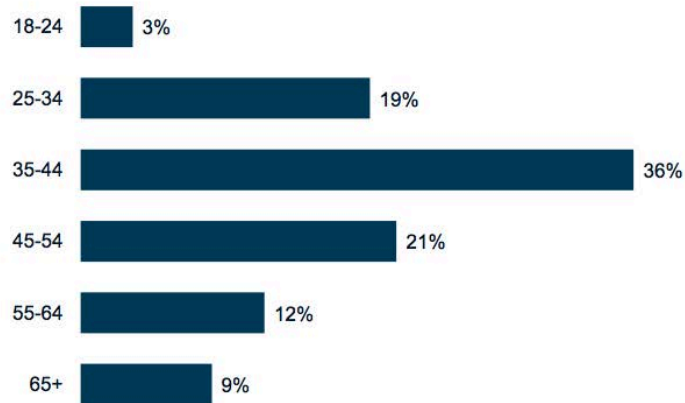
Participants were asked a number of demographic questions at the start of each research session. The breakdown follows:

What is your gender?



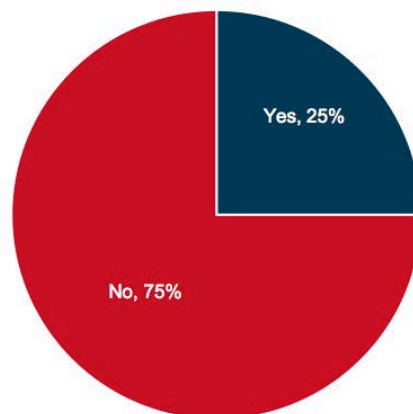
Base: all forum and focus group participants who answered (n=55)

Please enter your age group:



Base: all forum and focus group participants who answered (n=58)

Are you the owner or manager of a small business?



Base: all forum and focus group participants who answered (n=57)

Note to the Reader

This research was conducted in accordance with the international quality standard for market and social research (ISO 20252).

In preparing this report we have presented and interpreted information that we believe to be relevant to achieve the objectives of this research project.

Where assumptions are made as a part of interpreting the results or where our professional opinion is expressed rather than merely describing the findings, this is noted. Please ensure that you take these assumptions into account when using this report as the basis for any decision-making.

Please note that qualitative findings included throughout this report should not be considered statistically representative and cannot be extrapolated to the general population.

Quotes from the research have been included in the report to further support the findings. Verbatim quotes are included in a purple font.

Research Findings

The Research Findings section of this report is divided into three main sections:

- A. Knowledge and Perceptions of TransGrid
- B. The Five Year Plan
- C. Communications and Engagement Preferences



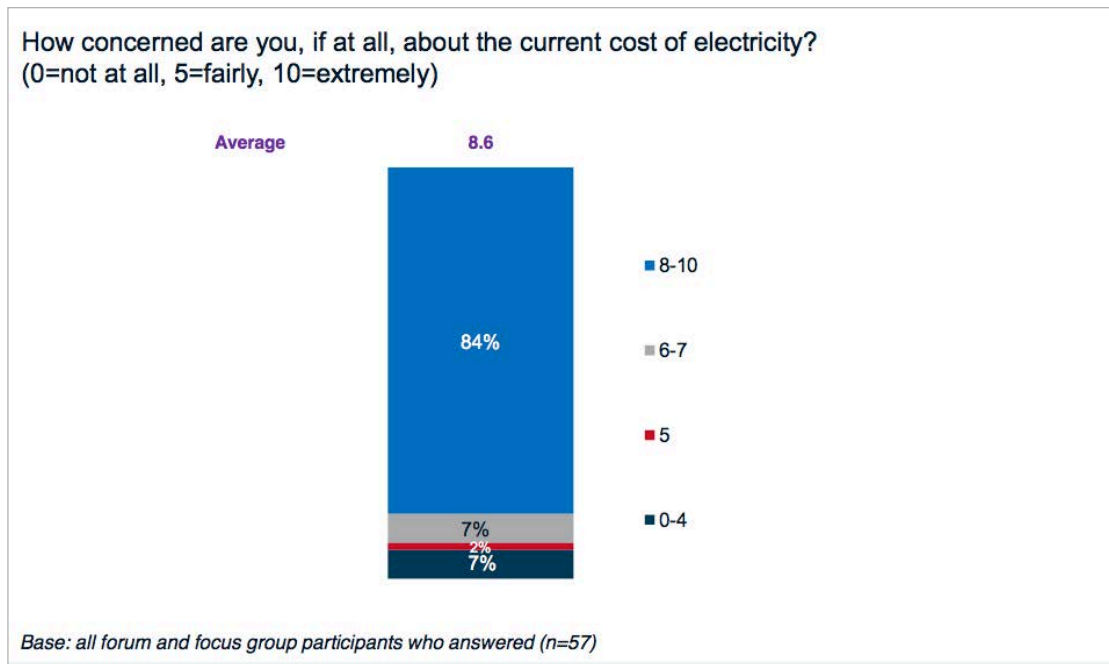
A. Knowledge and Perceptions of TransGrid

Key Issues in the Energy Space

Cost of Energy

Participants were asked what they believed to be the key issues in the energy area at the moment – anything they talk about with family and friends or that they have read, heard or seen mentioned in media recently. There were several issues raised but one dominated the discussions – price. Across all the different groups we heard from, including people from low, middle and higher income households, metropolitan and regional areas plus larger business consumers of electricity, the cost of electricity was by far the biggest issue in energy.

As previous research in this area have identified this as a key issue, at the start of each of the sessions, participants were asked to rate their level of concern about the current cost of electricity on a 0 to 10 scale. A significant majority of 84% gave a rating of at least eight out of 10 (with an average of 8.6), indicating a very high level of concern about the current cost of electricity.



Several participants made the point that the cost of electricity had only become an issue in recent years and that previously it was a service that people took for granted and rarely thought about; only on the few occasions when something went wrong like a blackout. Some commented that they could never remember their parents talking about electricity. For most people, it had always been a boring topic and, for most purposes, it still was. But power costs and the way they seem to keep rising were prominent in most people's minds and they said that more and more people are talking about this.

The cost keeps going up.

Each bill seems to get higher.

Many consumers discussed electricity prices with a degree of emotion in their voices, mainly driven by frustration. This applies to people from higher income groups as well as others. This emotion was driven by two experiences.

- Firstly, frustration about the size and continuing price increases. People had only a vague understanding of why this was happening. Some ventured that it may be due 'partially' to ageing infrastructure – poles and wires were commonly mentioned – or rising labour costs, but they felt uncertain about the big picture of what had been happening. Some thought it was because of the carbon tax but didn't have any sense of the specifics of this from a residential bill perspective. Reflecting their lack of engagement with energy issues, others were completely at a loss and added that their families and friends could not explain it either. They just knew prices were rising and were worried it would continue.

I'm unable to discuss this with anyone because no one seems to know.

- Secondly, most people had tried to cut down on their electricity usage but nearly all complained that their efforts had not succeeded in lowering their bills by any meaningful amount. However, some admitted that they hadn't really closely studied their bills to understand the impact of actions to reduce their usage.

In discussions it became clear that some people had done a lot to reduce their electricity use, others had done a moderate amount and some had only done a little, but very few had done nothing at all. The most common action was to change to energy efficient light globes. Other commonly taken actions included switching off lights or appliances when they were left on unnecessarily, not leaving appliances in standby mode, and a few were consciously limiting their use of certain appliances, such as air conditioners and clothes washers and dryers, and to a lesser extent, investing in insulation or solar panels. A few had done more like install extra insulation or solar panels, solar hot water and more efficient appliances.

I'm always chasing after the kids for leaving lights on.

Air-conditioning is a luxury and we only use it now in a couple of rooms.

Some consumers had considered switching to gas as an option. One person did this but found that their electricity bills still did not drop. Others said they had considered switching to gas but then realised this would just land them with another bill to pay.

The carbon tax did not feature prominently in discussions, except among some in the higher income group who were also small business operators. One blamed it for lifting his electricity bill by 20% and another blamed it for a 50% increase. But, generally, there was no apparent expectation that changes to the carbon tax would bring much relief for electricity consumers.

Other Energy Issues

For SME operators, the increasing cost of electricity was also a major concern and they said they were so busy they hadn't had much time to see what they could do to address it. Some admitted that they didn't have the time to even think about how they could potentially save

energy by changing their behaviour. A few complained that choosing an electricity retailer was confusing and spoke about ‘door-knockers’ offering them alternative plans that could save them money but they did not have time to look into it further.

I haven't got time to talk to someone about the savings I could make.

Several residential consumers questioned whether their bills were accurate, wondering if their meters were being read properly. Some in each location asked whether their meters were actually read by someone and, if so, whether this was accurately done.

A small number of participants had a smart meter, some in combination with solar panels, or they reported that members of their family had them. Feedback on smart meters was generally positive because they were understood to help householders work out how they could shift some activities to different times of the day, enabling money to be saved.

Green issues and the environment were high on the list of issues raised but, importantly, they were associated with lower levels of concern than about price. Many wondered about the future and to what extent renewables, notably solar, would feature in it. Others questioned why renewables and other green solutions hadn't already played a more prominent role in the electricity system. Most people did not discuss, nor seemed to know much about, the economic cost of utilising renewable energy sources. The small number that did mention it were mostly concerned about the associated costs. For a few people, the desire to see greater use of renewable energy sources was driven primarily about environmental concerns with some also worried about the health impacts of power lines.

Blackouts were also raised as an issue but generally in the context of being very occasional occurrences in an electricity system that most people praised as being fairly reliable. Most participants attributed blackouts to upgrade works by Ausgrid in their local area or storms or motor vehicle accidents where power-distributing infrastructure was damaged. Reliability was an important attribute of the power system for nearly everybody and especially so for businesses and some residents who relied on electricity for medical reasons. One participant who worked in printing said blackouts, when they occur, had a massive impact on his business and cost a lot of money. Electricity reliability is examined in more detail in Price and Reliability on page 36.

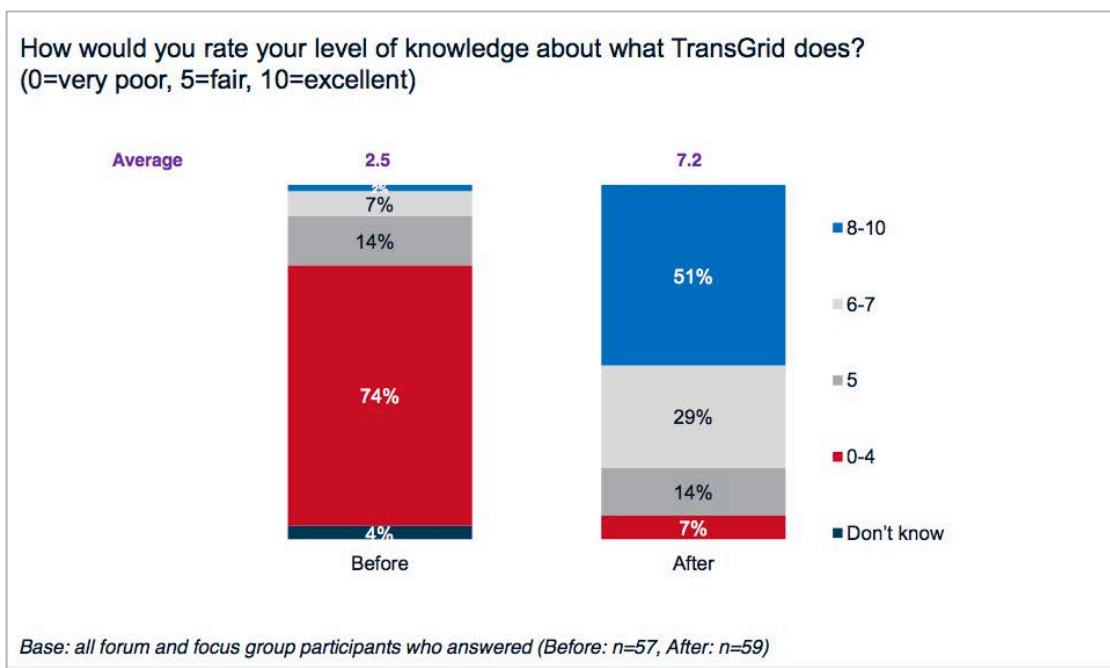
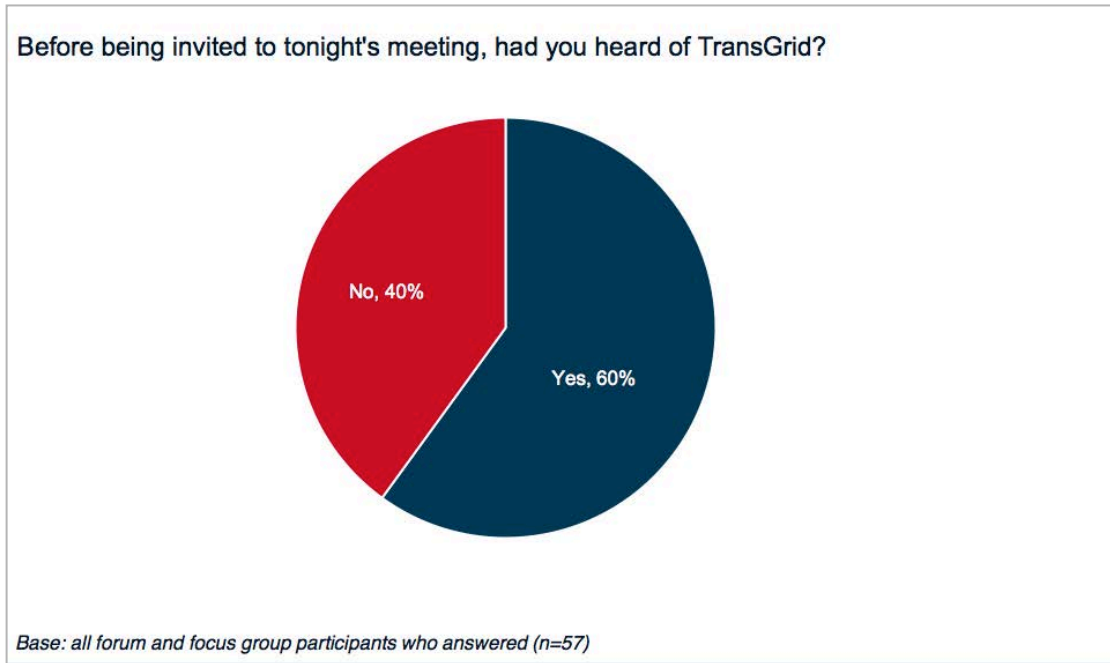
Another issue was concern about how the electricity system would adapt to the future. In this context, the small number who raised this point spoke of several challenges, including Australia's growing but ageing population and the fact that much of our power infrastructure is itself quite old. Coal seam gas and its future role in Australia's power system was also raised as a low level issue.

Knowledge of TransGrid

While participants had heard the name ‘TransGrid’ to varying degrees, very few participants knew much about the organisation.

At the start of the research sessions participants were asked whether or not they had heard of TransGrid prior to being invited to attend. As shown in the chart on the next page, a slight majority had heard of it (60%) but, for a large proportion of them, that was where their knowledge of TransGrid started and ended.

When asked to rate their knowledge about what TransGrid does, almost three quarters of participants (74%) admitted to very low levels of knowledge, giving a rating of four or less out of 10 (where 0 was very poor and 10 represented excellent knowledge). By the end of each of the sessions, participants rated their knowledge significantly higher, with just over half giving a rating of eight or more out of 10 (51%). In fact, the average score increased from an average of 2.5 at the start of the sessions to 7.2 by the end of the sessions.



To further understand participants' knowledge of TransGrid, at the round table discussions participants were asked what they knew about the organisation.

Most guessed that it had something to do with electricity but they could not explain where its duties in the overall power chain started and ended. Some thought it might have something to do with electricity infrastructure or maintaining the 'poles and wires'. For some, the syllable 'trans' in its name suggested that its role may have involved transport or transporting electricity. A few thought it was a generator and a small number in Parramatta thought TransGrid was a new retailer entering the market and doing research on how to attract new customers.

Sounds like transport, moving something like electricity.

It has something to do with power lines.

I know nothing about them.

Is it a conglomerate?

Someone who looks at all the providers and chooses the cheapest one?

Provider of electricity for trains?

Some reported having seen the TransGrid name on trucks and cars and one participant in Wagga Wagga reported seeing a photograph of a TransGrid helicopter installing high voltage power lines.

In terms of knowledge as to whether TransGrid was state government or privately owned, opinions were fairly evenly split but most admitted that they just did not know but guessed it was probably privately owned. Some even wondered, indeed worried, that TransGrid was foreign owned.

I think some generation (sic) is still with the state.

Tell me it's not Chinese.

Japanese?

American?

Gina Rinehart?

Knowledge of the Electricity System

To help understand participants' knowledge of what TransGrid does they were asked to draw the electricity system from 'where it comes from' to 'entering your home'. Most commonly, the drawings featured some form of generator, a set of poles and wires and consumers' homes. Some added power substations and a couple included transformers. They were also asked to label the different companies that operate at different points along the chain if they could.

It was very clear from this exercise that very few people understood the difference between transmission and distribution, let alone even being aware that 'transmission' was a step in the energy chain.

Many were also unsure about how electricity was generated in the first place. Participants mentioned different sources of generation – coal, hydro, wind, solar or ‘power stations’, revealing no consistent understanding about the overall delivery chain aside from broadly understanding that there were generators which sent the electricity along wires (some mentioned substations) and then on to towers or poles through the wires, which then connected to houses.

There were also many people who knew less than this. A few participants admitted they had no idea and one even wrote the word ‘magic’ over some wires leading to her house. For most people electricity was considered an essential service that was often taken for granted.

There’s a tower, and wires to our house from the substation but I don’t know where it comes from before that.

There are these poles with wires on them and then a wire comes off it and into your house, and there’s white things on top of the poles, I think they might be called conductors, but I have no idea how the electricity gets into the power lines.

Samples of some of the drawings are shown in Appendix 4.

Perceptions of TransGrid

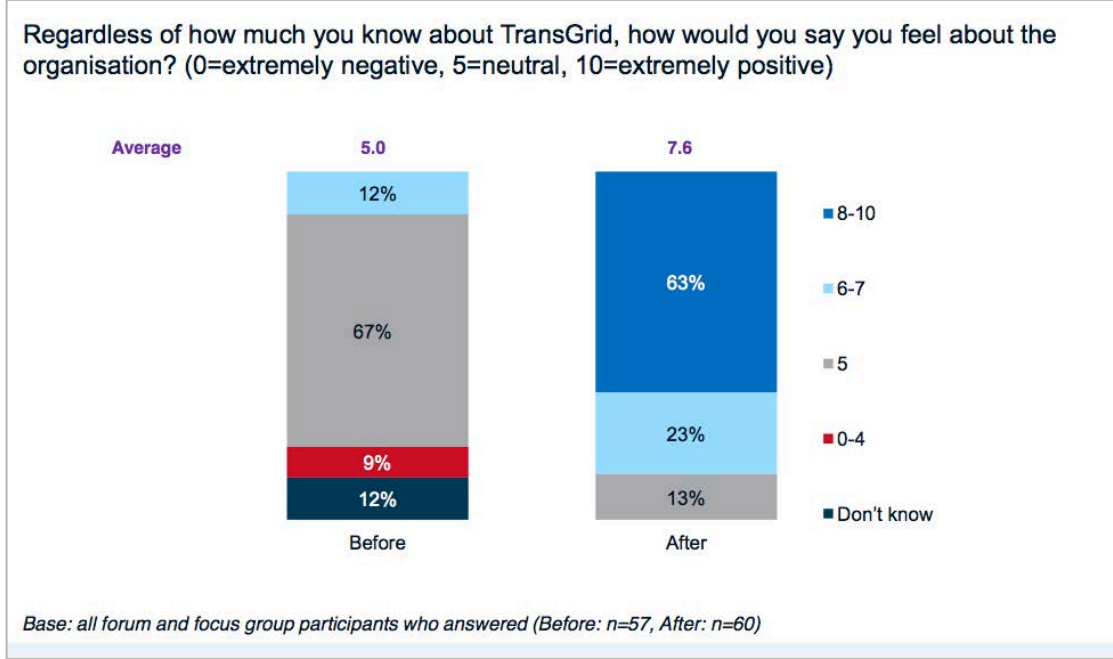
Initial Perceptions

Participants were asked to rate how they felt about TransGrid as an organisation at the beginning and at end of the sessions.

A large majority of people entered the sessions feeling neutral towards TransGrid, simply because they had next to no idea about what it does.

Initially just 12% gave a score higher than five (neutral) with these all being six or seven out of 10 (where 10 was extremely positive). The majority gave a neutral rating of five out of 10 (67%) and a further 12% did not know how they felt.

Sentiment about TransGrid was significantly more positive by the end of the sessions with 63% giving a highly positive score of at least eight out of 10. This result indicates that engaging with consumers in this way can contribute to significantly improving TransGrid’s image.



While there were a few who explained that their impression of TransGrid was negative, virtually all made it clear that their views were based on their opinions about the electricity system generally, the way prices had been rising, and the assumption that TransGrid must have been part of this. One participant mentioned their concern about the health implications of living near electricity infrastructure.

It's causing a lot of environmental issues and certainly has a few concerns for people who live nearby some of the big pylons...cancer. We were almost going to buy a house close to I think one of these substations, and there was a lot of concern from friends; they said if you live close to them, there's a lot of cancer clusters close to them. So why haven't they got more stuff underground?

The small number of people who held a positive initial impression of TransGrid based their view either on the fact that electricity was an essential service or that the state's electricity service overall was reliable and presumably well-run.

However, the important takeout was that TransGrid is essentially a blank canvas in the minds of most people and the organisation has the opportunity to inform people of its role and strategic decisions without the handicap of negative false perceptions or urban myths about it.

I'm neutral because I don't know anything about them.

Informed Perceptions

Participants were given a 15-20 minute presentation on TransGrid and the environment in which it operates (see slides in Appendix 2). This included a two-minute video, an overview of what TransGrid does and who owns it, its role and how it fits into the energy chain, the proportion of energy bills related to transmission, an explanation of how energy is generated, trends in energy consumption and household electricity bills, and a summary of the key issues that TransGrid faces.

Following the presentation, participants generally felt more positive about the organisation. Participants indicated that the main reasons for the increase in positive sentiment were as follows:

1. Most importantly, participants liked fact that TransGrid was going out and talking to the community in a manner that was seen as open, straightforward and honest about the nature of the issues it faced.

Communicating a clear, simple and honest message.

They told the simple truth of how it is.

2. Participants got to know and understand TransGrid - what it does, how long it has been in existence and some details about how it fulfils its responsibilities in the context of a virtual lesson about the structure and, to an extent, the economics of the electricity system. This went a long way towards answering some of the questions they had about why electricity prices were so high.

I now have more of an understanding.

We know a lot more about it now.

Everything that's happening is now a natural progression.

Now I realise where they are in the line of power distribution.

I would never have thought the cost of electricity was due to replacement.

3. They learned that TransGrid had many issues to deal with that were not straightforward and gained the impression that it was thoughtfully making positive plans for the future with consumers' interests in mind.

Nothing lasts forever and now I understand.

4. A major driver of positive opinions about TransGrid was the simple fact that transmission accounts for 'only 8%' of an average household power bill, which they felt was quite low relative to the nature of the infrastructure involved and the importance of its role in ensuring reliability. Many directly stated that they felt more favourable towards TransGrid after learning this figure. Conversely, it led to a number of questions

about why others in the system were taking such a large slice of the pie, particularly distributors and retailers.

They're a huge part of how we get electricity and yet they're only taking a small portion of the price.

It's like they (TransGrid) are the highways for electricity but not the toll.

Very few participants responded unfavourably to the presentations overall, but some did question whether planning and investment decisions in the past had been adequate and the degree to which consumers were now paying for past mistakes. A few were uncomfortable with the idea that much of the power infrastructure needed to be overhauled every 50 years, feeling that previous Five Year Plans should have raised money for this rather than leave unlucky consumers at the end of each half century having to foot a sizeable bill.

They should have planned better to stop the steep price curve.

One concern that emerged at different points during the deliberative forums related to the future of TransGrid and whether or not the NSW Government would privatise it. While this was naturally seen as being outside TransGrid's direct control and was not an issue intended to be explored in this research, most people were worried about the likely impact of privatisation and it became a major talking point.

Once told that TransGrid was government owned, the majority indicated they would prefer that TransGrid stay in public hands. They were concerned that if it were privatised, energy prices would rise even more and reliability may suffer because new owners may not have the same regulation as the current government-owned organisation and may not invest as much in maintaining existing infrastructure, or in the development of new infrastructure. A few commented that experiences in Victoria and South Australia showed prices had risen significantly after privatisation. Some also questioned why the government would consider selling TransGrid because it would lose the profit. Some also worried about TransGrid being acquired by an overseas investor, which would potentially cause jobs to be lost or 'exported' offshore.

Conversely, there were minorities of participants who didn't feel it was important that TransGrid remains in government ownership and, while they didn't necessarily support privatisation, they didn't convey any real concern about a private company taking over. In discussing this issue it is important to note that many people were actually surprised to find that TransGrid and the distribution businesses were still in public ownership.

Otherwise, negative overall impressions were confined to a small number of individuals across all the groups, not concentrated in any specific ones. A few, primarily in the SME group in Parramatta, wondered whether lower demand for electricity meant that TransGrid may be keeping profits from (assumed) unused electricity. Another participant in the same group worried that prices may be lifted in order to pay for improved reliability; something he considered would not be justified. A few participants questioned whether it was appropriate for publicly owned service entities like TransGrid to make a profit.

B. TransGrid's Five Year Plan

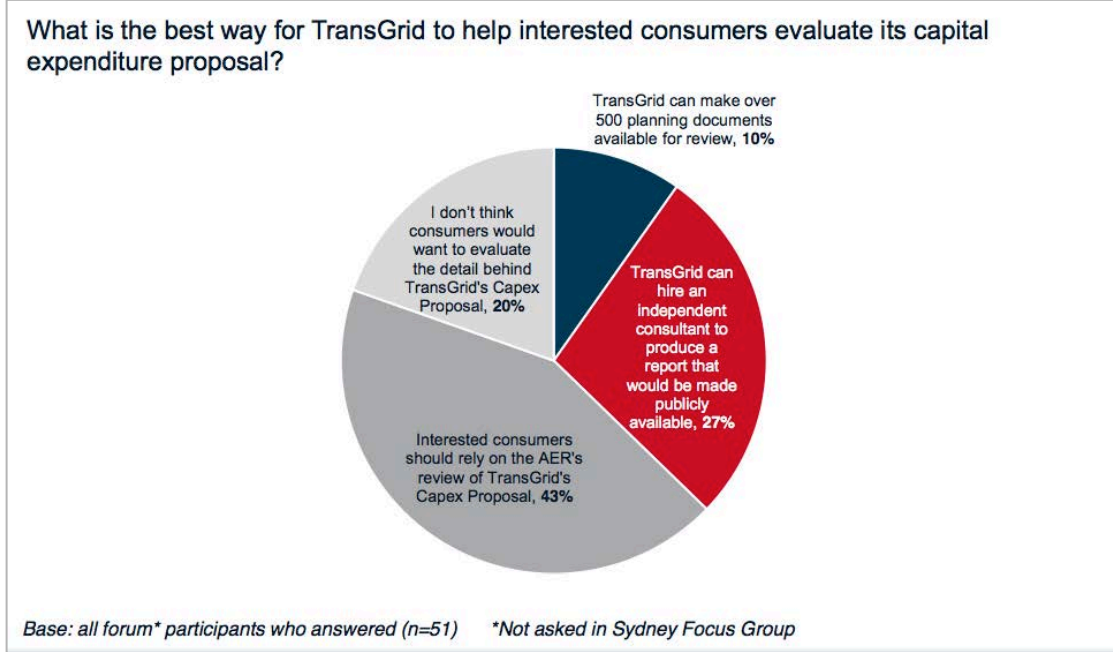
Overview

TransGrid worked to present the key elements of its Five Year Plan as simply and clearly as possible, identifying both potential benefits and issues with its plans and trying to strike a balance between providing sufficient information to enable genuine feedback but not so much that it was overwhelming or too complicated. As noted in the methodology section, the approach was initially tested in a three-hour focus group and then refined considerably prior to the two forums. The plan was presented in the form of three 10-20 minute presentations (see Appendix 2), each followed by a Q&A session, discussions at tables and some stand-up exercises.

TransGrid sought participants' feedback on its approach to engagement around the Five Year Plan and this is outlined in the Forum Evaluation section on page 50. In summary though, most understood the basic principles behind TransGrid's strategy and said they appreciated its efforts at openness and transparency although some said they found it too complex, with a few admitting to switching off during some presentations. As such, much of the focus of analysis in this report is on the elements of what participants heard they particularly liked and elements they were concerned about, as well as their reactions to some specific initiatives and questions posed to them.

In previous consultation with consumer organisations and large electricity users, participants had pointed out that their ability to comment on TransGrid's draft Five Year Plan, and in particular the amount of money to be spent on replacement and maintenance work, relied on data that TransGrid itself was presenting about the work that has to be done. In these discussions TransGrid asked participants if they saw value in it hiring an independent engineering contractor to provide a detailed evaluation of its plan or whether it would prefer that TransGrid made over 500 planning documents available for review.

For consistency, residential and SME participants were also asked which approach they would prefer. This issue was discussed at tables and the question was repeated at the end of the forums. The results are outlined in the graph on the following page.



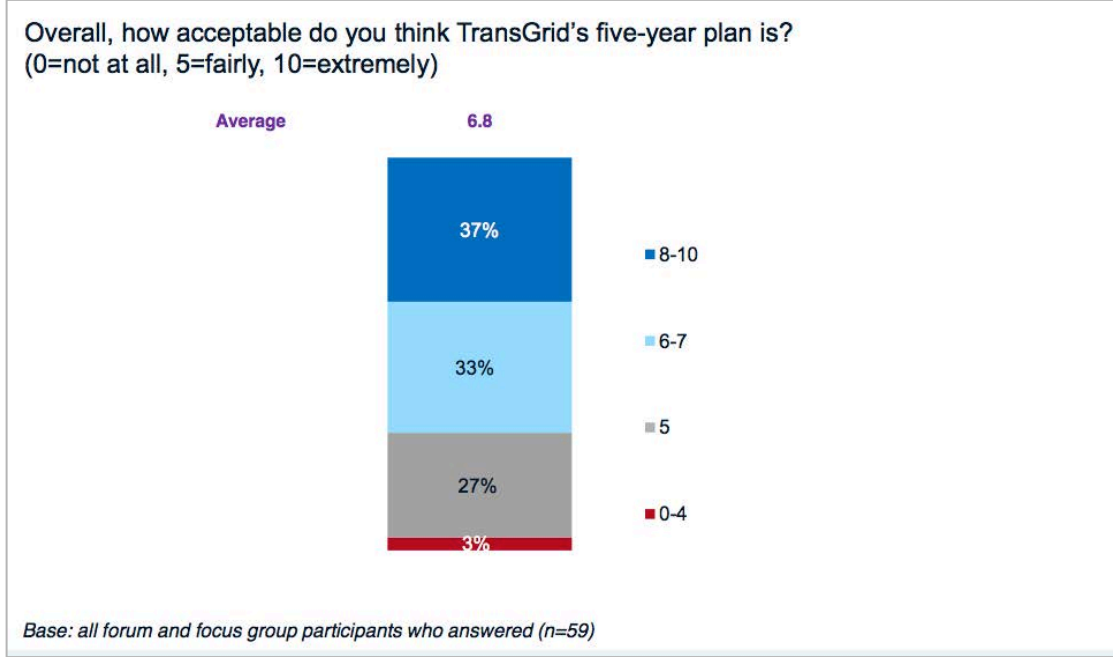
During discussions, the majority indicated that they were comfortable to leave the Australian Energy Regulator (AER) to review of TransGrid's proposals and said they would have no interest in reviewing the original documents or an independent report.

Note, however, that while a few saw merit in obtaining a consultant's assessment, most felt this would cost a considerable amount of money and doubted whether such a report, paid for by TransGrid, would be truly independent anyway as, they explained, consultants tend to be biased in favour of the views of those who hire them. This option was ultimately preferred by 27% of participants.

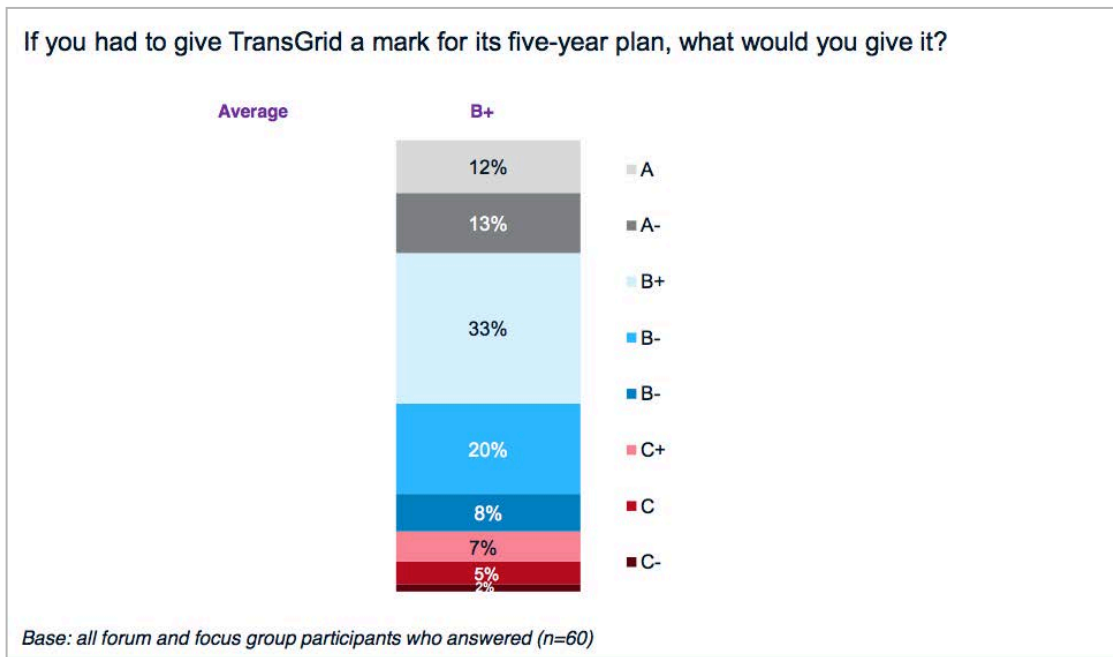
While they themselves had no interest in reading any of the 500 documents and doubted anyone else would either, around 10% expressed a preference for these documents to be made available to the public anyway for purposes of transparency, ideally online. A few participants in the Parramatta SME group were concerned about the potential security risks of releasing these kinds of documents while others were confident that such risks could be avoided by careful selection of documents.

At the end of the forum, participants were asked to rate TransGrid's Five Year Plan in a number of different ways.

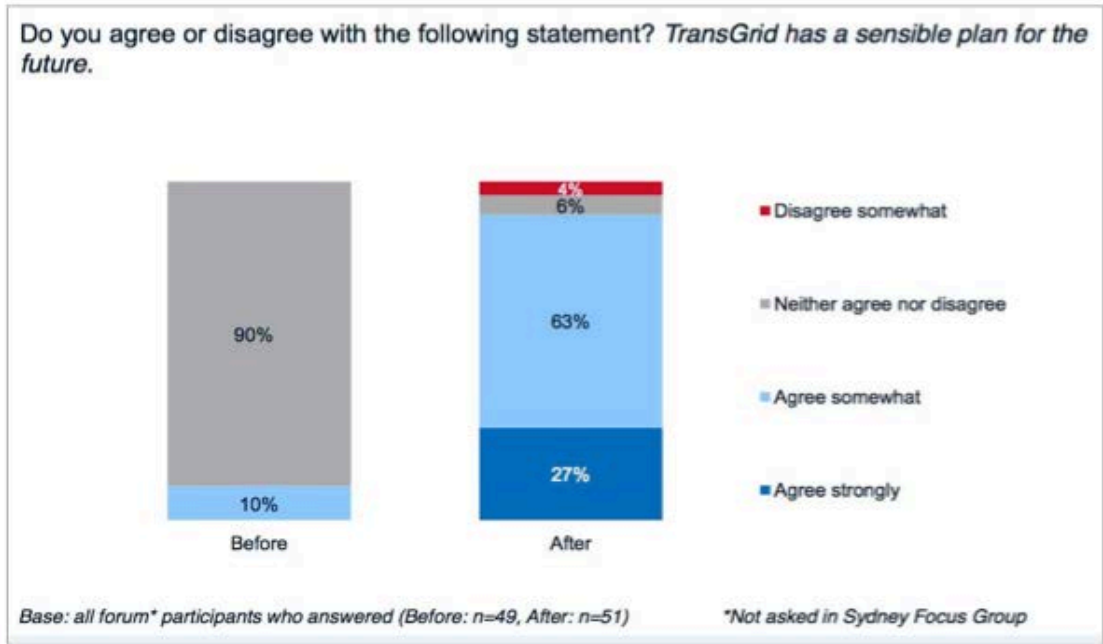
- When asked how **acceptable TransGrid's Five Year Plan** is on a scale of zero to 10 where zero was not at all acceptable, five was fairly acceptable and 10 was extremely acceptable, most (70%) gave it a score of six or more, with 37% giving it a score between eight and 10. The average score was 6.8 out of 10.



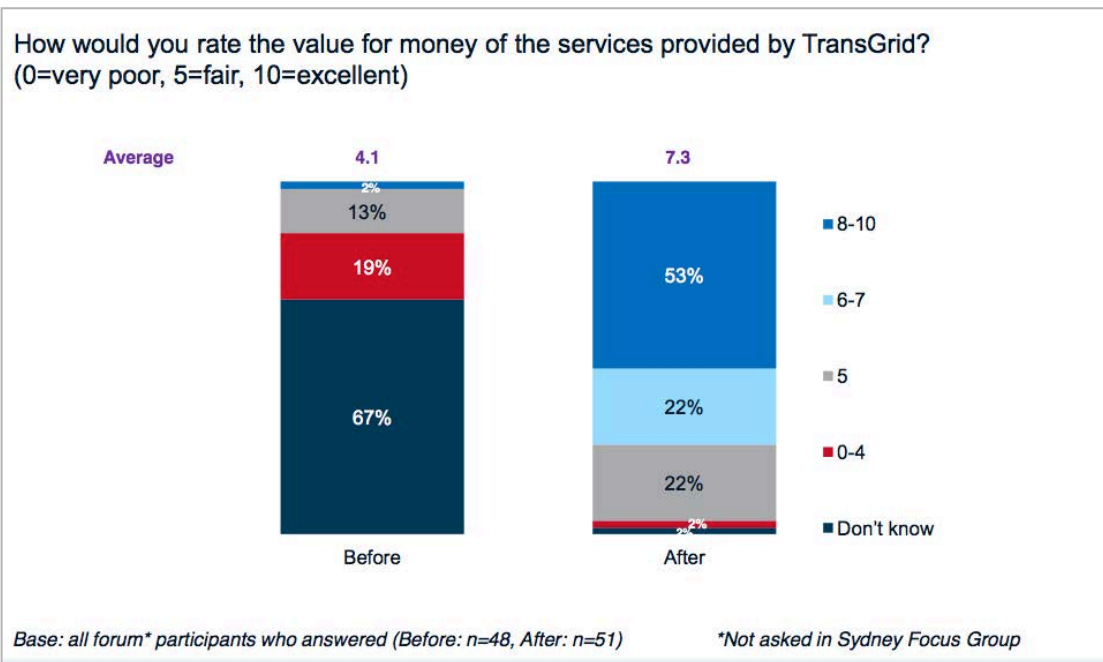
- When asked to give **TransGrid a grade for its' Five Year Plan**, the overall average grade was a B+.



- At both the beginning and end of the forums, participants were asked whether they agree or disagree with the statement **'TransGrid has a sensible plan for the future'**. At the beginning, most participants neither agreed nor disagreed (90%) reflecting the low levels of knowledge about TransGrid and its Five Year Plan. At the end of the groups and forums 90% agreed (27% strongly and 63% somewhat), with 6% neither agreeing nor disagreeing and 4% disagreeing somewhat.



- Similarly, participants were asked to rate the **value for money of the services** provided by TransGrid at the beginning and end of the sessions using a scale of zero to 10 where zero was very poor, five was fair and 10 was excellent. While many couldn't rate the value for money at the beginning of the sessions (67% indicated they didn't know), at the end of the session three quarters of participants (75%) gave a rating above 'fair' between six and 10, with 53% rating value for money between eight and 10.



Capital Expenditure

Participants were shown a 20 minute presentation (see slides in Appendix 2) that covered the breakdown of TransGrid's proposed capital expenditure for the 2014 – 2019 period with commentary on capital investment, peak demand, replacement needs, proposed replacement and market benefits.

For many participants the main value of the presentation on capital expenditure was that it helped explain why electricity prices had been rising in recent years – addressing one of the main questions on people's minds at the start of the session. They didn't necessarily like what they heard in this regard but understanding did alleviate some of the frustration they expressed when talking about how they didn't understand why their bills were rising.

They explained a lot more about the system and prices are going up and up, and now I understand why.

Following the presentation participants were asked what they liked about what they heard and what elements they were concerned about. The feedback is summarised as follows and is presented in broad descending order of importance.

What Consumers Liked

The key two main themes in positive comments after the presentation were:

- **TransGrid's planning approach reflects consumer focus:** Many participants felt that TransGrid was endeavouring to find the optimal balance to sets of conflicting priorities with the customers' interests in mind.

In particular many said they liked hearing that TransGrid was doing an increasing amount of planning around the amount of infrastructure that is actually required which could ultimately mean that less infrastructure than anticipated would need to be built in future, thereby keeping electricity prices in check.

Good planning – there's a lot involved and they're just trying to look after consumers at the end.

I liked that fact they are not putting up useless infrastructure that we're paying for.

- **Much Lower Capital Expenditure Spend:** Generally participants liked the fact that TransGrid's capital expenditure plans were relatively limited and would have minimal impact on customers' bills.

Note, however, that as noted in the next section, many also expressed concern about the accuracy of the forecasts on which this approach was based.

Other lower level positives mentioned by a few participants included:

- **Innovation:** Some said TransGrid was demonstrating innovation in a number of ways including its approach to maintaining substations and how it was trying to avoid unnecessary spend on Powering Sydney's Future project;
- **Replacement:** Some said all the replacement work being done showed common sense; and
- **Benchmarking:** A few commented that they liked how TransGrid was benchmarking itself against other similar organisations and this gave them confidence that they are on the right track.

The benchmarking is good. They're not spending shareholders' money.

What Consumers are Concerned About

The two main issues that arose following the presentation were as follows:

- **Concern about the drop in capital expenditure and accuracy of demand forecasting:** Some participants questioned TransGrid's proposal to spend a lot less on new infrastructure in the upcoming five year period than was spent in the past. While most ultimately accepted TransGrid's proposed (bill friendly) approach there were some doubts about the wisdom of doing this and the impact this could ultimately have on reliability and pricing in the future.

A few reflected on whether the large drop actually meant TransGrid had spent too much money on capital expenditure in the past thereby unnecessarily inflating bills.

Participants were generally very surprised to learn that electricity demand was falling and for many, it didn't quite ring true in the context of Australia's growing population. Some sensed that the fall in demand may be a blip and asked whether demand is falling in other parts of the world as well. They feared that these all-important forecasts may turn out to be wrong and that spending less on new infrastructure now may prove to be false economy. They wanted to know how flexible TransGrid's approach was and whether it had the flexibility to react quickly if required.

How reliable is forecasting? Are they forecasting properly?

If TransGrid puts off building, how fast can it react if forecasting is wrong?

I'm questioning the forecasts – have they done it properly?

What happens if we have a boom in industry, have they thought about demand?

Other lower level concerns included:

- **Uncertainty about increased spending on planning:** While ultimately most participants supported an increased spend on planning, some were uncertain about the validity of claims that increasing spending on planning could potentially lead to

lower bills in the future and some low income participants said they did not have the capacity to pay any more than they really needed to.

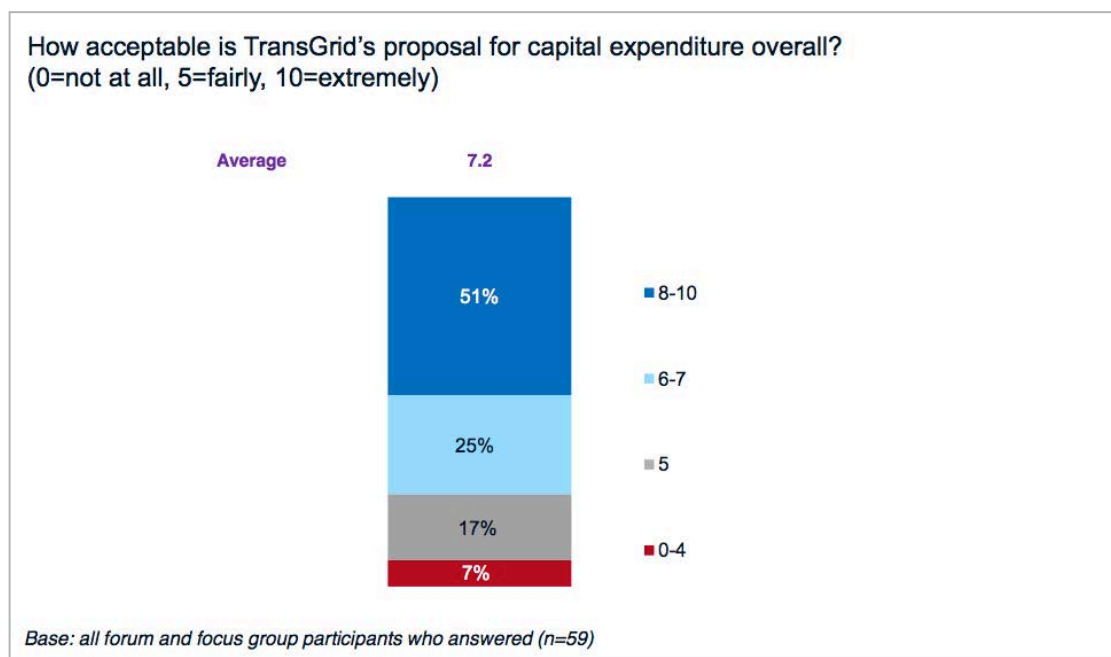
- **Fate of money saved or no longer needed by TransGrid:** In the context of the drop in demand, some of the more engaged higher income and SME participants wanted to know what happens if some of the money allocated to TransGrid was not used. They were disappointed to learn it would be returned to TransGrid’s shareholder (the government) and that it would not be returned to consumers or used in the interests of electricity consumers.

Why do we have to pay for it when the money goes back to government, and we’ve already paid for it, so we’re paying for it again?

If the government is getting 80% of the profits, why aren’t they investing back into the system?

- **Privatisation:** In the context of their new understanding about the amount of capital expenditure required to keep the state’s electricity transmission network running, some participants said they were concerned about the approach a privatised TransGrid would take and the impact of this on reliability and prices.

At the end of each forum participants were asked to rate TransGrid’s proposed plan for capital expenditure overall. Three quarters (76%) rated its acceptability between six and 10 out of 10 (where 10 was extremely acceptable), with 51% giving it a score of between eight and 10.



Non-Build Options

Participants were given a 10-minute presentation (see slides in Appendix 2) that explained how TransGrid's goes about not having to build new infrastructure. This presentation covered past successes with minimising build and outlining potential non-build options including demand management, local generation, and increasing customers' use of energy efficient goods.

This presentation was well received with responses to it almost unanimously positive. However, opinions were not strong as most saw only limited implications to address electricity prices - their major concern. For most, non-build options are an adjunct to the main issues attaching to the power system rather than fundamental to it. But that did not stop this presentation from strengthening favourable opinions about TransGrid and building on some of the attributes group participants were seeing in it, such as thoughtfulness and placing considerable emphasis on the interests of consumers.

Again, it is important to note that some people didn't fully understand all the ideas put forward and questions were raised by the presentation as well as answered. For most people, there were at least a few new concepts and ideas they had not heard about previously.

There were positive reactions to all the initiatives canvassed in this presentation, including demand management and alternative initiatives like education and battery storage and it generated significant interest in finding out more about smart meters.

It's good to see they're advocating that everyone gets involved in using their energy wisely.

I like the level of review they have, that they're constantly looking at the infrastructure and everything else. It was all fairly well explained.

I think it's great. They're not stupid. It's their business.

A minority expressed concerns that demand management and alternative ideas may backfire and cost more in the longer term. This view was based on the possibility that non-build options actually save money by compromising reliability in the system. In some conversations, a 'spare tyre' analogy was used to describe extra capacity built into the system so it can cope with periods of especially high demand. This analogy resonated strongly and built considerable confidence in the system. People appreciate the existence of a 'spare tyre' in it.

Keep the spare wheel there for a major disaster.

I'm worried about them deferring the money – it might cost more later.

Perhaps paradoxically, some of the strongest concerns about possible compromises to a 'safe' system were expressed in Wagga Wagga. However, both the lower income and higher income Wagga Wagga groups also expressed the greatest interest in the potential for going

off the grid at some point in the future. It is important to note, however, that they still wanted to ensure they had back-up access to the grid when they needed it.

A summary of comments on some of the key themes in this section of discussion follows:

- **Demand Management:** The idea of allowing electricity companies to turn off or reduce their electricity usage at times of peak demand was moderately well received but raised questions and concerns among a large number of participants. Driving much of the hesitation was a lack of understanding as to when the system's reliability is most severely tested and also of the fact that a very large amount of money could be saved if the system did not have to cater for such high demand in peak times. As a result, the extent of potential savings was downplayed in people's initial assessments of the idea. Some even viewed it as merely an attempt to change people's habits, something that is difficult to achieve. A few were worried that it represented an unfair burden on industry and that it could constrain future growth.

Still, most believed it is worth a try and wanted to see the approach extended for residential households and SMEs. It was in this context that participants became quite interested in the prospect of smart meters, which they saw as providing a 'carrot' approach for using electricity during off-peak or shoulder periods.

- **Smart Meters:** Participants showed strong interest in smart meters and this arose in the context of discussions on demand management and how to educate people on how to use less electricity. Most did not know much about them but several had heard of them. When those more familiar with them explained what they do, interest shown by others was high. For instance, one participant in Wagga Wagga explained that his son had a smart meter and had started taking time into account when doing things like using a washing machine. Some others commented that they hadn't realised there were different prices at different times of day and expressed interest in acquiring one.

Many, particularly SME operators, said they would be interested in seeing TransGrid engage more with consumers, both households and businesses, to give them some incentive and instruction to reduce their usage. Generally educating consumers about how to save electricity was viewed favourably and as a way of getting everybody involved in saving power, thereby saving money by requiring less future spending on infrastructure and maintenance.

It always amazes me how many people at work complain about their high electricity bills but then tell me they're getting rid of their clothes line and using their tumble dryer all the time.

- **Pilot Storage Projects:** There was considerable interest in TransGrid's pilot projects for energy storage and most were keen for it to do more work in this area. Initially some of the gloss was taken off this idea by people's lack of understanding about peak demand and their non-awareness of the limitations of alternative energy sources like solar and wind. Many did not realise that power generated from these sources can only be stored in small quantities. However, as discussion about storage batteries proceeded, interest in the idea increased. Other questions did arise,

though, with some asking about the size of the batteries while others wondered where they would be located, in houses or substations or somewhere else.

Ultimately participants liked the idea of making electricity when it is cheap and then storing it. They could see this would help in managing demand fluctuations. They also eventually came to realise the implications of this for renewable energy sources in that it makes them considerably more feasible. In the end, there was widespread support for more investment in his area, particularly in Wagga Wagga and among SME operators.

- **Energy Efficient Appliances:** Most participants expressed interest in learning more about energy efficient appliances, though several said they were conscious of this already when they buy new appliances. Some did make the point that energy efficient appliances can be more expensive and that the amount they save on electricity usage may not make up for the purchase cost. Some added that these appliances can actually be less reliable. One woman in Wagga Wagga said she bought an energy efficient washing machine but it broke down fairly quickly and she replaced it with a second hand machine that continues to run very well.

Operating Expenditure

Operating expenditure was covered in the same presentation as capital expenditure. It was explained that TransGrid's operating expenditure was expected to remain fairly stable, with some new expenses offsetting proposed savings. Throughout the forums there was discussion about the acceptability of proposed new expenses including increased spending on planning, demand management and non-build options and communications and engagement.

There was general acceptance of and very little questioning of TransGrid's plans for operating expenditure in the upcoming planning period, largely because it is essentially unchanged from the present period. Again there were positive comments about the way that TransGrid was working to keep costs down wherever possible.

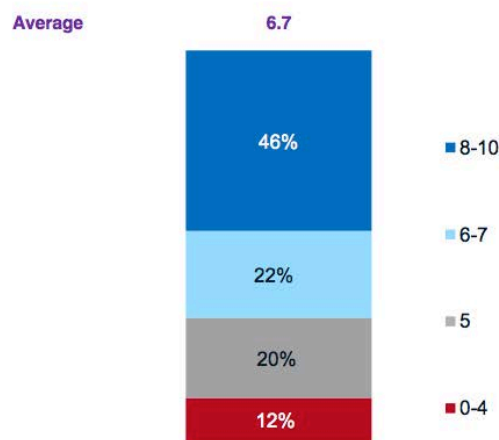
I like the way they are thinking about their systems and how they control their business and how they can be more efficient.

The main takeout from this part of the presentation was that a lot of money is spent on maintenance, which naturally is considered a good thing. Some posed the question of how the decline in demand would impact operating expenditure.

The only significant concern raised, though not widely, was about TransGrid planning to make savings through reducing the number of employees in one area of the business. Some in Parramatta objected to this, considering it to be something that is happening too widely in society and involving too great a human cost to be fair or justified.

At the end of the forums participants were asked to rate TransGrid's plans for operating expenditure overall. This fared a bit lower than for capital expenditure, with 68% rating it six out of 10 or more and 46% giving it a score of between eight and 10.

How acceptable is TransGrid's proposal for operating expenses overall?
(0=not at all, 5=fairly, 10=extremely)

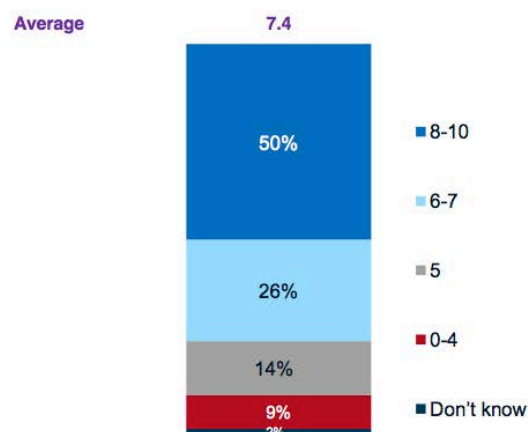


Base: all forum and focus group participants who answered (n=59)

Increased Operating Expenditure on Planning

Participants were asked how acceptable they found TransGrid's proposal to keep spending approximately \$3 million a year on planning to enable better long-term decisions on capital expenditure (building new infrastructure) in future. They were told that this equated to around 35 cents per year for each average household bill. Using a scale where zero meant not all acceptable, five meant fairly and 10 meant extremely acceptable, more than three quarters (76%) gave a score above 'fair' with 50% giving a score between eight and 10.

How acceptable is the proposal to keep spending approximately **\$3 million each year** on planning to enable better long-term decisions on capital expenditure (building new infrastructure) in the future? *This equates to around 35 cents per year for each average household bill.* (0=not at all, 5=fairly, 10=extremely)



Base: all forum and focus group participants who answered (n=58)

While most were comfortable with this approach on the basis of the minimal impact on their bill, a number of participants expressed uncertainty about the validity of claims that increasing spending on planning could potentially lead to lower bills in the future.

When you look at it per year, it's not that much. It's less than I was thinking.

It's not going to impact on the consumer really. It's not much. You'll be paying more for bread in five years' time.

Part of the issue related to whether people would actually 'save money' or 'pay less' in the future and whether this meant that the number of dollars they will pay in future bills would be less than what are paying today. There was a sense that in future people may call for more concrete figures on specifically how the expenditure would affect their future electricity bills within a set of specific timeframes.

We pay more now . . . pay less in the future? I'm skeptical.

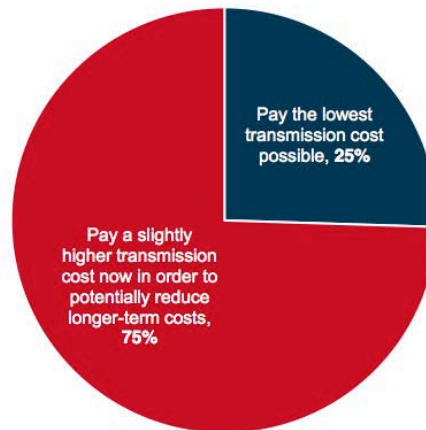
I think we just have to trust them, but I feel comfort in the fact that they're doing all these things to look at different options . . . I feel comfortable that they're taking every step they can to spend it (money) wisely.

Driving the uncertainty was a general sense that the longer the cost could be put off, the better. This in turn was based on doubts as to whether consumer prices would actually be lower in the future even if costs of improving transmission were already covered.

The few who remained opposed to this initiative were from low-income groups, often individuals involved with charity organisations, who said they struggled so much to pay their bill they simply couldn't afford any discretionary increase.

In another question at the end of the forums three quarters (75%) of participants indicated that in principle they supported the approach of paying a slightly higher transmission cost now in order to potentially reduce longer-term costs, while one quarter (25%) would prefer to pay the lowest transmission cost possible.

In principle, which of the following approaches would you prefer for the transmission element of your energy bill?



Base: all forum* participants who answered (n=51) *Not asked in Sydney Focus Group

Increased Operating Expenditure on Demand Management

During the Consumer Advisory Workshop and Large Energy User Roundtable discussions the majority of participants said they wanted to see TransGrid do far more work in the non-build and demand management space than it is currently undertaking or was originally proposed. As a result, residential and consumer participants were asked whether they would support TransGrid increasing its proposed operating expenditure by \$2 million each year over five years to invest in ways to reduce energy demand and potentially the amount that will need to be spent on new infrastructure. They were told that this would equate to an average of 25 cents per household per year.

There was clear support for this initiative. Participants felt that potential benefits to both the future of the electricity system and, for some, the environment as well could be well worth an investment that most regarded as trivial.

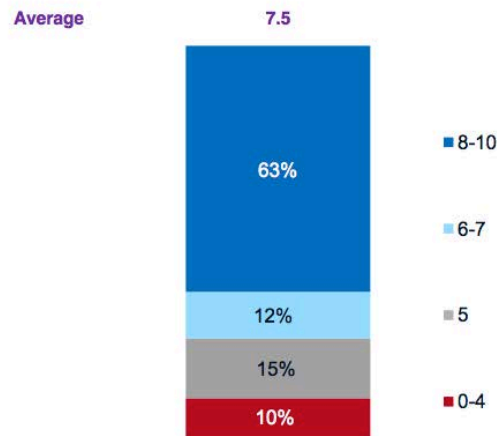
That's pennies. Do you want it now?

Yes, I don't think that anyone would miss that amount of money.

If you're going to see an improvement, then no one will mind.

The chart over the page shows that, at the end of the forums, 75% gave a score above the neutral point of five in support of increased operating expenditure on demand management. Furthermore, almost two thirds were very supportive of the proposal with 63% giving a rating between eight and 10.

How acceptable is the proposal to increase operating expenses by approximately **\$2 million each year** to identify ways to reduce energy demand and, potentially, the amount that will need to be spent on capital expenditure in future? *This equates to around 25 cents per year for each average household bill.* (0=not at all, 5=fairly, 10=extremely)



Base: all forum and focus group participants who answered (n=59)

Increased Operating Expenditure on Communications and Engagement

Participants were asked about the acceptability of TransGrid spending \$2 million each year on consumer communications and engagement activities and that this would equate to 25 cents per household per year. Again, there was overwhelming but not unanimous support for this idea. Virtually everybody considered the 25-cent cost inconsequential.

That said, some participants said that while communications would certainly benefit consumers, they questioned the direct benefit to TransGrid. They pointed out that much of the information that people wanted was about how to save money on their electricity bill and why electricity prices are rising as well as education on other parts of the electricity supply chain.

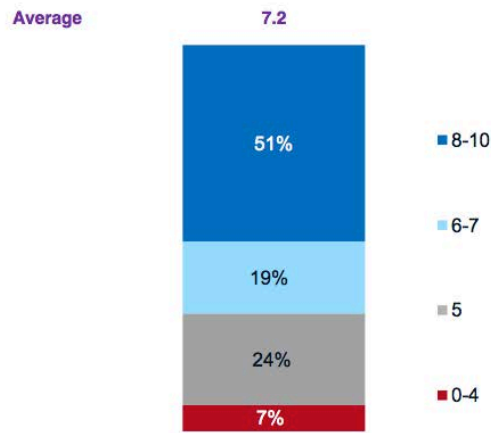
I'd pay 25 cents to learn how to save electricity and save money.

Questions about consumers' real level of interest in learning more about TransGrid and genuinely engaging on issues like its Five Year Plan led a few to question whether the engagement for TransGrid would be of any value beyond ticking a box on a compliance issue. They did acknowledge that formal research with a representative sample of the sort being undertaken was important as they would not have turned up to such a session if they were not being given a 'reward'.

A few people in the Wagga Wagga lower income group dissented from other participants and thought the \$2 million should be spent on research instead. Some added that rather than spend \$2 million each year, a one-off spend of \$2 million may be adequate.

Participants were asked to rate the acceptability of the idea of spending 25 cents per household each year to fund consumer engagement on a scale of zero to 10 where zero was not at all acceptable and 10 was extremely acceptable. There was fairly strong support for this proposal with 70% of participants giving an acceptability rating of six or more out of 10 and an overall average rating of 7.2 out of 10.

How acceptable is the proposal to spend **\$2 million each year** on consumer communications and engagement activities? *This equates to around 25 cents per year for each average household bill.* (0=not at all, 5=fairly, 10=extremely)



Base: all forum and focus group participants who answered (n=59)

Price and Reliability

The issue of the trade off between price and reliability was a theme that ran through all the presentations. The approach to pricing transmission services, described in TransGrid's pricing methodology, was presented in a five-minute presentation towards the end of the forums.

The presentation was received with interest and had a mildly positive impact on participants' opinions of TransGrid, once again showing that the organisation is open about the complex issues it must deal with and that it does this thoughtfully.

Approach to Network Pricing

During the presentation TransGrid explained that, at the moment, transmission prices are made up of two equal parts - a flat rate that everyone across the state pays and a variable rate based on location that reflects the actual cost of getting energy to the users' local substation. They explained that consumers don't actually see this break-up on their bill but that its approach to pricing does have an impact on their bill.

To break up the discussion participants were asked to get up and stand in a position that reflected their opinion as to whether they would prefer to keep the approximate 50/50 split TransGrid has now or whether they would like to see more weight put on the flat rate or the variable locational-based fee.

Participants had no trouble engaging in discussions about TransGrid's pricing formula and were comfortable making judgments based on their sense of what was fair. Across all the groups, most people supported the existing 50/50 situation.

The exception was in Wagga Wagga where majorities in both groups supported a greater weighting towards the more egalitarian flat rate. However there were minorities – two people in each of the higher and lower income groups – that went the other way and favoured more of a 'user pays' pricing approach.

In Sydney and Parramatta, most supported the 50/50 status quo except for the lower income group where the majority preferred a flat rate approach. In the other groups, there were minorities who supported the variable user pays approach.

The arguments were similar across all groups and focused largely on people who live in regional or more remote areas, even among participants from the metropolitan centres. Those favouring the status quo viewed it as a reasonable and rational balance of the various considerations that needed to be weighed up.

Those who wanted more emphasis on the flat structure felt that more of a user pays system would be unfair to those who live in the country and would discourage people from moving to a regional area. As one person from a lower income metropolitan group explained:

It would not be fair on country people.

This was echoed by one participant from the higher income metropolitan group where the point was also made that the government is trying to encourage people to move to the country:

It's like petrol prices – you pay more in the country. Is that fair?

Naturally these sentiments were stronger in Wagga Wagga where there was a perception that more of a user pays approach would be especially hard on farmers:

It would be unfair for people who have to work in a remote location to pay more. They are picking on farmers as they are the furthest away from the lines.

Only in the SME group did discussions not center around country people. They talked more generally about distance from transmission lines.

It would be a bit unfair if it was based on if people live farther from transmission lines.

The minority who argued for a greater user pays component based their case on users pays being a general trend and that if people choose to live in regional or, especially, remote areas to which it is more costly to transmit electricity, then they themselves should pick up the tab rather than expecting other people to support their country lifestyle. This line of thinking was common to the minorities in both metropolitan areas and Wagga Wagga who favoured more user pays. As one person from the Wagga Wagga low income group put it:

If you decide to move to the bush, you know it's going to cost more and I don't think I'd like to subsidise someone else.

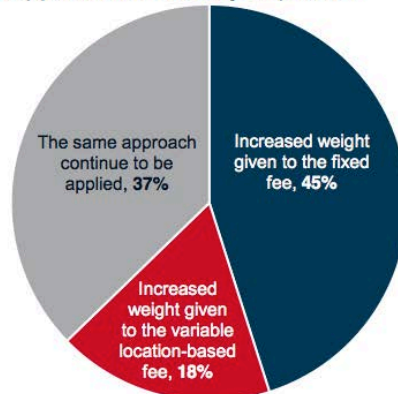
Discussions on this topic led some to consider other ways that prices could be reduced. One was by smoothing out energy usage through initiatives like flexible working hours so that fewer people will be using electricity at peak times. Another idea was to save money by getting rid of the distributors and having TransGrid interact directly with retailers.

This question about TransGrid's pricing approach was asked again at the end of the forum using the hand-held voting devices. At this time 37% said they would prefer the same 50/50 approach continue to be applied and 45% said they would prefer more weight given to the flat or fixed fee. These results suggest that some participants may have been swayed by the earlier exercise and subsequent discussion towards more support for a flat rate approach.

At the moment the two main elements of transmission prices are:

- a. A fixed fee that everyone across the state pays (approx. 50%)
- b. A variable fee based on location that reflects the actual cost of getting energy to the users' local substation (approx. 50%)

Which of the following pricing approaches would you prefer?



Base: all forum* participants who answered (n=51) *Not asked in Sydney Focus Group

Network Reliability

For most participants, talking about unreliability in the electricity system was an unfamiliar and mildly disturbing experience as they considered the system to be reliable and had taken that for granted. However, they had relatively little difficulty in determining their preference about the price and reliability trade-off, though the more they thought about instances where a power failure could be catastrophic for someone, the more complicated this judgment became.

Reliability was seen as extremely important and as something that consumers wanted to enjoy without thinking about it. In both metropolitan and regional areas, most considered reliability to be something that could not be compromised. Several people, however, said they could handle short blackouts; it's the longer ones that bother them. Reliability is considered most important in the mornings when families are preparing to go to work or school and in the evenings when they are making dinner and showering, although a few pointed out that the shift workers would need electricity at other times. Participants who care for young children especially felt reliability was critical.

I like my electricity on. I like a 'spare tyre'.

I worry about the food in my fridge and freezer.

I could handle a blackout, just not between 5 and 10pm when I need to cook tea and my kids need to have showers.

I remember the blackouts in the 80s. You can't live like that.

For one participant, reliability was particularly critical due to his wife relying on life support at home. Because of this, he had three backup generators that would kick in if there was an interruption to the electricity supply, even if just for a few seconds.

Many businesses also consider reliability to be vital and they expect it 24 hours a day. One printing business spoke of the huge expenses that blackouts cause them and a seafood import business owner said it would be catastrophic for him and could ruin entire refrigerated containers of product.

Despite its importance, participants found it hard to place a dollar value on reliability. Few had ever thought about it in those terms. In the Sydney CBD focus group, participants were asked if they would accept a \$15 per year discount on their power bills in return for a small reduction in reliability. No-one said they would.

In the two forums a short exercise found that most consumers were comfortable with the current trade-off between reliability and power prices. Participants were told that trade-offs could be made between reliability and the electricity price they pay. They were asked to stand in a position that reflected their preference for less reliability in exchange for a slight reduction in price, better reliability for a slight increase in price, or for things remaining as they were. By way of context participants were told to think of reliability in terms of numbers and lengths of blackouts and that TransGrid's networks typically experienced around 12-16 blackouts each year (each in a different part of the state), and that indicatively each one typically ran for approximately one hour and took out power to around 15,000 homes.

Most chose the center position, representing the status quo. They valued reliability and did not want to compromise it but believed they were already paying enough.

A few chose higher reliability at a higher price. Most of these people, including several SME operators, considered themselves particularly vulnerable if power were to fail. Others said they just could not bear the inconvenience of a less reliable system. One said he liked his hot showers and was prepared to pay more to ensure he could continue to enjoy these without disruption.

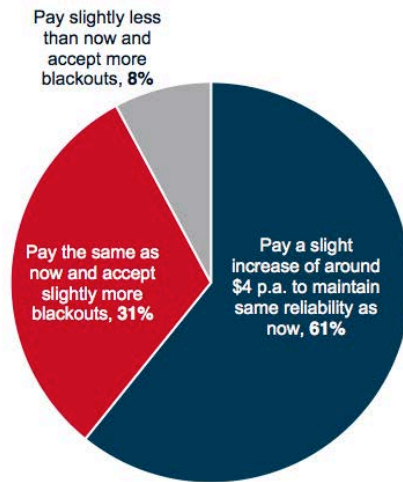
A few did go the other way and opted for reductions in both electricity prices and reliability. They fell into four broad categories:

- Those who didn't consider themselves particularly vulnerable if power were to fail;
- Those who believed the system now was very reliable and believed it could afford to become a bit worse without having too much impact on consumers;
- Those who had lived in another country where electricity supply was unreliable and so were used to it and not bothered by it; and
- Those with interesting but somewhat unconventional views:

I don't mind blackouts because they bring the family together so we can talk.

At the end of the forums participants were told that, in fact, electricity transmission prices would need to increase slightly over the next five years to maintain the same level of reliability that we have now. The majority (61%) indicated they would rather pay a slight increase of around \$4 per year to maintain reliability to the standards we have now while 31% said they would prefer to pay the same as they do now and accept slightly more blackouts. Only 8% wanted to pay slightly less than they do now and accept more blackouts.

Electricity transmission prices will need to increase slightly over the next 5 years to maintain the same level of reliability (number and length of blackouts) that we have now. Which of the following would you prefer?



Base: all forum* participants who answered (n=51) *Not asked in Sydney Focus Group

C. Communication and Engagement

Qualitative research participants strongly supported the idea of TransGrid doing more to inform the community about itself and what it does. Responses to this question were generally immediate and given without hesitation. Their reasoning was that TransGrid provides an essential service and its actions and decisions impact the whole community. Some thought the fact that it is government owned strengthens the reasons why it should inform and consult consumers.

In reality though, participants appear to be more interested in hearing about why their energy bills are going up and what they can do about it and about the energy chain as a whole than about TransGrid itself and its plans for the future.

While they are happy to receive this information from TransGrid in the absence of any other source, some did note that it is probably not TransGrid's responsibility to communicate and that it should perhaps come as combined information from both TransGrid and the distributors representing 'poles and wires' or from a group responsible for energy supply more broadly. Indeed a few pointed out that it may not actually serve TransGrid well to associate itself too closely with electricity price rises seeing it only contributes 8% to the average household bill.

We actually want to hear something like this from the distributors. They're the guys who are actually charging us money.

"We understand what we get for your 8%, but why do retailers get 13% just for sending us a bill?"(Residential/SME consumer)

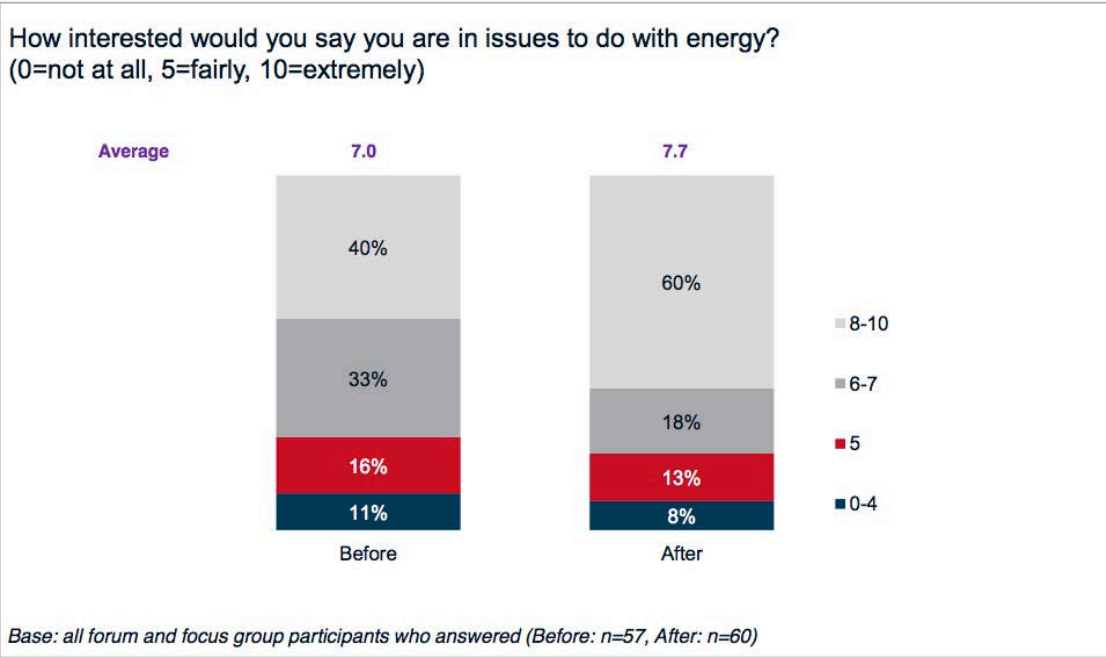
When asked about the extent to which they would like to be consulted with and given the opportunity to give direct feedback on TransGrid's plans rather than simply informed, the vast majority said they would be happy to simply be informed. Most felt that the issues were so complex that TransGrid was best placed to make decisions about its activities without input from lay people.

I think knowledge (for the general public) is great but at the end of the day they have to make a decision. I have faith in them.

Despite this, many did appreciate TransGrid's efforts to consult with them about its Five Year Plan through the use of the forums in which a representative sample of the community was invited and paid to attend and suggested this methodology be used in the future on an ad hoc basis as required. They admitted that a town hall type meeting wouldn't work as without an incentive they simply wouldn't have attended.

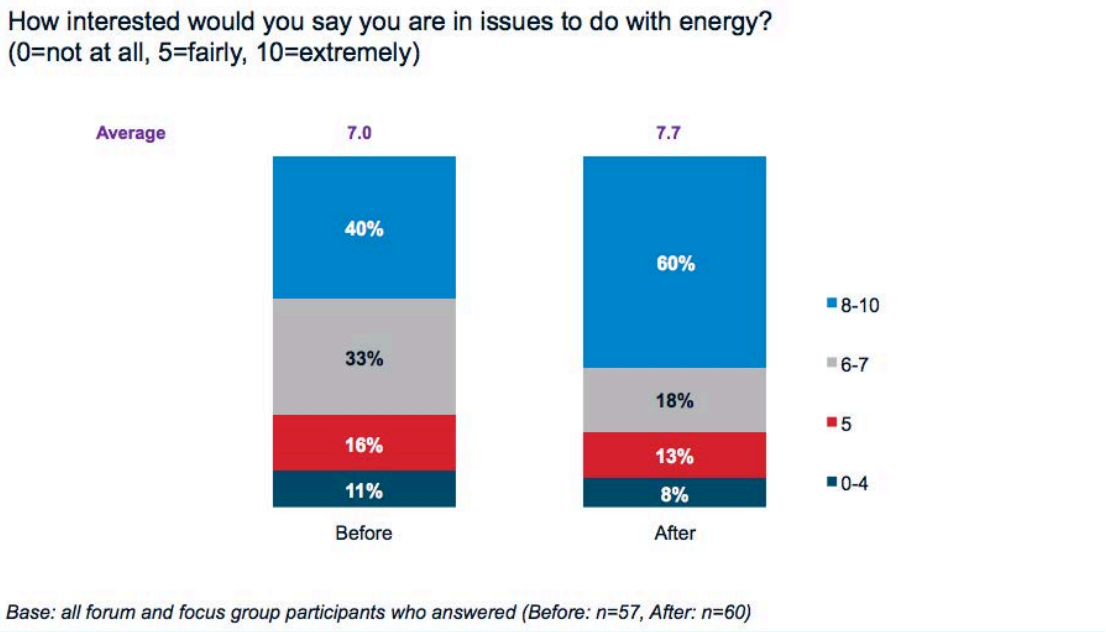
Content for Communications

At the start of the session, and again at the end, participants were asked to rate how interested they were in issues to do with energy. Initial ratings started high, with 40% giving a rating of eight or more out of 10 (where 10 was extremely interested). By the end of the session, 60% of participants gave a rating of eight or more out of ten. This demonstrates not only that there is high interest in energy issues, but that interest increases once people are engaged with on a particular topic. A little knowledge tends to spark a lot more questions.



Note that a recurring theme in the qualitative research was that once people find out a little about the electricity system, or come to believe that they will learn about it, they become quite engaged and keen to find out more. This is driven in part by curiosity, but for many, it is also an opportunity to learn more about what’s behind their electricity bills. In reality most had given virtually no prior thought to where their electricity comes from.

Participants were asked to rate their level of interest in knowing more about what TransGrid does and how it relates to their household both before and after receiving information about TransGrid in a presentation. Answers for both questions received high ratings, with an average score of 6.8 out of 10 each time. After the presentation the proportion of participants who gave a rating between eight and 10 out of 10 increased from 45% to 53%.



A key objective of this research was to understand what kinds of things the community and SMEs are interested in knowing from TransGrid and topics they would like to be informed and consulted about in more detail.

Participants suggested a wide range of topics that they would be interested in knowing more about. Some of these related directly to TransGrid but many of them were about the electricity system more broadly. A number of participants, including many SME operators, recommended that some more complex topics should be covered while others said they would prefer that messages be brief, simple and to the point. Generally it was agreed that it would be best to enable individuals to tailor information, including levels of complexity, to their level of interest and understanding.

Issues Directly Related to TransGrid

When it came to information they would like to know about TransGrid specifically, most were simply interested in basic information. The other TransGrid-related topics of interest are listed below in broad descending order of importance - note that they were of less interest than content related to the system more broadly.

- **Basic information about TransGrid:** Virtually all participants wanted TransGrid to explain 'basic stuff' about itself – what it does, how it interacts with consumers, its history and ownership. In particular they felt it should explain how it fits into the broader electricity chain, its role in terms of ensuring reliability, and what it is doing to help keep electricity bills down.

Explain the difference between transmission and distribution.

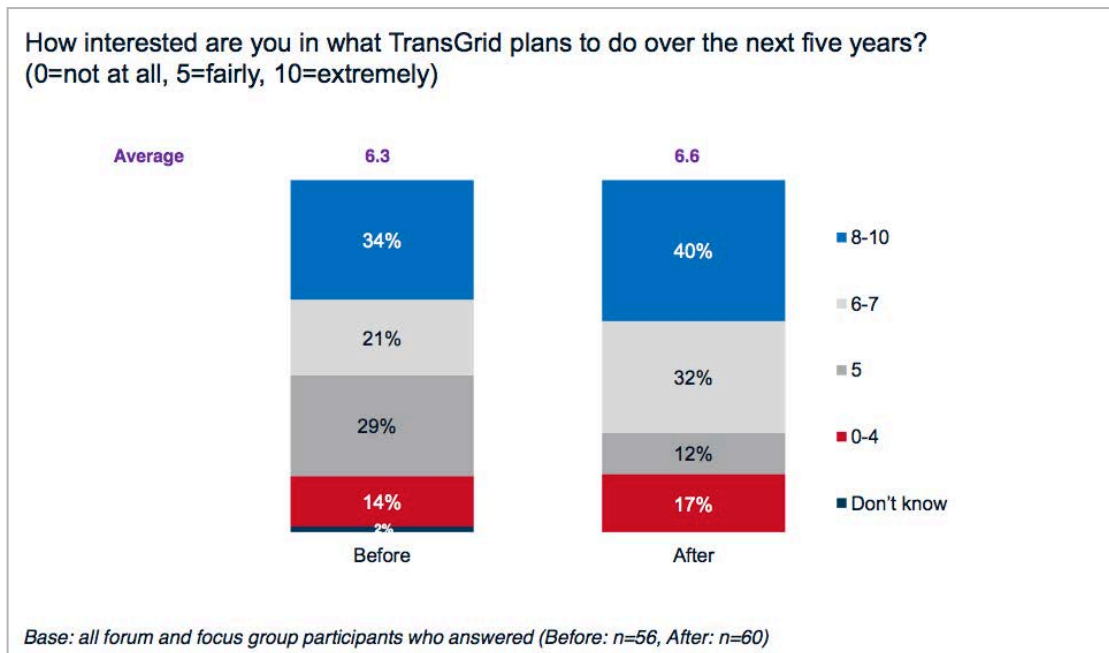
- **Issues TransGrid Deals With:** A few suggested that TransGrid should explain some of the decisions and issues it confronts on behalf of consumers' economic interests, such as demand management, and the implications of alternative decisions that could be taken for consumers and electricity prices.
- **Privatisation:** As noted there was concern about the idea that TransGrid might be privatised and what this would mean for consumers. Participants wanted to know how the new owner would be regulated and how consumers would be protected from, in their opinion, inevitable significant price increases. They also wanted more information on the impact of privatisation on other states in which it has already taken place, both in terms of price and reliability.
- **Condition of Electricity Infrastructure:** One or two suggested that TransGrid explains, in layman's terms, the condition of the state's electricity infrastructure and what needs to be done to replace or revitalise it.

Some real numbers around the ageing of the network.

- **TransGrid's Five Year Plan:** A few participants said they would be interested in seeing a summary of TransGrid's Five Year Plan, including what will be done to ensure reliability and major activities that will occur in specific areas that could impact them personally. In this context some were keen to hear from TransGrid about the extent to which its past planning, maintenance and investment practices

were to blame for the shortcomings in the infrastructure today and, if so, what is being done to avoid this situation again in 50 years time.

Participants were asked how interested they were in TransGrid’s plans over the next five years. As the following chart demonstrates, at the start of the forum, 55% of respondents gave a rating of six or more out of ten. At the end of the forum, 72% of respondents gave a rating of six or more out of ten. Note that we believe this strongly overstates interest in TransGrid’s plans themselves and rather reflects interest in where electricity prices will be going over the next five years.



- **Environmental Issues:** Some participants wanted to know about any environmental issues associated with TransGrid’s activities, including how it reconciles the potentially conflicting goals of its business interest in transporting a large volume of energy and wanting to minimise contributions to global warming.

The burning question of the environment. It’s being thrown in our faces every few seconds, the impact we’re having on the climate; (I’d like to know) my role in it.

- **Health Issues:** A couple of participants expressed interest in learning about how safe the transmission system is and of any health issues associated with it.
- **TransGrid’s Local Contributions:** There was some interest by participants in Wagga Wagga to learn more about how TransGrid contributes to the local economy.

Issues with the Broader Electricity System

Participants were generally more interested in knowing information that could help them save money on their electricity bills and about broader issues to do with the electricity system than they were about TransGrid itself. The main areas of interest are presented over the page in broad descending order of importance:

- **Energy Bills 101 and Why They are Going Up:** Most participants were keen for an explanation of electricity bills – how they are made up, why they have been rising in recent times and what is likely to happen to them in the future.
- **How to Save Money:** Another common suggestion was a set of messages that would educate people about ways to reduce power bills and save money. In this context, many wanted an explanation of what smart meters are, their advantages and disadvantages and how they could get one. In Wagga Wagga, some participants also expressed interest in learning about how low income people could be assisted with electricity bills.
- **Smart Meters:** This is a topic of general interest to many participants. Most had heard about them before – some positively and some negatively – but none felt they had any reliable information about them. When they came up in discussion at many tables other participants asked a lot of questions about them to the point where a short explanation was included in one of the presentations in the last forum. Many saw potential in using smart meters to work out how they could change their behaviour to consume less electricity and thereby lower their bill.
- **The Electricity Chain:** The majority of participants were very interested in learning how electricity gets to their home and where TransGrid sits in the electricity supply chain. It generated a number of questions about why there were so many players, each of whom needed to make a profit, and what their respective roles are.

In particular, many questioned whether we really needed separate transmission and distributor providers. Having heard about TransGrid’s plan for the future some questioned whether the distributors were run effectively, particularly as they take a much larger slice of the residential bill.

A few participants also wondered what energy retailers do to earn such a large proportion of the bill and what value they really add. The fact they don’t generate or transport electricity led some to think of them as freeloaders on the system, receiving considerable money for administration and providing consumer service that many did not regard favourably, complaining about long waiting times and telephone selection menus that people commonly found time consuming and frustrating.

Everyone is taking a piece of the pie.

I’m surprised that there are so many bites of the cherry.

Educate about the whole network.

- **The Future of the Electricity System:** Participants were very interested in discussions about houses, suburbs and towns potentially going off-grid at some in the future, the future of renewable sources of energy and the potential impact of things like smart meters, battery storage and electric cars.

It’s like that City of Sydney initiative that big buildings may be able to survive on their own power.

- **Decreasing Electricity Usage:** There was widespread surprise on learning that electricity usage across New South Wales was decreasing and some of the likely reasons given by TransGrid in the presentation didn't ring true to some because of the rising population.

Most thought that higher prices must have contributed to falling demand and others felt that greater usage of solar and other relatively expensive renewables would be playing a role too. They appreciated that another possible reason was increased education about how to conserve energy, which had caused most people to think about it a lot more than in the past. A few also mentioned more energy efficient appliances in this context as well. None related lower demand to the closing of factories and some other energy-intensive enterprises. There was a desire for more details on why exactly electricity usage is decreasing.

- **Electricity Generation:** A few participants were also surprised to hear that only 3% of electricity was generated via solar power - most expected this would be more and some were disturbed about this. For instance, one participant (who had purchased solar panels when there was a 60c per kWh feed-in tariff) stressed that there should be more usage of solar panels in a country like Australia where there is plenty of sunshine. He added that he has seen more solar panels in the UK, which is noted for not having much sunshine. Most agreed with this argument, though one person surmised about whether severe hailstorms might affect solar panels.

Communications Channels

Working in small groups of two or three, research participants were asked to fill out a worksheet exploring how they would like TransGrid to communicate and engage with them (see Appendix 3). An enormous array of channels was suggested and very few of them by just one or two people, meaning each had significant constituencies. This reflects the enormous variety of media people use. Implicit in responses to this topic was that few people are likely to actively seek out information on something like electricity transmission or on any other related issues with the possible exception of why electricity prices are rising and how they can save money. Instead, TransGrid must proactively place itself before people and attract their attention.

Some of the key channels suggested are explored below in more detail.

- **Social media and Internet:** Most participants believe the most cost-effective way for TransGrid to communicate with those who are interested is through its website but they acknowledged that the major issue was publicising this website and driving people to it on repeat occasions.

Once people visit the site some suggested they should be encouraged to sign-up to a subscription service where they would get alerts if new consultation topics were posted.

A number of participants also recommended that TransGrid use Facebook and Twitter, primarily to drive people to interesting topical information on the website and opportunities to have a say about things that affect them. Some also suggested that TransGrid arrange for other state government websites to include links to them.

The thing with social media is that you get people who want to give their opinion; they'll be the ones who like the page anyway and they won't need an incentive.

Copies of the TransGrid *Have Your Say* website home page were shown in the groups at the end of the discussion on channels and this was favourably received as a positive step on the proviso that it is kept up-to-date, is monitored and timely responses are given by TransGrid staff.

A small number of people suggested that a series of short YouTube videos be made and included on the website to address key areas of interest.

- **Advertising:** Many recommended television and print advertising, especially in local area newspapers. Even when reminded that TV advertising is a very expensive option that would effectively have to be paid for by electricity consumers, some participants didn't mind:

You'd need to do it on TV. I don't read brochures, I throw them in the bin.

Be on TV because not everyone has a computer.

Some also suggested advertising online, with a few younger people suggesting ads on YouTube that precedes videos they choose to see. They say these ads are hard to miss as the viewer is captive and the ads are usually too short to enable the viewer to do anything else until it finishes.

Another somewhat tongue-in-cheek suggestion from Parramatta SMEs was to advertise on power transmission towers and other electricity infrastructure.

One person suggested that creative, funny infomercials be made to attract attention. Another suggested a paid information supplement in a Sunday newspaper.

- **Brochures or flyers:** Many people suggested inserts in power bills despite admitting that they didn't usually read such brochures themselves. Smaller numbers recommended that brochures be made available in other places such as in libraries or other commonly visited venues. Another suggestion was a mass direct mail-out of a brochure or DVD.
- **Media Relations:** Some people said they would like to read stories on these issues in the newspaper and listen to discussions on the radio. A few added that these should be carried in ethnic as well as mainstream media.
- **Community Events:** Some participants suggested that TransGrid offer to speak at community group meetings (eg Rotary) or run community forums or educational workshops open to the general public, potentially in partnership with local councils. Some suggested that this sort of information should be taught in schools and that TransGrid could help through school visits – *'Teach them from a young age'* recommended one participant.

- **Project Specific Communications:** While there was little discussion about project-specific communications during this research some participants did suggest that TransGrid staff should make a point of directly talking to people they encounter in areas where they were doing work. One suggested it should be sending out mass SMS alerts in local areas where it is carrying out significant upgrade works.

Community Segments

Most participants felt that every residential and business consumer would be interested in what TransGrid had to say, perhaps with a focus on those who were actually responsible for paying the bill rather than the younger people in the household.

Some suggested that the groups that were most important for TransGrid to engage are:

- Businesses - especially those that use a lot of power;
- Local councils; and
- Vulnerable customers including people from lower socio-economic groups and older people who may be particularly interested in understanding why their bills are rising and what the money is being used for as well as how they can save money on their electricity bill.

TransGrid's Logo



As TransGrid may potentially look at refreshing its logo in future, participants were shown a copy of the logo early in the research process before discussing what the organisation does. They were asked what it means to them and what it conjures up, if anything.

Residents of Wagga Wagga were more likely to recognise the logo, probably as there was a TransGrid depot in town, but only a minority in Sydney CBD or Parramatta did so.

Most considered it appropriate for an electricity-related organisation. It was not seen as overtly modern nor old-fashioned but it did indicate something technical and, for some, transformational. The main clue for people was the word 'grid' in the name, which made them assume that the symbol represented power lines and so the organisation must have something to do with the electricity grid. Otherwise most said they wouldn't have known what it represented. A few also got clues from the word 'trans' which they felt suggested transport.

Most neither liked nor disliked it. Although it was generally considered appropriate for an electricity organisation, there was a sense it's a bit bland and uninteresting and could be modernised.

Some of the typical comments about the logo included:

Power lines.

Electricity lines.

A computer chip.

Something cutting through the grid.

Related to Ausgrid.

Green, like energy saving.

Green equals environmental.

It looks like power lines, but they should funk it up.

If it didn't have the word 'grid' you'd have no idea what it was about.

They should have 'power' on there so people know what it is.

The green and blue shows it goes over land and water.

Other comments were wider off the mark though, indicating that the logo failed to move them in the right direction:

Pegs, clothes on the washing line.

A shield.

Another colour with the shape of the Commonwealth Bank.

TransGrid's Video

A short video was shown as part of the first presentation. The version shown was a draft recruitment video that could potentially be adapted for us as a corporate video that explains what TransGrid does

The video was generally well received. Most felt it provided a worthwhile introduction to TransGrid and its role in consumers' lives, something some people noted was taken for granted. One person in Wagga Wagga even described it as 'inspiring', although some participants in the metropolitan groups thought it may be too city focused as it features only one image from a regional area – the shearer.

We take so much for granted without thinking about where it comes from.

Forum Evaluation

TransGrid sought feedback from research participants on its approach to engagement on its Five Year Plan. This occurred at a number of different stages throughout the process.

The first step was to test the approach to the discussion and TransGrid's presentations in a three-hour focus group in Sydney CBD a week before the two larger forums. This was a useful exercise and, as a result of participant feedback, the Five Year Plan presentation was broken into three shorter and simpler presentations with time for discussion in between. TransGrid presenters made more of an effort to frame discussion in terms of the types of issues that participants were most interested in while still covering the required topics. There was an increased focus on affordability and impact of all initiatives on consumer electricity bills. A decision was also made to introduce some stand-up exercises during the session to increase engagement.

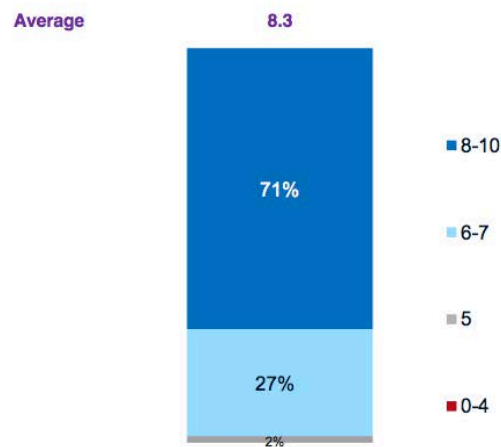
It is important to note that while most participants approved of TransGrid making the effort to consult on its Five Year Plan in such an open and honest manner, others questioned why it was being done and admitted they found discussion on things like capital and operating expenditure quite difficult.

TransGrid and Newgate Research considered this feedback and simplified the presentations where possible. It was agreed that it was important to keep the focus of the discussion on the Five Year Plan and that while participants found the content at times complex, their contribution was still meaningful.

In the introduction to the forums participants were told that TransGrid was obliged to consult on its plan and were reassured that while every effort was being made to communicate as clearly as possible, ultimately it was a complex topic and they were not expected to discuss the content in great depth. They were assured that their feedback did matter, and the research was done specifically to allow the results to feed into the Five Year Plan. They were told that there were no right or wrong answers and that even the fact that they found something too complicated or didn't know about something was of interest. This helped make participants more confident that they were able to participate and have their say, no matter what their level of knowledge or understanding was.

At the end of the sessions participants were asked to think about the evening in light of the objectives and to rate the overall quality out of 10 (where 0 was very poor and 10 was excellent). Results are shown below and were favourable with 71% giving a rating of eight or more out of 10 and an overall average rating of 8.3.

TransGrid's aim tonight was to explore community knowledge and perceptions of the organisation and gather feedback on its five-year plan. In that light, how would you rate the overall quality of today's meeting? (0=very poor, 5=fair, 10=excellent)



Base: all forum and focus group participants who answered (n=59)

At the end of the Parramatta forum participants were asked to provide verbal feedback on the session in table discussions. The key positive themes in descending order of frequency were:

- The approach to the sessions was open and honest;
- It is good to see TransGrid 'getting out' and talking to consumers;
- They felt they had received some useful information;
- The format worked well and complex topics were broken down as much as possible to allow for real engagement. They liked being able to discuss presentations at their table and to hear what others had to say about them;
- Some particularly liked the video which helped them understand what TransGrid did;
- Some said they appreciated the fact that TransGrid staff were present to listen to what they had to say and answer their questions; and
- Many were keen to see how TransGrid might communicate and engage with the community more in the future.

When asked what could be improved if similar sessions were held in future, suggestions were as follows:

- While many considered the level of detail to be appropriate, several participants found it too complex, particularly the capital expenditure and operating expenses presentations. Some suggested that it would be good to simplify this further and one suggested providing a one-page summary that people could refer to during discussions after the presentation;
- Some wondered why only TransGrid appeared to be talking to consumers and expressed a desire that other organisations in the power chain explain their roles as well, perhaps in a coordinated approach with TransGrid. Some felt that the lack of information about the remaining 92% of bill revenue was an omission and something they would like to have heard more about. Participants were particularly keen to hear from the distributors and felt this was the missing piece of the puzzle as far as the evening's discussion was concerned;

- A minority felt the session was a bit long for them to retain focus and would have preferred something that ran for three or three and a half hours rather than four hours;
- Several were left with uneasy feelings about possible privatisation of TransGrid;
- In the SME group in Parramatta, two further points were made as mild criticisms. Firstly, that the information was perhaps too focused on TransGrid and not focused enough on consumers. Secondly, that some '*real statistics and numbers*' could have been provided about the problems with the 50 year old assets that need replacing or upgrading; and
- A few lower income participants were sceptical about whether TransGrid really listens and whether it will take much away from the night.

Appendices



Appendix 1: TransGrid Deliberative Forum Discussion Guide

| | | |
|---|---|----------------------|
| Session Introduction and Initial Voting | | 6.00 – 6.15pm |
| Chair <i>5 mins</i> | <u>WELCOME AND INTRODUCTION</u> | |
| Chair <i>10 mins</i> | <u>HANDESET VOTING QUESTIONS</u> | |
| Table Discussion on Energy Issues and Knowledge and Perceptions of TransGrid | | 6.15 –6.45pm |
| Chair <i>10 mins</i> | <u>PARTICIPANT INTRODUCTIONS</u> | |
| Table <i>20 mins</i> | <u>ENERGY ISSUES, KNOWLEDGE AND PERCEPTIONS OF TRANSGRID</u> <ul style="list-style-type: none"> • What would you say are the key issues when it comes to energy in Australia at the moment? Have you read or seen anything in the media about energy issues? Do you talk about energy issues at home or with family and friends? • Has anyone here tried to use less electricity in their home or business? <ul style="list-style-type: none"> ○ What sort of things have you done? Do you think you saved much? ○ Can you think of anything that would help you save more? • I'd like to show you the TransGrid logo (<i>have blown up colour copies at the table</i>). Can I just start by asking what it means to you? What does it look like? What does it conjure up, if anything? • Before being invited to come to this forum tonight, who had heard of TransGrid? (<i>Get show of hands</i>) What did you know about it at that point? • <i>Electricity diagram exercise</i> • Earlier we asked you about how you felt about TransGrid. <ul style="list-style-type: none"> ○ Who said they felt positive about it? What made you say that? <i>Get rough sense of hierarchy</i> ○ Who said they felt negative about it? What made you say that? <i>Get rough sense of hierarchy</i> ○ Who said they felt neutral about it? What made you say that? • Earlier we asked you to rate your level of interest in TransGrid and what it does. What did you say? Why? <ul style="list-style-type: none"> ○ Have you ever thought about TransGrid, how electricity is moved around the state or about high voltage electricity transmission lines or any other issues associated with TransGrid before? What were the issues or questions you thought about? ○ Based on what you've heard so far this evening, are there any questions you have about TransGrid and what it does that you would like to have answered? | |
| 'About TransGrid' Presentation and Discussion | | 6.45 – 7.20pm |
| Open Forum <i>15 - 20 mins</i> | <u>TransGrid PRESENTATION 1: About TransGrid</u> ALLOW 5 MINUTES FOR Q&A | |

| | |
|---|---|
| Table <i>15 mins</i> | <u>TABLE DISCUSSIONS</u> <ul style="list-style-type: none"> • What is your initial reaction to what you heard in that presentation? <ul style="list-style-type: none"> ○ Was there anything that you found particularly interesting? Did you hear anything that concerned you? Was there anything that surprised you? • At the end of the presentation Sam gave an outline of the key issues facing TransGrid. Do you agree with her assessment of the issues? Are there other issues that you feel should have been identified? • Earlier you told me about why you felt positive, negative or neutral about TransGrid. Did anything in that presentation change how you feel about TransGrid? • What was your reaction to the video? What parts of it did you like? Were there any parts you didn't like? |
| 'Capex and Opex' Presentation and Discussion | |
| Open Forum <i>20 mins</i> | <u>TransGrid PRESENTATION 2: CAPEX and OPEX</u> <i>ALLOW A FEW MINUTES FOR QUESTIONS IF NEEDED</i> |
| Table <i>15 mins</i> | <u>TABLE DISCUSSIONS: CAPEX and OPEX</u> <ul style="list-style-type: none"> • We appreciate that it is very difficult to ask the community to give feedback on something as complicated as TransGrid's capital expenditure and operating expenses proposal but we would really like to get your thoughts on it. Does anything stand out as being particularly good? Did anything concern you? • One thing we'd like to explore is the extent to which consumers would be interested in TransGrid trying to reduce energy costs over the longer term by spending a little bit more in the short-term. In principle, would you prefer to pay the lowest transmission cost possible now or pay a slightly higher transmission cost now to potentially reduce longer-term transmission costs? • TransGrid has been giving some thought to how it could make it easier for people who are interested to review and evaluate its capital expenditure proposal. I'd like to get your opinion on some of the options it has come up with: <ul style="list-style-type: none"> ○ TransGrid can make over 500 planning documents available for review. Do you think it should do this? ○ TransGrid can hire an independent consultant to conduct a report that would be made publicly available. Should TransGrid do this? ○ Do you think it would be enough to tell people to rely on the Australian Energy Regulator's review of TransGrid's capital expenditure proposal? ○ Do you have any better ideas? |
| Break | |
| <i>10 mins</i> | <u>BREAK</u> |
| 'NON-BUILD' Presentation and Discussion | |
| Open Forum <i>10 mins</i> | <u>TransGrid PRESENTATION 3: Non-Build Options</u> <i>ALLOW A FEW MINUTES FOR QUESTIONS IF NEEDED</i> |

| | |
|---|--|
| Table 15 mins | <u>TABLE DISCUSSIONS</u> <ul style="list-style-type: none"> • What is your initial reaction to that presentation? • What do you think of TransGrid's efforts to avoid building new infrastructure? • Which of the initiatives in the presentation appealed to you the most? • How do you feel about the option for TransGrid's to increase its operating expenditure by approximately \$2 million each year and invest it in ways to reduce energy demand and potentially the amount that will need to be spent each year on building new infrastructure? This equates to around 25c per year for each average household bill. <i>Discuss</i> |
| Presentation and Discussion 8.30pm – 9.00pm | |
| Open Forum 10 mins | <u>TransGrid PRESENTATION 4: PRICE AND RELIABILITY</u> <i>ALLOW A FEW MINUTES FOR QUESTIONS IF NEEDED</i> |
| Table 20 mins | <u>TABLE DISCUSSIONS: PRICE AND RELIABILITY</u> <ul style="list-style-type: none"> • What is your initial reaction to that presentation? • Do you think there are times when electricity users value the reliability of the network more than other times? • <i>Stand up exercise on Price and Reliability led by Sue</i> |
| Communications and Engagement 9.00– 9.20pm | |
| Table 20 mins | <p>One thing we are particularly interested in discussing tonight is the extent to which an organisation like TransGrid should be informing or consulting with electricity consumers.</p> <ul style="list-style-type: none"> ○ When I use the word 'informing' I mean providing balanced information to help consumers understand what TransGrid does and key issues and options. ○ When I use the word 'consult' I mean informing the community but also getting public feedback that TransGrid will then take into account in its decision-making. ○ <i>Communications worksheet exercise</i> <ul style="list-style-type: none"> • In principle, do you think TransGrid should inform residents and small businesses in NSW about who it is, what it does and the issues it is dealing with? Why? Why not? • Do you think there are some issues on which TransGrid should consult with electricity consumers - where it should present its plans and get feedback on how the community would like to see it move forward? • What types of people do you think may be particularly interested in hearing from and engaging with TransGrid? Who do you think would be the least interested in hearing from or about TransGrid? • Do you have any other suggestions in relation to communication and engagement? • In principle, how acceptable is the proposal to spend \$2 million each year on consumer engagement activities? This equates to around 25 cents per year for each average household bill. What would you say are the main things this money should be focussed on? |
| Final Voting, Thanks and Close 9.20 – 10.00pm | |
| Open Forum 15 mins | <u>HANDSET VOTING QUESTIONS</u> |
| Tables 20 mins | <u>TABLE DISCUSSIONS</u> <ul style="list-style-type: none"> • I'd now like to ask you to go around the table and tell me three things: <ul style="list-style-type: none"> ○ What you liked about the forum tonight; |

| | |
|-------------------------------|---|
| | <ul style="list-style-type: none">○ What you didn't like about the forum and what you think could be improved if TransGrid do this sort of thing in future;○ What advice you would like to give TransGrid in relation to anything we have spoken about this evening. |
| <i>Chair</i> <i>5 mins</i> | <u>CLOSING COMMENTS</u> |

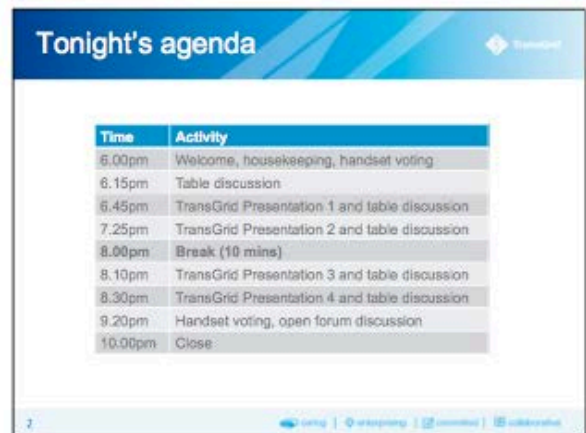
Appendix 2: Forum Presentation



TransGrid
Community Research Forum

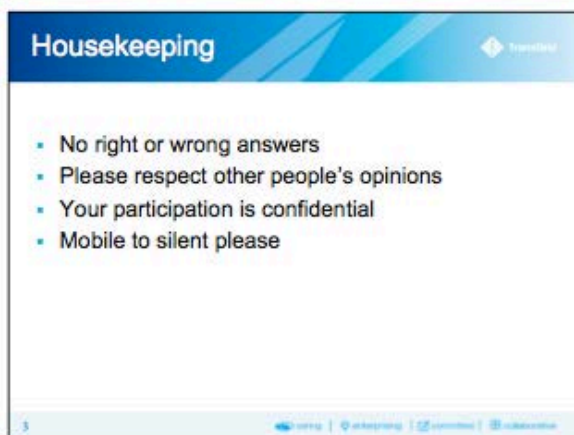
Parramatta
 Facilitated by Newgate Research
 27 November 2013

NEWGATE RESEARCH



Tonight's agenda

| Time | Activity |
|---------|---|
| 6.00pm | Welcome, housekeeping, handset voting |
| 6.15pm | Table discussion |
| 6.45pm | TransGrid Presentation 1 and table discussion |
| 7.25pm | TransGrid Presentation 2 and table discussion |
| 8.00pm | Break (10 mins) |
| 8.10pm | TransGrid Presentation 3 and table discussion |
| 8.30pm | TransGrid Presentation 4 and table discussion |
| 9.20pm | Handset voting, open forum discussion |
| 10.00pm | Close |



Housekeeping

- No right or wrong answers
- Please respect other people's opinions
- Your participation is confidential
- Mobile to silent please



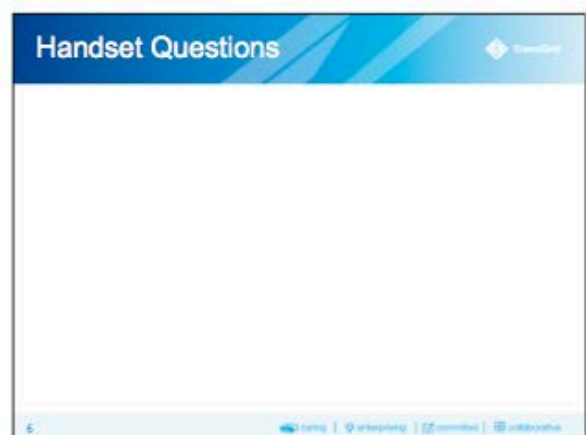
Wireless Handset Voting




Introducing the handheld keypads...




- Cancel / edit response
- Submit response
- QWERTY keypad
- Backspace
- Space



Handset Questions

Brief introductions

- Your first name
- The suburb where you live
- What you do during the day
- Make-up of your household (*solo, partner, children, parents, friends etc*)
- Name of your energy retailer



7

Table Discussions



8

Presentation 1 TransGrid and the changing energy market


9

Overview of TransGrid



10

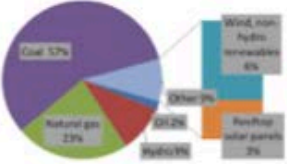

The electricity supply chain



| | | | | |
|---------------------------|----|-----|--------------------------------|-------------------------------|
| 38% wholesale plus carbon | 8% | 34% | 13% retail 7% green schemes | Total residential bill |
|---------------------------|----|-----|--------------------------------|-------------------------------|

11

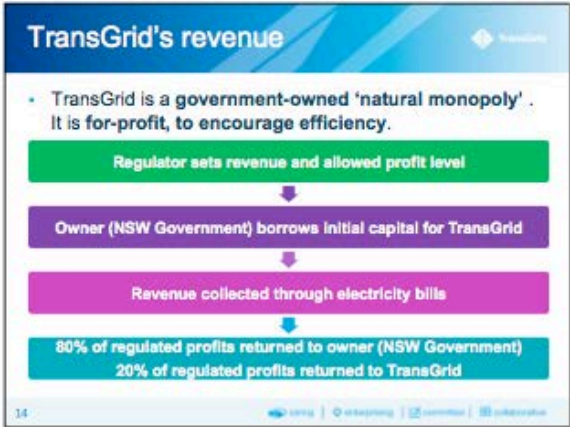
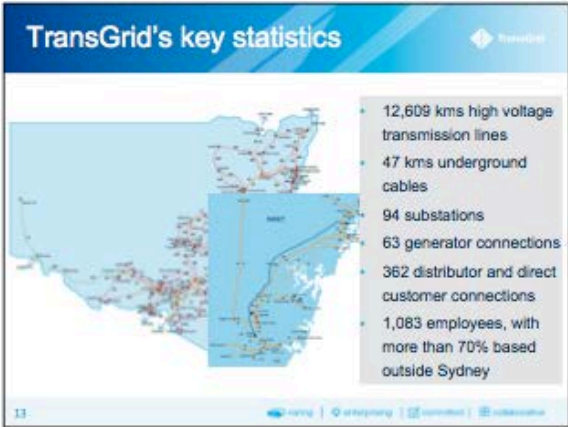
Generating and transporting electricity

Generating capacity in the National Electricity Market

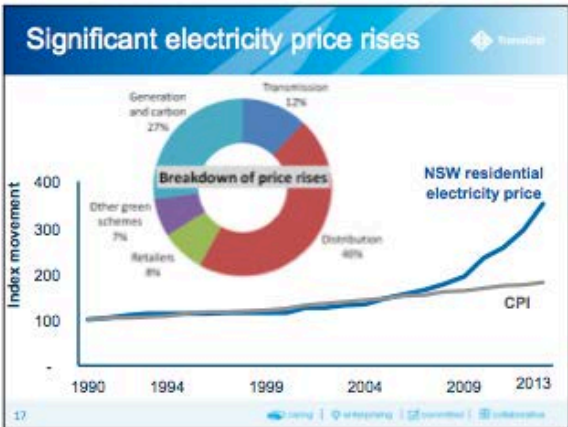
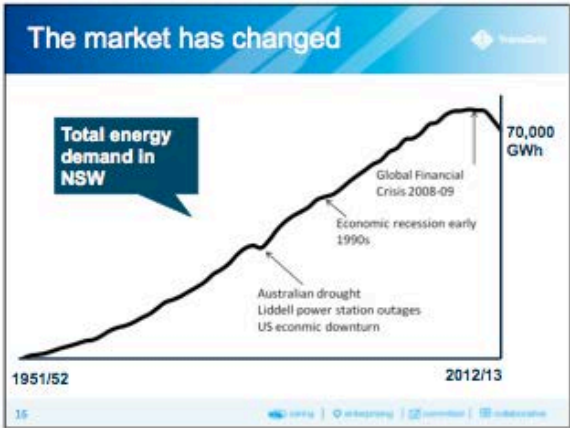
The transmission network is like the freeways for electricity

12



What TransGrid does

- Design, maintain and operate the network to:
 - Keep the lights on
 - Get the cheapest generation to market



TransGrid's new approach

| | | |
|-----------------------------|--|--|
| Adaptive planning | ✓ Sydney CBD 2012/13 Summer demand management (like taking 50,000 air conditioners off the grid) | |
| Effective engagement | ✓ 'Have your say' website ✓ Public review of consultation practices | |
| Smarter regulation | ✓ A new way of thinking about the reliability / cost trade-off | |

Engaging with stakeholders

Government and regulators

Industrial and commercial consumers

Distributors and other transmitters

Residential consumers

Generators

Impacted communities

TransGrid's 5-year plan, and broad engagement to understand needs and behaviour

Particular network needs

19

The energy conversation

Cost

Reliability

5

PRIVATE

PUBLIC

POWER

20

Table Discussions

21

Draft five year plan

22

Business plan overview

Typical annual electricity cost

\$2,100

\$168

TransGrid part of bill

23 TransGrid's Draft Business Plan

Business plan overview

Percentage of typical residential annual transmission charges (\$168)

Tax & depreciation

Operating expense

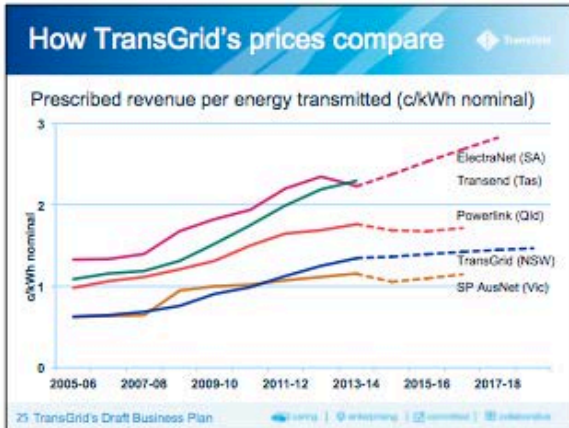
Return on proposed capital investment

Return on capital already invested

Consult today on operating expense proposal

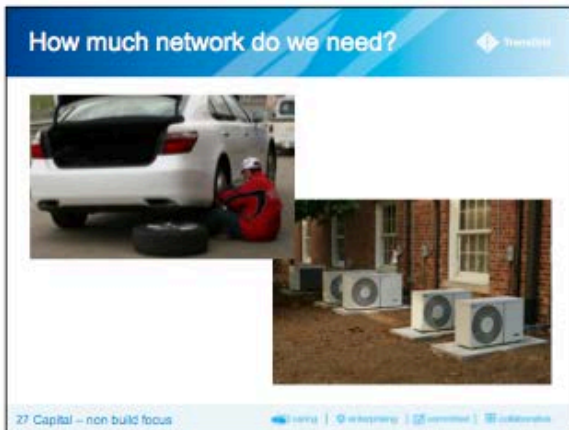
Consult today on new capital proposal

24 TransGrid's Draft Business Plan



Proposed capital investment (building the network)

26 Capital - Overview



Replacement dominates proposed capital investment

Proposed capital investment \$1,896 million (nominal)

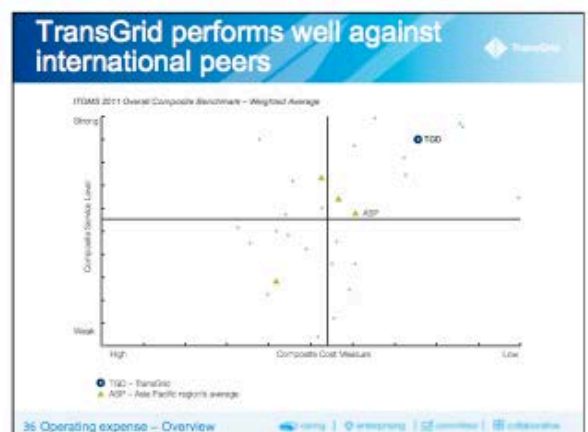
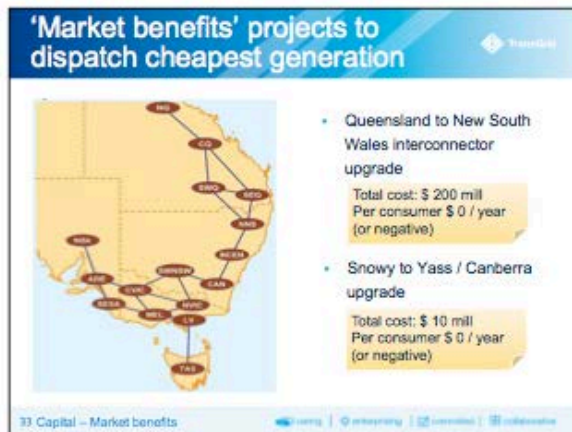
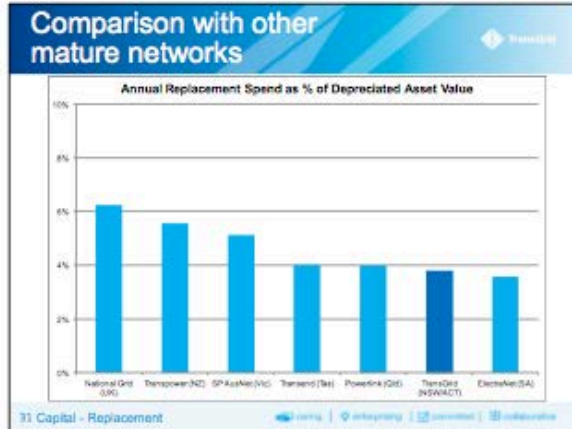
| Category | Description |
|----------|---|
| 137 | Augmentation: New or upgraded infrastructure to cater for growing demand |
| 1,339 | Replacement: Updating infrastructure which is wearing out |
| 220 | Market benefits: New or upgraded infrastructure to expand generator access and competition |
| 200 | Others: Non network infrastructure, including commercial property and IT systems, and security compliance |

28 Capital - Overview



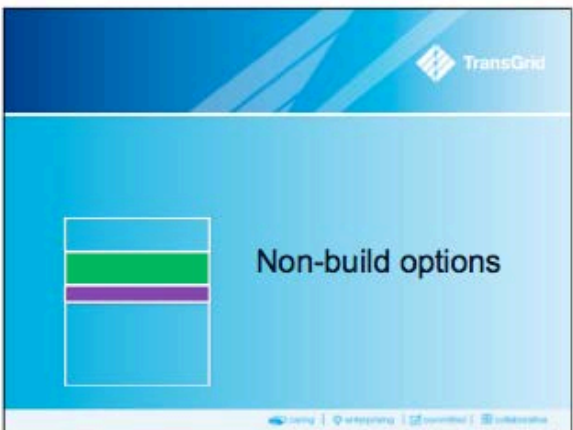
History of network development is driving replacement needs

30 Capital - Replacement





- ### Efficiencies in maintenance, operations and business activities
- Automation of condition monitoring and control systems to reduce maintenance costs
 - Innovation in operations to reduce costs
 - Efficiencies achieved in procurement, accommodation and payroll
- 38 Operating expense – Maintenance



Minimising our build program: past success

Demand-driven capital approved by the regulator for 2009 to 2014

- Responding to changing demand forecasts
- Advocating smarter reliability standards or grid innovation
- Continuing to procure non-build options such as demand management

Approx \$700 million deferred

Approx \$1.2 billion completed or underway

42 Capital – Non build focus

Increasing focus on innovative non-build options



Demand management Peak load management through time of use tariffs, interruptible loads and load shifting etc.



Local generation Local generation (biomass, solar, cogeneration) to reduce loading on network



Energy efficiency Increasing customers' use of efficient appliances, lighting, motors etc.

43 Capital – Non build focus

Consulting on requirements for powering Sydney's future

- Works underway to defer / avoid the need:
 - advocacy for changed reliability standard
 - seeking network support
 - energy efficiency uptake study
 - electric vehicles study
 - planning and demographics study
 - 'low build' options (eg cable backfill remediation)

Total cost: \$ 444 mill
Per consumer \$ 6 / year



44 Capital - Replacement

Potential non-build options

- Consumer education on saving electricity
- Research understanding consumers' behaviour
- Demand management to postpone network investment
 - Large companies being willing to turn off
 - Interruptible loads (eg air conditioning fan off at peak times)
 - Load shifting (eg washing machine at night)
- Battery storage pilot program

45

Table Discussions



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Price and reliability



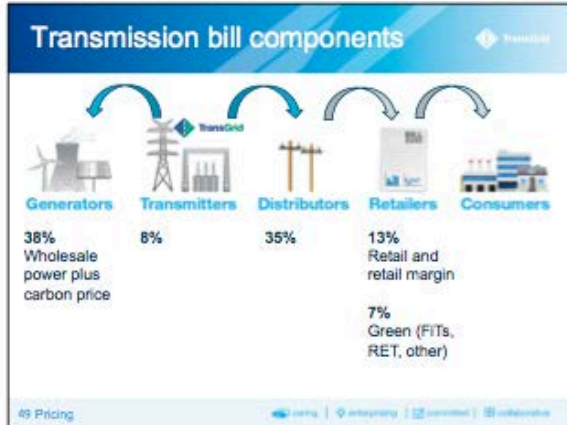
47

Allocating transmission revenue between consumers



- The pricing methodology must be submitted to the regulator at the time of the revenue application
- Transmission pricing should promote efficient outcomes across all consumers, and cover the total cost of transmission services

48 Pricing



Allocating transmission prices – two options

Postage stamp

User pays – location based

TransGrid's charges are now approximately half "postage stamp" and half "user pays".

50

Table Discussions

51

Handset Questions

52

Closing comments

NEWGATE RESEARCH

Thank you.

53

Appendix 3: Communications Worksheet

TransGrid Research Forum Worksheet
Communications and Engagement



What, if anything, are the main things TransGrid should be **informing** people of?

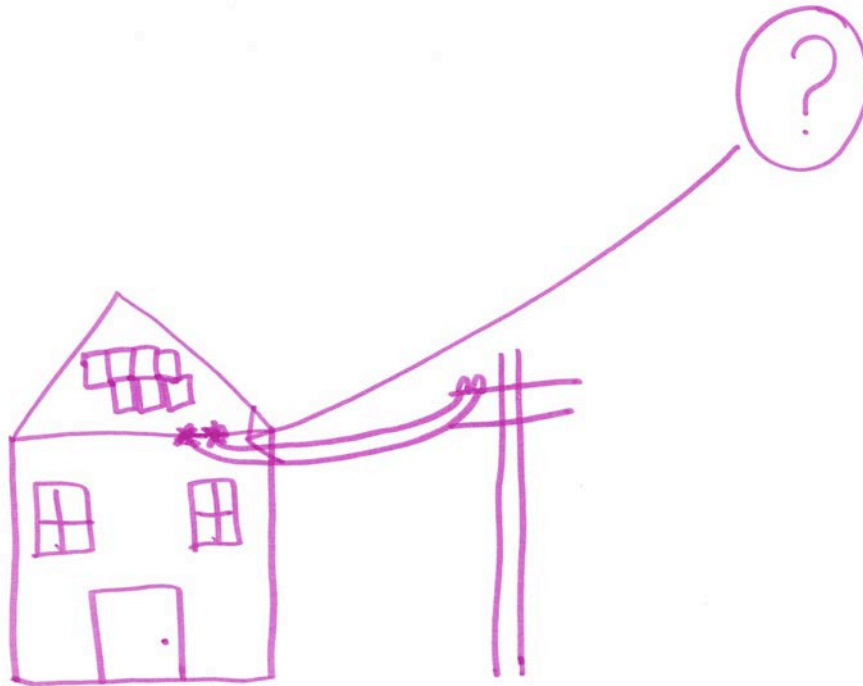
How should TransGrid go **about informing** people?
What tools should it use to reach people?
E.g. website, social media etc.

What, if anything, are the main things TransGrid should be **consulting** the general community about? How should it go about this? What tools should it use?

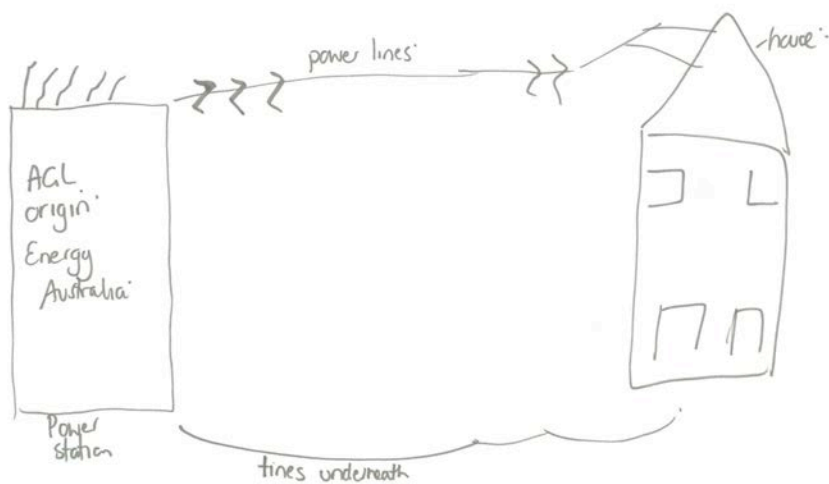
What types of people or segments of the community do you think would be particularly interested in hearing from or engaging with TransGrid?

Appendix 4: Sample Electricity Transmission Diagrams

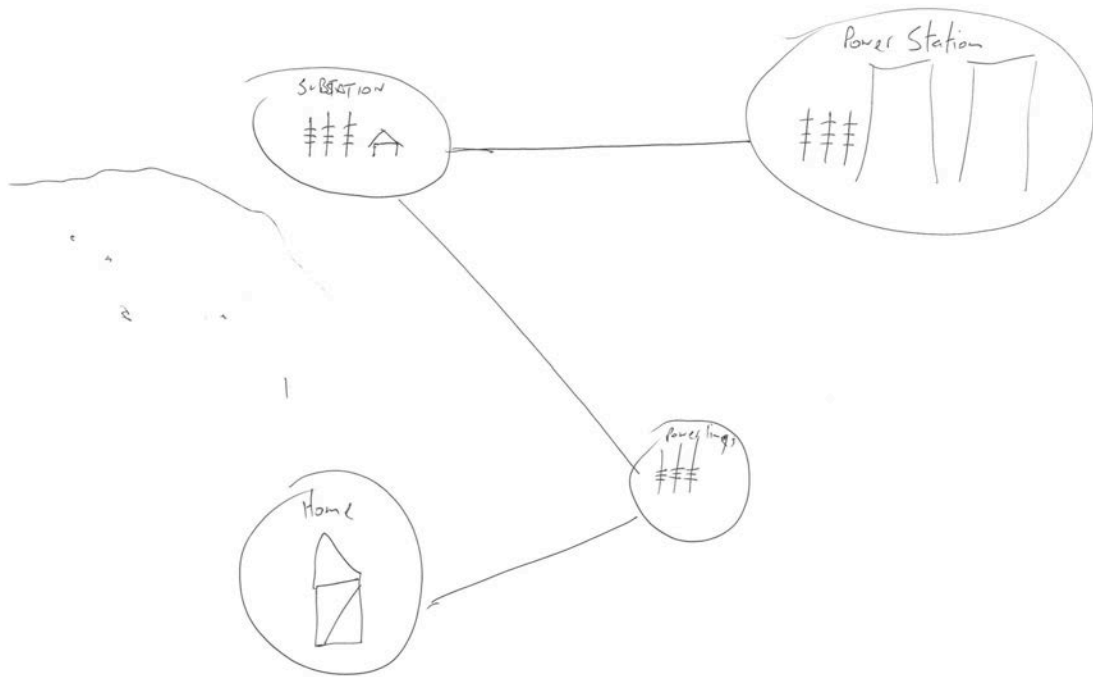
Sydney CBD focus group participant



Sydney deliberative forum – low-income participant



Wagga Wagga deliberative forum – high-income participant



Sydney deliberative forum – SME participant

