AER Validate Direction. Residential Research.

Ergon Energy.

Date: 7th November 2014
Today’s Agenda.

- Research Background and Methodology.
- What We Found:

  - Customer Perceptions
  - Customer Feedback
  - Customer Commitments
Background and Methodology.
Research Background

In late 2013, Colmar Brunton was commissioned by Ergon Energy to conduct ‘service cost trade-off’ research across its Regional Queensland customer base. The findings from this research were then used to assist Ergon Energy to develop its regulatory proposal to the Australian Energy Regulator (AER) for 2015-20.

Based on this initial research, Ergon Energy developed a number of commitments to its customers for the next 5 years.

This research aims to address the following research objectives:

1. Validate Ergon Energy’s customer commitments as detailed within the Ergon Energy AER Proposal (i.e. Peace of Mind, Choice and Control and For the Best Possible Price).

2. Communicate key concerns that have been identified within the community and understand if it has been addressed in the AER proposal.

3. Understand which aspects of the proposal and Ergon Energy’s engagement activities work well and where future improvements can be made.

4. Validate other key elements of the AER proposal.

5. Receive feedback on the stakeholder engagement program.
Research Approach

Methodology: Face to face depth interviews

Sample: Townsville (n=12), Bundaberg (n=10) and Roma (n=12)

Profile: Mix local residential customers (household type and bill size)

Timing: Monday 22nd September to Thursday 2nd October 2014.

Conduct: The interviews lasted one hour in duration and explored customer sentiment towards a range of customer commitments and the strategic direction Ergon Energy is committing to in its AER submission.

Stimulus A: Ergon Energy’s Engagement Timeline.
B: ‘What You’ve Said’ summary
C: ‘Our Response’ summary
Stimulus A: Engagement Timeline

CUSTOMERS INFORMING OUR REGULATORY PROPOSAL

KEY EARLIER/BUSINESS AS USUAL ENGAGEMENT
Pre mid 2013

Network connected customers (residential and business throughout Queensland)

INVITE STAKEHOLDERS TO BE INVOLVED & BUILD ON ENGAGEMENT PROGRAM
Commenced July 2013
- Ergon Energy Stakeholder Event – Launch
- Regional Customer Listening Sessions

INVITE STAKEHOLDERS TO BE INVOLVED & BUILD ON ENGAGEMENT PROGRAM
Commenced August 2013

UNDERTAKE CUSTOMER RESEARCH

VALIDATE CUSTOMER COMMITMENTS / DIRECTION OF INVESTMENT PLANS
Apr to August 2014

ADVANCED PRESENTATION OF REGULATORY PROPOSAL
September to October 2014

Board/Senior Leadership Presentations Regional Customer Groups – Strategic Direction
Regional Customer Briefings – Proposal

Value to Customer Research
- Online Engagement Presence Launched
- Online Survey – Investment Priorities
- Online Survey – Customer Commitments
- Re launch Online Presence
- Validate Direction Research

Service Monitoring Research / Customer Complaints Reviews
- Service/Cost Trade-off Research
- Queensland Household Energy Study

Customer Segmentation and Retail Channel Management

Demand-side Customer Engagement
- Network Tariff Consultation – Strategy Themes
- Network Tariff Consultation – Structures 2014-15
- Network Tariff Consultation – 2015-16

Major Customer Engagement – New Connections
- Major Customer Engagement – Proposal

Street Light Customer Engagement – Audit
- Street Light Customer Engagement – Emerging Lighting Technologies / Service Level Charter
- Street Light Customer Engagement – Proposal

Customer Council

Customer Council / AER2015 Working Group
- Targeted Peak Body / Consumer Advocacy Group Engagement – representing key segments (incl vulnerable, agricultural customers, etc)
- Consumer Advocacy Info Sessions – Proposal
- Launch Agricultural Forum
- Real Estate Developer Reference Group
- Real Estate Developer UCIA Forums
- Regional Engagement Strategy
- Community Leader Engagement – Concerns
- Community Leader Engagement – Customer Commitments
- Community Leader Engagement – Proposal
- Community Leader Engagement – Proposal

Joining the Broader Conversation – Queensland Plan / PowerQ
- Electrical Contractor Sessions (RECESS)

Demand-side industry Participants Engagement
- General Solar Industry Engagement
- Solar Industry Engagement – New Connection Standard

colmar brunton
Stimulus B: What You’ve Said

WHAT YOU’VE SAID...

This is a summary of the insights we’ve gained from engaging with our customers and communities about our future investment priorities. Reports on the key findings from our service/cost trade-off research study and the feedback received from our online survey have been made available online at www.ergon.com.au/futureinvestment

The big picture

PEACE OF MIND

Our customers recognize that reliability of supply and affordability are not the only factors driving demand for higher electricity usage. Our survey results show that they are looking for more control over their electricity bills. They value their local presence, and our disaster response, and see investing in the network as important to secure the future.

Our customers are looking for improvements in new connections, including solar connections. We see this as an opportunity to offer our customers an even better service experience.

THE BEST POSSIBLE PRICE

The cost of electricity is a significant issue; with affordability concerns rising as prices rise. While our customers understand that drivers prices up, as the face of the industry changes, they expect Ergon to respond to these challenges. Our customers want prices to stabilize, and are no longer willing to pay for further service improvements. Reliability and service standards, however, remain important to our customers’ value perception and must not be disregarded.

The Infrastructure

We believe the infrastructure is an essential element of our business, and our customers will expect us to deliver on the commitments we have made. We are committed to delivering a resilient and reliable grid for years to come.

ON OUR CORPORATE PLAN

We believe Ergon’s corporate plan will support the needs of all customers, particularly rural customers, and result in a better future for all.

OUR DISASTER RESPONSE

We were badly affected in the bush and Ergon was the first to arrive. They were a great help to us.

ON RELIABILITY OF SUPPLY

Reliability standards and customer satisfaction are essential, but price competitiveness is also important. It is a little bit more expensive to buy a leather jacket, but when it is double its original cost, it will be worth it to the customer.

ON OUR SMART INVESTMENTS

We believe in the potential of smart technologies to improve the customer experience. We are committed to investing in new technologies to improve our services.

ON PRICE

Some customers are very concerned about the increased cost of electricity.

ON REVENUE

Our customers value our local presence, and our disaster response, and see investing in the network as important to secure the future.

ON OUR FUTURE INVESTMENT PLANS

We are committed to delivering a resilient and reliable grid for years to come. Our customers value our local presence, and our disaster response, and see investing in the network as important to secure the future.

ON OUR CORPORATE PLAN

We believe Ergon’s corporate plan will support the needs of all customers, particularly rural customers, and result in a better future for all.

The Government and Ergon

The Government and Ergon are working together to ensure that we can deliver on our commitments.

4 BRON ENERGY MAKING OUR FUTURE INVESTMENT PLANS WITH YOU

Source: Sharing Our Future Investment Plans With You – Pages 8 to 11
OUR RESPONSE

We've looked at what you've told us, and we're refreshing our service commitment to regional Queensland. These commitments are guiding our future investment plans.

PEACE OF MIND

Our approach to safety

As a business, we understand the importance of our customers having confidence in the safety of the electricity we supply. We want to make sure that our customers can depend on a reliable, safe and cost-effective service.

1. Our goal is for our safety performance to stand with the best in our industry... to be Always Safe.
2. We'll maintain recent overall improvements to power supply reliability... and continue to improve the experience of customers who are suffering outages well outside our standards.
3. We'll be there after the storm, prepared and with the resources to respond to voluntary and force majeure damage.
4. We'll meet our guaranteed services commitments. If we don't, we'll pay you.

CHOICE AND CONTROL

8. We're looking to the future - and evolving the network to best support customer choice to economic electricity supply solutions.
9. We'll make it easier for you to contact us, whether by phone, Facebook, or Twitter, and provide you with the information you need, when and how you need it.
10. We'll play our part in powering the economy by making it easier to connect to the network.

FOR THE BEST POSSIBLE PRICE

8. We're targeting to reduce what we charge for the use of our network in 2018/19, and have increases overall in network charges under inflation for the next five years.

Source: Sharing Our Future Investment Plans With You – Pages 12 to 17
Ergon Energy – Customer Perceptions.
Residents have a **basic understanding** of Ergon Energy’s role and responsibilities; they primarily associate them with electricity infrastructure and customer billing.

Mixed views exist in regards to whether Ergon Energy is ‘customer focused’

**Yes…**
- Safety Focused
- Reliable
- Community Focused
- Employee Focused

**Questionable…**
- Future Focused
- Price Conscious
- Energy Efficiency Focused

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“I have no problems with Ergon Energy, but I have no choice in this area”
Townsville Resident (Male)

“I would say most people are like me… all you want is to be able to turn the light on when you flick a switch”
Townsville Resident (Male)

“No problems, apart from the blackouts”
Roma Resident (Male)

“They are good at their jobs. We have power, they respond quickly to mother nature and are out in the community”
Bundaberg Resident (Male)
Regular customer engagement and feedback is considered to be essential and important for all businesses to conduct.

It is expected that companies are reviewing their business through multiple lenses including the customer lens.

“It needs to be continuous (customer engagement) – not stop”
Roma Resident (Male)

“If we give them feedback, they (Ergon Energy) should give us feedback – it’s a two way street”
Roma Resident (Female)

“Any company that truly cares about its success should be talking with customers”
Bundaberg Resident (Male)
Residents were impressed by the scope of Ergon Energy’s customer engagement – it was more than they expected.

“I think this would have found heaps of mistakes and things for the future” Roma Resident (Male)

“I like that it hasn’t just relied on those who complain… it has looked at everyone’s perspective so they get the full view” Townsville Resident (Female)

“Wow, that’s massive! They would really get what customers wants after doing all that” Townsville Resident (Male)

“It shows they actually listen and care” Bundaberg Resident (Female)
Customer Feedback.

The majority agree with the ‘What You’ve Said Summary’; most felt it helped to articulate their own thoughts and opinions.

‘For the Best Possible Price’ is generally considered to be the most important category by residents. ‘Peace of Mind’ is generally the second most important category.

“It’s pretty spot on – I’d be happy with that”
Townsville Resident (Male)

“If they listen and do something about this (What You’ve Said), this would be good”
Roma Resident (Female)

“It’s ironic, even the first paragraph talks about what I’ve already said today”
Roma Resident (Male)

“Peace of mind is just knowing they are doing their job. That is just expected. The rest relates to the options I have to be comfortable with what I’m paying”
Bundaberg Resident (Female)

“It’s exactly what you want and think. You want peace of mind that you have safe and reliable power. And you want the options to choose how you live, against what you’re willing to pay”
Bundaberg Resident (Male)
The categories are generally considered to be easy to understand; however the word ‘choice’ may need to be re-considered.

- **Peace of Mind**: Reliable and safe supply.
- **Choice and Control**: Choice seen to imply choice of supplier – not energy options.
- **For the Best Possible Price**: Seen to acknowledge price sensitivity.
Customer Commitments Evaluation – ‘Our Response’.
Customer Commitments.
Response to ‘Our Response’.

Clear linkage seen to exist between commitments and earlier feedback.

However…
Some commitments to customers are not easily understood; customers would prefer them to be written ‘more simply’.

The commitments to customers are considered to be ‘mission statements’, they lack ‘how’ Ergon Energy will deliver on these.

Lack the ‘how’ - (i.e. a measurable outcome) Ergon Energy will deliver upon each.

Are ‘vague’ - they are perceived as something that Ergon Energy could easily get out of delivering upon.
Customer Commitments. Response to each commitment.

**Residential customers** liked the eight commitment to customers. They felt it showed Ergon Energy is prepared to put their money where their mouth is.

Amongst **residents that read the supporting detail** behind each customer commitment, many questioned whether it was necessary for Ergon Energy to pay customers if they do not meet their guaranteed services commitments as part of the Peace of Mind commitment.

Some believe that the **amount of money being offered** (detailed in the supporting pages of the ‘Our Response’ stimulus) would not be sufficient to cover the ramifications of some events. For example $104 would not cover the cost of replacing the contents of their fridges and freezers, if the power was to go out for a prolonged period of time as many customers have multiple fridge and freezers. They would prefer for this money to be re-invested into the network to prevent the issue from re-occurring in the future.

**Scepticism** also exists that accessing the paperwork and getting approval to be paid by Ergon Energy would be a simple task. An assumption exists that the paperwork would be ‘hidden’ and difficult to find (although in reality many of these are automatically paid).

“It shows (commitment eight) that Ergon Energy are willing to put their money where their mouth is”

Townsville Resident (Female)
Customer Commitments.
Response to each commitment.

**Peace of Mind:**
- Commitments in this category, while considered important, are also felt in many ways to be hygiene factors.
- Service guarantee offer generated mixed response: for some seen as a strong guarantee while others greeted with scepticism.
- Felt to lack a commitment to local employment

**Choice and Control:**
- Uncertainty expressed as to what commitments five and seven actually meant and hence seen to lack relevance.
- Felt that commitment 6 could be strengthened by emphasising both availability of multiple communication channels as well as proactive provision of information.

**For the Best Possible Price:**
- Very well received as felt to detail the ‘how’ and provide a tangible and measurable outcome
Thanks.