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Revenue Reset Stakeholder Engagement

Full Engagement Report

Prepared for Transgrid
15th December, 2021

Transgrid Forethought® Outcomes

Contents

Transgrid Forethought® Outcomes

Program Overview

Program Objectives

Organisational Objectives

- Explore customer and stakeholders views of transmission network and the issues that are most important to customers;
- Ensure customer and stakeholder support of key positions and propositions within Transgrid's Revenue Reset Proposal; and
- Engage with customers and stakeholders where there are differences in position, to ultimately arrive at a proposed outcome.

Research Objectives

- Explore consumer sentiment, attitudes and expectations towards Transgrid;
- Explore consumer values pertaining to the energy industry and expectations about the future of energy;
- Determine consumer willingness to pay for services provided by Transgrid; and
- Test drafted elements of the Revenue Reset Proposal and prospective projects to identify opportunities for further refinement.

Program Overview

	Program Design and Establishment	1. Explore	2. Prioritise	3. Test
What	**Program Design and Establishment**	**1. Explore**	**2. Prioritise**	**3. Test**
How	Immerse in the existing knowledge base and ensure consistency between the research and strategic objectives.	Online **qualitative research** to explore the underlying needs, attitudes and expectations of Transgrid customers regarding their relationship with energy.	Online **quantitative research** to develop a hierarchy of what is most important to customers regarding their relationship with energy.	**Online Qualitative research** to test the appeal of Transgrid projects in the pipeline and drafted components of the Revenue Reset Proposal for final pre-submission refinement.
Approach	1.5 hour **kick-off workshop** with: • Key Transgrid Stakeholders • Forethought team	1 x 3 day Online Discussion Board with n= **32 consumers** in metro, regional and coastal areas.	• 15-minute representative online survey of **n=1,505 consumers** (sourced from online panel).	**6 x 90 minute online focus groups** with consumers in metro, regional and coastal areas.
Deliverables	• Finalised Scope of Works • Finalised Research Objectives	• Summary Report • Presentation • Questionnaire	• Summary Report including a statistical hierarchy of the Value of Transgrid Investment • Presentation	• Drafted and Final Executive Report • Final Presentation of Findings
Outcomes	**Alignment on the research objectives and agreement on next steps.**	**Hypothesis to be tested in the quantitative phase (Prioritise).**	**Clear prioritisation of initiatives to be included in the Revenue Reset Proposal to test with consumers.**	**Refined projects and Revenue Reset Proposal based on feedback from consumers.**

Executive Summary

Key Findings

1

Consumer Values and Priorities for Industry Investment

Consumers prioritised **affordability and sustainability of supply** followed by **safety, security and reliability** as areas for investment by the electricity industry. Investment in the **energy transition** and **technology and innovation** followed as priorities and were seen as a means of improving affordability and reducing emissions.

- NOW: Investment to **improve electricity affordability was prioritised** by all consumers, with preference for investment to be frontloaded within the next four years.
- NOW: Improving infrastructure **safety, security and reliability were second priority** areas for investment by all consumers. Small business customers placed particular importance on reliability as they depended on a reliable electricity supply for their business productivity and continuity.
- FUTURE: Industry **investment to transition to renewable energy sources** was prioritised by all consumers as key to increasing long-term electricity affordability and emissions reductions. This came as residential consumers prioritised climate change as a top issue to be mitigated in future.
- FUTURE: Industry investment in **innovation and technological upgrades** was prioritised by all consumers to facilitate improved affordability and to meet future increases in demand.

2

Consumer Willingness to Pay for Emissions Reductions

57% of residential consumers would pay $25 or more on top of quarterly bills and **50% of SMB consumers would pay $40 - $50** on top of monthly bills to help reduce carbon emissions. A large cohort (43%) of residential consumers were unwilling or unable to pay more than $25 on top of their quarterly bills.

- The willingness to pay was lowest amongst older residential consumers, smaller-sized SMBs and non-solar users across consumer groups.

3

Consumer Support for Draft Elements of the Revenue Reset Proposal

(Increased cost of insurance, Cyber security and critical infrastructure upgrades, Capital expenditure and Customer savings)

Transgrid should expect to receive consumer support for all the elements of the Revenue Reset Proposal that were tested if communicated effectively.

- Elements of the proposal tested were broadly accepted by consumers and aligned to their values. Consumers recommended more detail be added to the final proposal, including a preference that costs be shown in terms of individual bill impact.

Customer Positions on Draft Elements of the Revenue Reset Proposal

Element of Proposal	Increased Cost of Insurance	Cyber Security and Critical Infrastructure Upgrades	Capital Expenditure	Customer Savings
Customer Support or Opposition	Customers largely supported the rise in insurance costs	Customers unanimously supported the investment	Customers supported the increase in Capital Expenditure	Customers largely supported the level of customer savings
Key Findings and Considerations	• Customers accepted the reality of insurance cost rises given the global context but requested more information about the insurance provider where possible and what steps Transgrid had taken to mitigate the cost increase.	• Customers would like further information in the final proposal about where the investment would be directed and further context as to the current cyber security risk in Australia.	• Customers supported investment in the network where it will be used to support the grid of the future including projects designed to improve resilience of the network and reducing emissions.	• On face value, customers felt the savings were small in the context of their overall bill but the savings gained more support when they were shown in the context of increases in operational and capital expenditures.

Key Findings by Phase

Phase 3: Test

Phase 3 Objectives

The key outcomes in this phase included:

- Understanding of customer perceptions of the Revenue Reset Proposal and other key projects to be tested;
- Detailed feedback from customers on what aspects of the Revenue Reset Proposal require refinement; and
- How perceptions and feedback differ by customer type.

Who we spoke to?

Six (6) x Online Focus Groups online focus groups were conducted with six (6) main or joint household and small-to-medium business energy decision makers in the Transgrid Transmission Network.

Sampling Frame

Customer Type/ Location	Sydney	Canberra	Coastal (Inc. Newcastle, Wollongong and Byron Bay)	Regional (inc. Dubbo and Wagga Wagga)	Total
Residential	1	1	1	1	4
Small to Medium Business (1-199 employees)	1	1 (inc. Canberra, Coastal and Regional)			2
Total Customers					6

Online focus groups gathered a virtual assembly of respondents and ensured customers from all areas of Transgrid's transmission networks were able to participate.
These online groups will run for a total of 90 minutes.
Online focus groups were split evenly by:

- Age, gender, religious ethnic affiliation, income level business size, business industry and location (based on postcode).

Findings in Detail

1. Tested Elements of the Revenue Reset Proposal

1. Cost of Insurance
2. Cyber Security and Critical Infrastructure Upgrades
3. Capital Expenditure
4. Customer Savings

Consumers supported the increased insurance costs, but requested more information to be included in the final proposal

- Insurance premiums **$31.7 million**

Our insurance premiums are forecast to increase in the next regulatory period. Since 2018, the global insurance market has experienced significant volatility, with ongoing premium increases and a contraction in available insurance cover capacity. This is placing upward pressure on premiums.

Consumers supported the increase in insurance premiums in general despite initial surprise at the cost.

- Consumers were initially surprised at the cost of insurance premium rise however when put in context of 3% of operational costs, insurance costs were considered more acceptable and gained more support as a part of the proposal.
- SMB consumers related to the increase in insurance costs on personal terms and therefore were able to more easily support the investment.

Consumers requested further information about the increase in insurance premiums, particularly regarding the steps taken by Transgrid to mitigate premium increases.

- There was desire by consumers to understand who the insurance provider was and if more attractive offers were presented to Transgrid to reduce the premium.
- Consumers were also keen to understand what drove ‘volatility’ in the global insurance market, and how it related to Australia and Transgrid.
    - Understanding the impact of climate change and extreme weather events helped consumers justify the increased costs and they requested this information be included in the proposal.

> ***It's a fact, insurance premiums are always going up."***
>
> ***- SMB consumer***

> ***Does Transgrid have a choice of insurer or are they dictated to purchase from a specific provider?"***
>
> ***- Residential consumer***

> ***There should be more information on what they need the insurance for and who are they insured by?"***
>
> ***- Residential consumer***

> ***[Desired information] Maybe just the point about why their increasing, the climate impact and what they're insured for, but I understand and accept the increase."***
>
> ***- SMB consumer***

Cyber security investment was unanimously supported given the number of high-profile hacking incidents in the media, with some even feeling investment should increase

- Cyber and critical infrastructure security **$24.6 million**

We will incur additional expenditure to meet new cyber security obligations under the Australian Government's proposed Critical Infrastructure 2020 Bill, which is expected to be passed by early 2022.

Increased investment in cyber security was considered a necessity by all consumers.

- Cyber security investment was highly relevant given increased media coverage of hacking risks and for some, their personal experiences of hacking.

Some consumers felt the proposed investment should be increased.

- Some consumers questioned whether the proposed expenditure was sufficient considering the importance of system security.
- There was a desire to understand the reasons for investment, and if the investment would increase security levels to meet or exceed Government standards.
    - Many consumers requested further information on whether the investment proposal had been driven by a security breach or identification of security weaknesses.
    - Consumers felt Transgrid should err on the side of exceeding Government standards given the perceived level of risk and sensitivity towards the issue.

> ***Hearing about cyber in the news, it feels like money well spent.”***
> ***- Residential consumer***

> ***I’m interested to know what aspects of my bill are going to be part of that....maybe a few more specifics about what the cyber security obligations are...it would be interesting to know...what has been the trigger for this?”***
> ***- Residential consumer***

> ***It’s easier to justify that cost than insurance...I would expect more!”***
> ***- SMB consumer***

> ***Cybersecurity is incredibly important right now, the cost of not doing that would be far higher.”***
> ***- SMB consumer***

> ***Wondering if Cyber security is relevant given consumer personal data is not stored with Transgrid.”***
> ***- SMB consumer***

Consumers supported the investment in capital expenditure however requested more information as to how the investment would be linked to reliability, resilience and emissions reduction in future

Consumers supported Network augmentation if this augmentation helped to build the "grid of the future."

- Support for investment to augment grid capacity increased when directly related to the 'grid of the future' and the augmentation could enable more renewable penetration as well as a safer more resilient network.

Consumers were not comfortable with infrastructure being replaced with old technology.

- Consumers requested more information about how new infrastructure would enable greater resilience, efficiency and reliability of the network. Consumers were interested in investing in network technology that would be useful in the 'future grid' and did not want to invest in assets that would not be utilised in future.

Consumers showed a lack of understanding of how their bills contribute to augmentation of the grid across NSW and the ACT.

- There is an opportunity for more information to be provided to help consumers understand how investment in transmission and in other parts of the supply change impact individual bills.

> ***I would like to see the growth in each area of NSW.”***
>
> ***- Residential consumer***

> ***Knowing that upgrades enable renewals....those details are really important.”***
>
> ***- Residential consumer***

> ***They need to be investing in cleaner ways [of electricity transmission].”***
>
> ***- SMB consumer***

> ***[Regarding investment in energy transition] They’d be silly not to use that as a celebratory point....I think they need to be a bit more specific about what the improvements are.”***
>
> ***- Residential consumer***

Proposed customer savings were supported by customers however were considered small in the context of the total bill

Customer savings were appreciated and gained further support once greater context was provided.

- Proposed customer savings were initially considered small in the context of the total bill. However, customers appreciated savings more when presented with further context, including:
  - The fact that Transgrid's capital and operational expenditure increased but prices overall decreased.
  - The relatively small contribution Transgrid made to the average consumer bill (<10%).

Many consumers felt they would rather reinvest savings for larger, long-term benefits.

- Consumers welcomed the savings but did not consider them large enough to change the affordability of electricity.
- Many consumers instead opted to re-invest these savings in projects that delivered longer-term climate-related benefits.
  - This is consistent with findings in Phase 2 where more than 50% of customers were willing to pay more to reduce emissions.

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> ***It's really only a couple cups of coffee.....in each quarter if you're a business owner that's only $15."***
>
> ***- SMB consumer***

> ***It's interesting how all their costs have gone up but they're still passing on a saving, even if it isn't much."***
>
> ***– SMB consumer***

> ***Instead of giving you your $61 we'll plant 10 trees for you. I'd prefer that."***
>
> ***– SMB consumer***

> ***I'd love the savings myself but when I think about the greater good....that might lead to reductions in the future."***
>
> ***- Residential consumer***

> ***Considering the savings are that small, but when you multiply across customers you could have a couple of million to reinvest."***
>
> ***- Residential consumer***

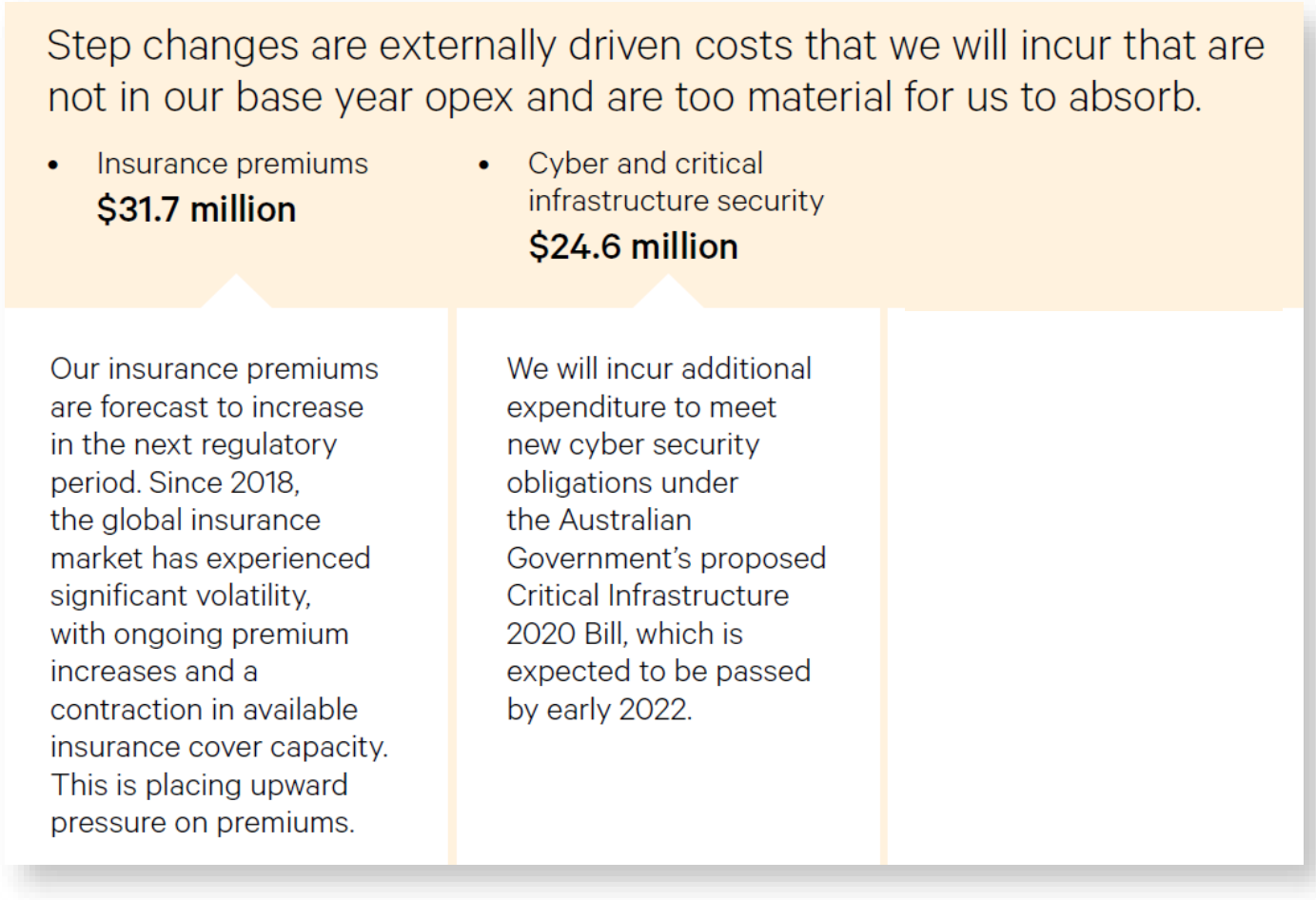
> ***This is really good considering I would have expected these costs to rise in that time."***
>
> ***- Residential consumer***

Appendix B: Exhibits Shown to Focus Group Participants

Exhibits Shown to Focus Group Participants

1. **Cost of insurance**
   - **$31.7 million more** in insurance premiums over the 5-year, 2023 – 2028 period, compared to the previous 5-year period
   - 2.8% of total operational costs ($1,109.6m)
   - Determined by independent insurance brokers with increasing volatility in the global insurance market
     - In-part due to climate change and more frequent extreme weather events

2. **Cyber Security and Critical Infrastructure Upgrades**
   - **$24.6 million** to meet **cyber security obligations** under proposed **Critical Infrastructure Bill (2020)**, expected to be passed by early 2022
   - 2.2% of total operational costs ($1,109.6m)



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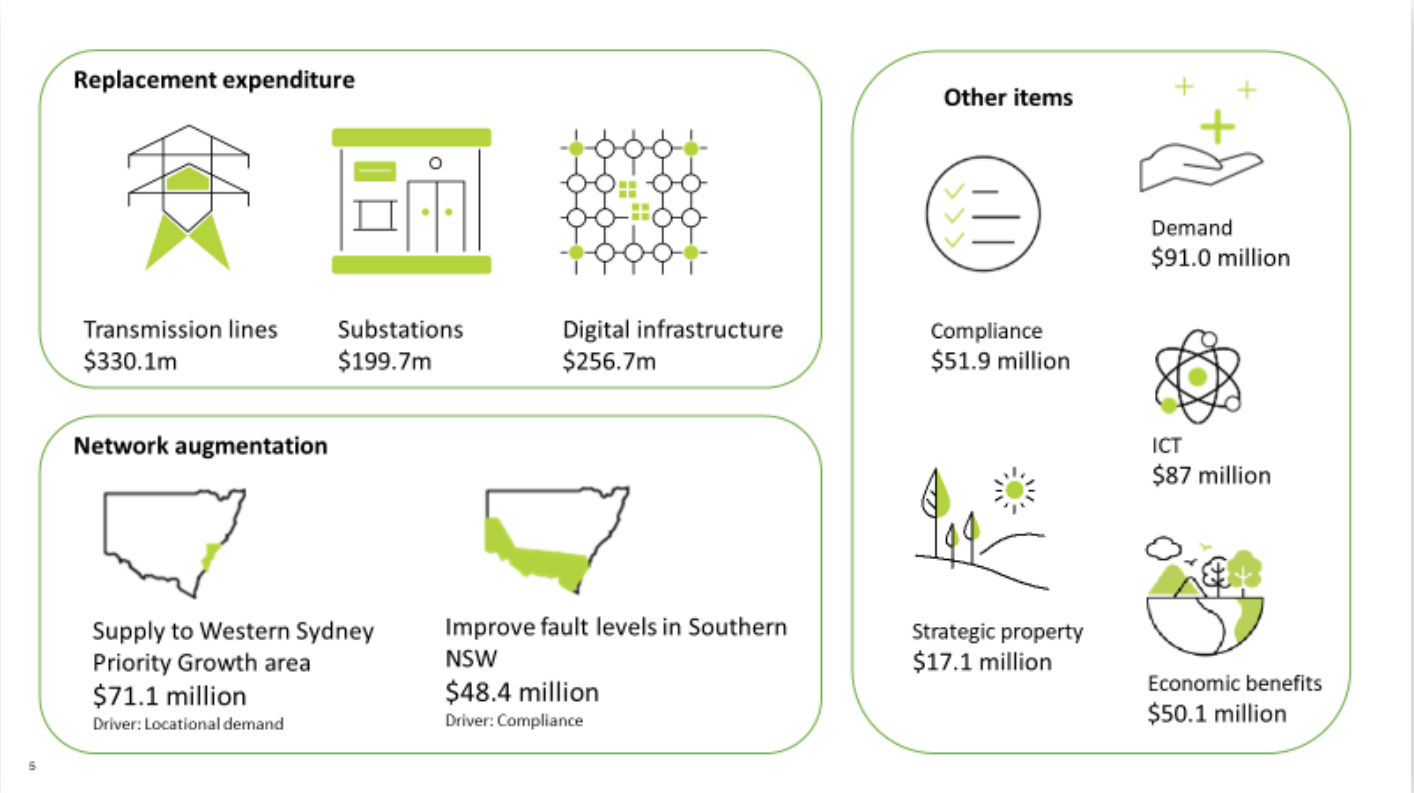
Exhibits Shown to Focus Group Participants

3. Capital Expenditure

- **$1.98 billion** over the 5-year, 2023 – 2028 period,
  - **Replacement and maintenance** of the ageing asset base / infrastructure
  - **Digital infrastructure upgrades**, including protection, control, communications and metering equipment
  - **Network augmentation** / improvement to:
    - Meet growth in **electricity demand** (load growth)
    - Ensure **network reliability and security** as we experience more frequent **extreme climate-driven natural hazard events** (resilience)
- 7% increase in capital expenditure compared to the previous regulatory period ($1.35b)



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Exhibits Shown to Focus Group Participants

4. Customer Savings

- Forecasted reduction in the transmission component (10%) of electricity bills for the 2023-2028 regulatory period
- **$16.90 per annum** saving for **residential consumers** by 2028 (paying $1,600 p/a)
- **$61.20 per annum** saving for **SMB consumers** by 2028 (paying $7,000 p/a)

Delivering customer savings

Affordability is customers' highest priority.

Transmission savings[6]:

- **$16.90 p.a.** residential savings
- **$61.20 p.a.** small business savings

Wholesale energy savings:

- Project EnergyConnect delivers annual residential savings of up to **$64 p.a.**[7]

Transgrid Forethought Outcomes

Phase 1: Explore

Phase 1 Objectives

This phase explored and uncovered:

- Key **concerns and priorities of consumers** including cost of living and climate change.
- **Awareness and sentiment towards Transgrid** and the role of transmission networks in the energy industry now and into the future;
- **Consumer preferences for the future of the energy industry** including preferences for energy mix make-up and infrastructure investment;
- The **trade-offs that consumers make** between various factors in the energy industry such as the affordability, sustainability and reliability of energy.
- **Different profiles of consumers** based on experience, attitudes, behaviours, demographic and geographic factors;

Who we spoke to

Between July 20th and July 22nd, Forethought conducted an Online Discussion Board with main or joint household and small-to-medium business energy decision makers in the Transgrid Transmission Network

Consumer Type/ Location	Sydney	Canberra	Coastal (Inc. Newcastle, Wollongong and Byron Bay)	Regional (inc. Dubbo and Wagga Wagga)
Residential	5	5	5	5
Small to Medium Business (1-199 employees)	3	3	3	3
Total consumers	32			

Online discussion board were split evenly by:

- Age
- Gender
- Location (based on postcode)

Also recruited to the online discussion board were:

- A mix of business industries and sizes
- Residential respondents who spoke a language other than English at home (n=5)

Residential consumers were incentivised $100 and small-to-medium business consumers $150 for their participation.

The Mind and Mood of NSW and ACT consumers

Managing the COVID-19 pandemic as well as ongoing economic and sustainability issues were top of mind concerns for consumers

Most Important Areas of Focus For Australia Now

Health

The COVID pandemic was a top priority for many consumers as the economic and health implications continued to create uncertainty for the current and future livelihoods of Australians.

> *Covid and the havoc this is playing with the economy and the everyday lives of Australian citizens and permanent residents [is a risk facing Australia]. There is a lot of uncertainty around jobs and the future.*
>
> *– SMB consumer*

Climate Change

Consumers prioritised focus on climate change, as many saw dire consequences of not addressing the issue for future generations.

> *Climate change is also a big problem, with the temperatures soaring each year, we are going to face more fires, floods etc. If we don't get ahead of this now, the country is really going to suffer in 10 years time.*
>
> *– SMB consumer*

Cost of Living

Managing expenses was an ongoing concern for consumers with the implication of the COVID pandemic and potential inflation weighing heavy on many.

> *Over the past year, I've seen Grocery prices rising month after month.*
>
> *- Residential consumer*

> *Should inflation and interest rates rise, there could be a tipping point for households, and likewise the rise of house prices and rent I feel would put pressure on households budgets.*
>
> *– SMB consumer*

> *Inability to service the current level of household debt should inflation continues to rise, and interest rates rise.*
>
> *- Residential consumer*

Consumers prioritised a focus on innovation and climate change mitigation for Australia in future

There was a perception that Australia lagged other countries in our ability to both combat climate change and invest in research and innovation.

There was a feeling that **Australia was not optimising our abundant resources** to actively combat climate change, which bought a feeling that Australia was being “left behind.”

Further, consumers expected **more investment in research and innovation** across all industries to ensure competitiveness and a high standard of living was maintained.

Overall, there was a feeling that Australia were laggards in innovation and greater priority was required in this area.

> *With a global shift towards renewable energy and solar power, Australia needs to gear up for the future demand in this space. We should use all our capability in creating a world class solution to energy problems and then use the technology to gain an edge over competing count.*
>
> *- Residential consumer*

> *All action to prevent or slow down climate change should be done. Risk is if we do too slow or in too irresponsible way.*
>
> *- Residential consumer*

> *We must start investing in future industries and technologies and Australian people so that we can stop being so reliant on other countries.*
>
> *- Residential consumer*

> *Sustainability is key. Developing and maintaining sustainable approach to energy will ensure we keep this planet safe for future generations.*
>
> *– SMB consumer*

> *I think once we get ahead of the leadership problem, we can then focus on other great things for our country such as innovation, to keep us ahead of the curve in the world scheme of things.*
>
> *- SMB consumer*

> *We already lag behind all major economic powers when it comes to innovation and production of goods and services. That is only going to get worse if we continue down the path of neglecting future areas of investment and continue to prioritise ancient ways of doing things.*
>
> *– Residential consumer*

Investment in innovation in the energy industry was seen as a means of decreasing the cost of living and improve living standards

Investment in technologies and innovations that would increase the provision of renewable energy to consumers was seen as a long-term solution to minimising the cost of living for consumers as opposed to current investment in fossil fuels.

There was however, **low awareness** or reflection by consumers that higher investment in technologies and infrastructure upgrades in the **energy industry would have direct implications on energy bills in the short term**.

> *[To ensure that cost of living is not a concern in future] we need to increase the uptake of renewable energy and keep gas onshore.*
>
> *- SMB consumer*

> *Cost of living like nearly everything else depends on cost of energy. That means focus should be on energy.*
>
> *- Residential consumer*

> *Government and energy producers and suppliers together should invest and after transition to new and cheaper energy cost will stabilized.*
>
> *- Residential consumer*

> *Australia is a rich nation. All it's natural and renewable energy sources must be used effectively and efficiently.*
>
> *- Residential consumer*

Attitudes Towards Power

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For many, value was driven by provision of reliable, affordable energy but also in the provision of sustainable and safe electricity delivered through innovative technologies and infrastructure

Perceptions of value in the energy industry was seen to be driven by quality and price drivers.

Perceptions of value into the future differed depending on which stakeholders in society were seen to be responsible for their improvement.

Value

Quality

Reliability

- Minimisation of outages

Sustainability

- Enabling more renewables now and into the future

Safety

- Improving the safety of workers
- Upgrading infrastructure to protect against extreme weather events
- Guarding against cyber attacks

Meeting future demands and needs

- Modernising the industry to meet the increased future energy demand needs that will come with the electrification and digitisation of industry and households such as increased use of EV's. Examples of innovations include increased battery usage and microgrids.

Cost

Price

- Ensuring prices are minimised.

Effort

- Reducing mental and physical exertion for consumers through efficient outage response and digitisation of monitory energy consumption.

At a top-of-mind level, consumers prioritised affordability and reliability of energy supply

SMB consumers expressed sensitivity towards reliability in the present, with many heavily dependent on a constant energy supply to maintain business productivity. In assignment of value and priority, consumers often all pray to feedback bias, whereby consumers rely on feedback or evidence to guide decision-making.

Changes in affordability and reliability provides direct feedback to consumers through tangible impacts - increases in bills and loss of power in the present. Small businesses were particularly sensitive to losses in power as this had major implications for productivity.

Conversely, climate change is invisible, diffuse, and a long-term process. Reducing carbon emissions by individuals and small businesses was not seen to lead to a noticeable change and consumers, with consumers viewing the responsibility of managing climate change as a broader, societal issue.

> *Reliability is important because I need electricity so my fridges and my business doesn't stop, it is critical being a small business to limit all forms of set backs and wastage as it would damage revenue, reputation, item constraints and ad stress to an already stressful industry.*
>
> *- SMB consumer*

> *Knowing that my service will not let me down, and will not become cost prohibitive is important for the day to day running of the business - which relies heavily on the use of machines.*
>
> *- SMB consumer*

> *Our business uses sewing machines all day and most of the night. As such, any pause in electricity supply halts production of our product. If the street or neighbourhood is in blackout, we are in trouble. Recently wires were replaced in our street, which put power out for the day - it was a nightmare. Additionally, as we use a lot of power it is important that costs are low - from a business point of view.*
>
> *- SMB consumer*

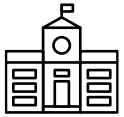
> *We lose our power for any length of time beyond the battery life of a laptop and we are in serious trouble.*
>
> *- SMB consumer*

Consumers were generally cynical towards the industry's decarbonisation and felt powerless to contribute outside of uptaking solar

Consumers felt their responsibility in energy stopped at managing their own personal affordability and emissions reduction whilst the industry and government had a major role in managing the energy trilemma (affordability, reliability and sustainability) and bearing the brunt of sustainable investment.

Energy Industry

Ensuring that that the provision of energy is:
- Affordable
- Reliable
- Sustainable



Government

Providing infrastructure and management to ensure energy is:
- Affordable
- Reliable
- Sustainable

Consumers

Managing own energy to ensure it is:
- Affordable
- Sustainable

Responsibility

The dynamic between the industry, government and consumers in combination with assigned responsibility had a significant impact on consumer sentiment.

Where to Invest

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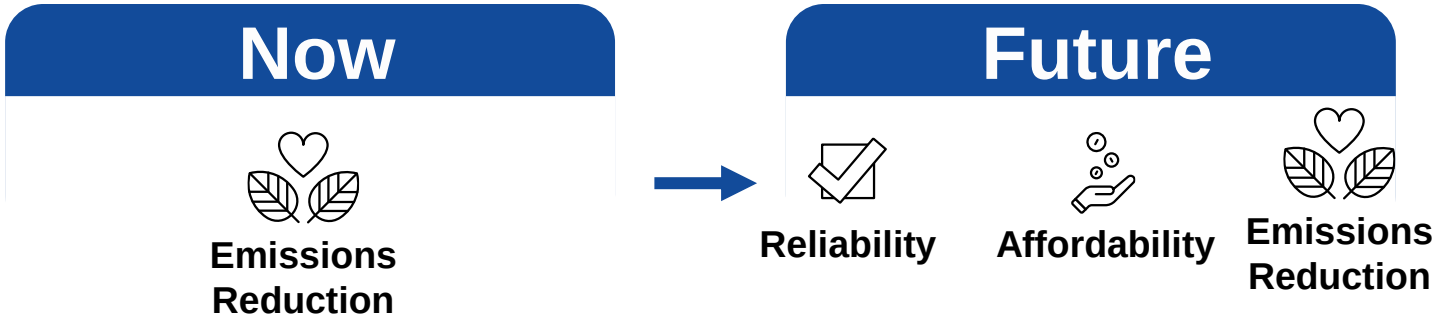
When thinking about energy at a societal level, there was strong preference for improving sustainability of energy supply now and into the future

When thinking about energy as a societal issue, consumers were more inclined to see emissions reduction (and general sustainability of energy) as a priority for the present as the funding for these ventures would come from government and infrastructure providers.

Consumer Priorities in Society



> *Necessity is the mother of invention. The price will become prohibitive or supply will become unreliable. Eventually someone will invent an effective, affordable and reliable means of generation and distribution at the residence or local community level which will completely cut out the big companies.*
>
> *- Residential consumer*

> *There will be severe environmental impacts of not moving to greener/cleaner sources of energy which we are already seeing (climate change).*
> *Costs for energy will continue to increase and become unaffordable to many individuals and business, thus adversely affecting the economy and the country's prosperity.*
>
> *- SMB consumer*

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There was preference for not only transitioning fuel source but improving innovation of assets and infrastructure to keep up with future consumer and environmental demands

Consumers not only placed a priority on emissions reduction in the energy industry but also the general modernisation of technologies, infrastructure and assets in the energy industry.

Consumers foresaw **heightened demand through population growth as well as the risk of more extreme weather events** due to climate change as a key reason to modernise infrastructure. Future demand was also seen to come from increases in the use of EV's and the **general electrification of technologies in households and businesses** and it was expected supply would follow this demand.

Further, **cyber attacks** were seen to be a very real threat to societies in future so updating IT infrastructure in the energy industry was of importance to some.

> *"In energy there will be more use of the broad range of options and availability of these options for consumers. Wider adoption of electric vehicles across the board. There should be continued development of green energy resources."*
>
> *- SMB consumer*

> *"I would also invest in Safety and Innovation. A lot of innovation is currently underway in this space and it would be better fuelled with more finance. Any groundbreaking research in this area could potentially change the future of how we think about energy."*
>
> *- Residential consumer*

There was high demand for investment in sustainability and innovation however, preferences were split as to when this investment should occur

For some, investment in technology to enable greater provision of renewables could not wait as there was already seen to be a climate crisis occurring. Increased investment in sustainability now was seen to benefit affordability and reliability in future.

> *I know that they don't want to invest in the poles and wires and the infrastructure but down the road there will be a pay off, it'll also make it more affordable, reliable and safe in the long run. Now is the time for these energy companies to be at the front of change, to be recognised as industry leaders, by investing in renewable energy we will be creating new jobs, new industries and the money will come.*
>
> *- Residential consumer*

> *Invest it now. We can't wait any longer, people are very anxious about this. I completely understand that we live hand to mouth and that life is day to day but I'm worried about my children and children's children.*
>
> *- Residential consumer*

Others were more hesitant to directly invest in sustainability, fearing that technologies invested in now would become obsolete.

> *Technology is always moving on so there is a risk of committing all your money now I would spread the money over the 10 year period with the a sliding scale favouring the last 2 years.*
>
> *- Residential consumer*

Phase 2: Prioritise

Phase 2 Objectives

- Quantify consumer **sentiment**, **attitudes**, **values** and **expectations** of the electricity industry
- **Prioritise electricity industry investment** according to consumer preferences
- Determine consumer **willingness to pay** for **carbon emission reduction** by the electricity industry
- Understand **customer preferences for engagement and communication** with Transmission Networks

Phase 2 Data Collection

What: 15 min online survey

When: 17th – 30th August

Who: Main or joint household and small-to-medium business energy decision makers within the Transgrid Transmission Network

Sampling Frame

Consumer Type/ Location	Sydney	Canberra	Coastal (Inc. Newcastle, Wollongong and Byron Bay)	Regional (inc. Dubbo and Wagga Wagga)
Residential	733	71	71	299
Small to Medium Business (1-199 employees)	196	28	20	87
Total Consumers		**1505**		

Considerations in sampling and data weighting were also given to ensure:

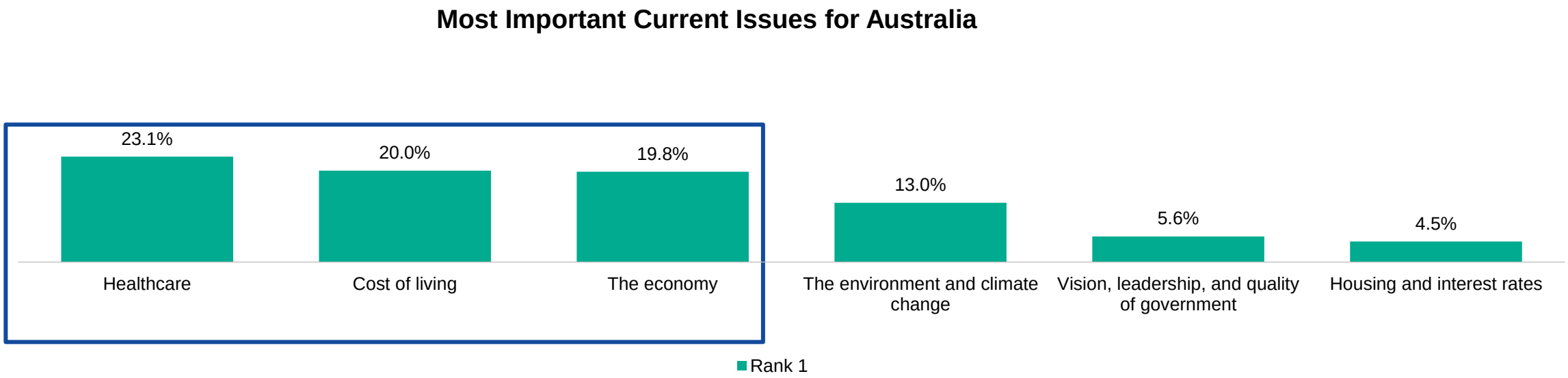
- A representative mix of business industries and sizes
- Representation of residential consumers who speak a language other than English at home (n=221)
- Representation of residential consumers from the Indigenous community (n=28)

Findings in Detail

Key Finding 1:

Investment in *healthcare*, *cost of living* and *the economy* was prioritised in the short-term however in the future, residential customers prioritised investment in *the environment and climate change* over other areas. SMB customers however, prioritised *cost of living* and *economic* investment in both the short and long-term.

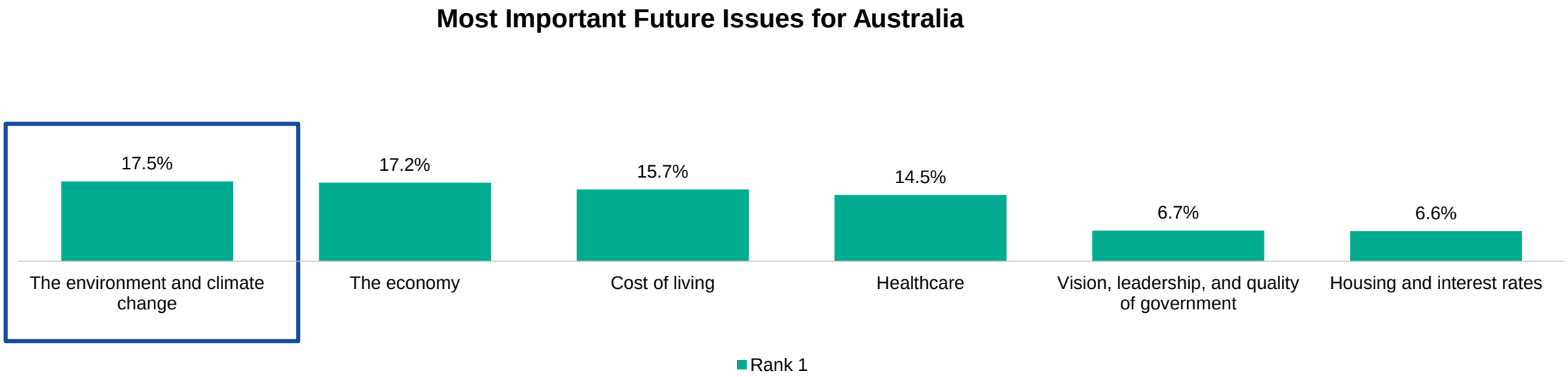
Residential consumers nominated *healthcare, the economy* and *cost of living* as the top three most important current issues for Australia to focus on



The environment and climate change, while still important, presented a secondary issue with 13% of residential consumers electing it one of the most important issue for Australia today.

Which of the following issues do you think are most important in Australia right now?

Looking to the future, *the environment and climate change* became the most important issue for Australia

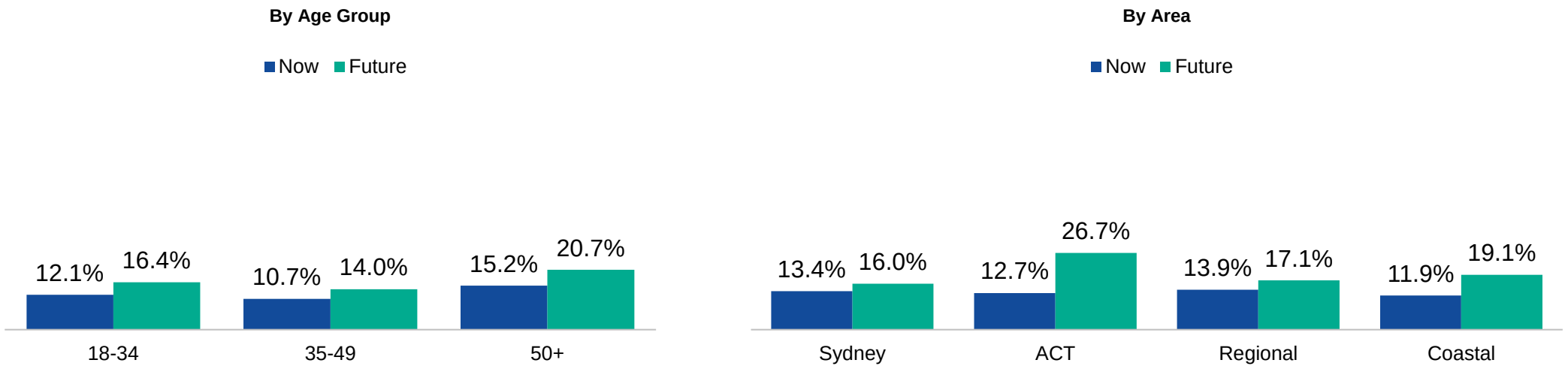


The economy, cost of living and *healthcare* remained important however slipped behind the *environment and climate change* as the most important issue for Australia in a future context.

Which of the following issues do you think will be the most important in Australia in the future?

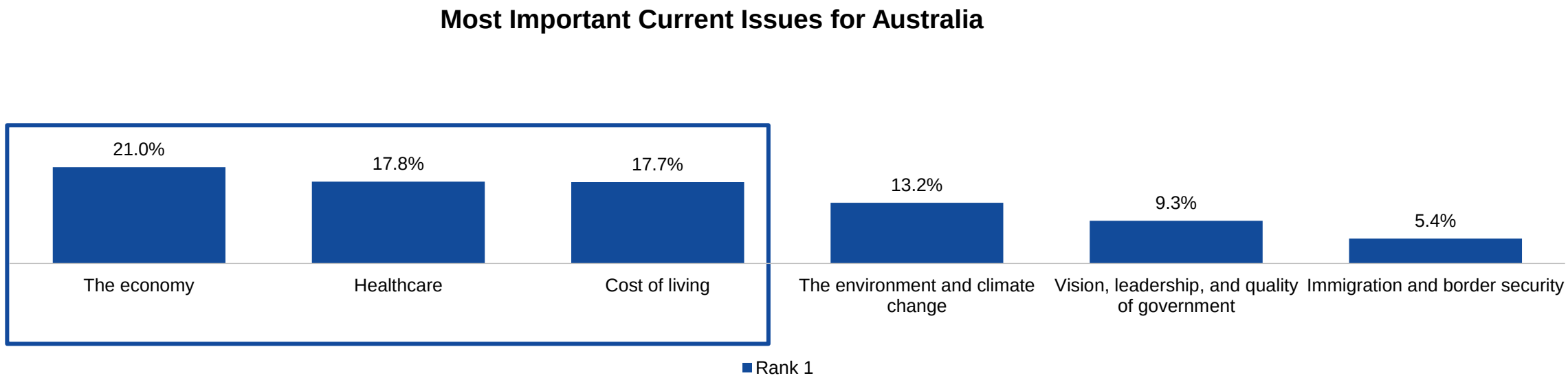
The increased importance placed on *environment and climate change* in a future context was universal across age groups and geography

Preference for Environment and Climate Change Ranked Most Important Issue for Australia



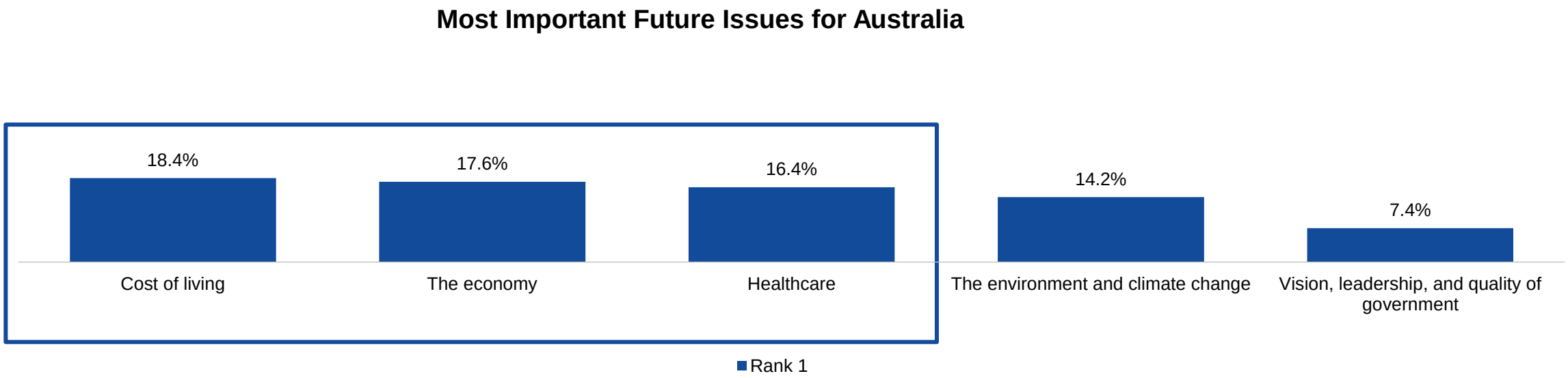
Which of the following issues do you think will be the most important in Australia in the future? (Ranked First)

Like residential consumers, SMB nominated healthcare, *the economy* or *cost of living* as their three most important issues for Australia to focus on



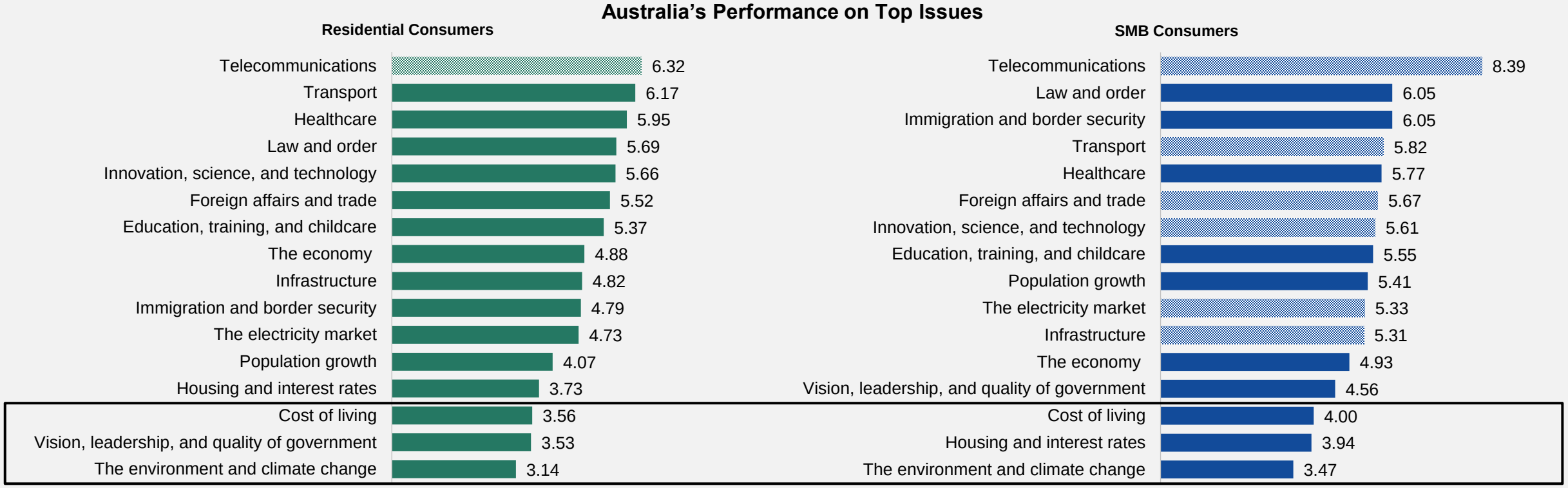
Which of the following issues do you think are most important in Australia right now?

Priorities remained the same for SMB consumers when the future was considered



Which of the following issues do you think will be the most important in Australia in the future?

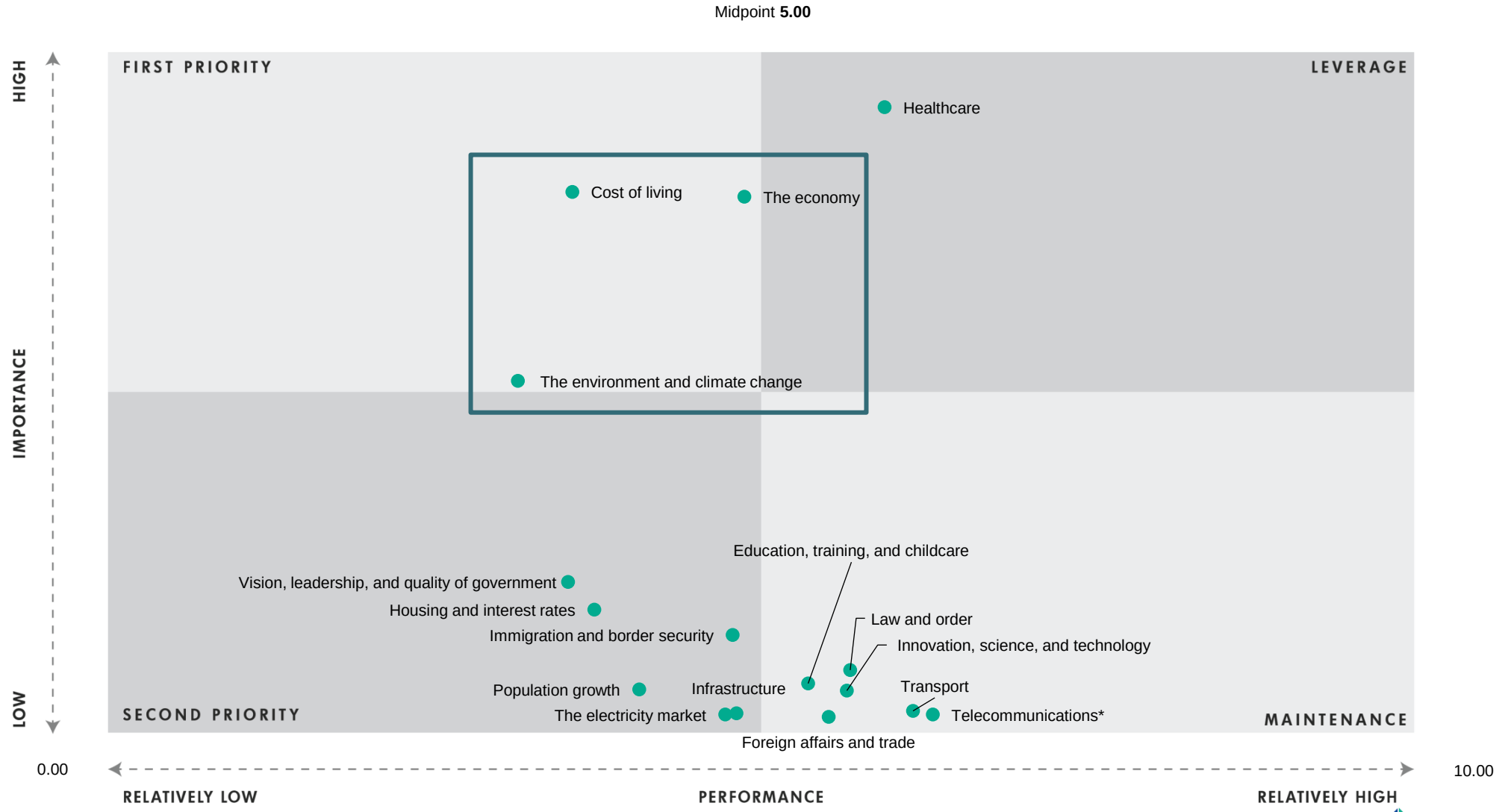
Cost of living and climate change were rated amongst the three issue areas where Australia performed the worst by both residential and SMB consumers



Climate change was considered where Australia's performance was worst, despite a lesser stated importance when compared to cost of living.

How do you think Australia currently performs on the management of these issues?
Note: Shaded bars indicate results based on small sample sizes. A minimum sample size of n=30 is recommended for an indicative result.

National investment should therefore be prioritised into these areas for residential customers



Importance: Which of the following issues do you think are most important in Australia right now? Ranked first.
Performance: How do you think Australia currently performs on the management of these issues?
Note: * indicates performance results based on small sample size. A minimum sample of n=30 is recommended for an indicative result.

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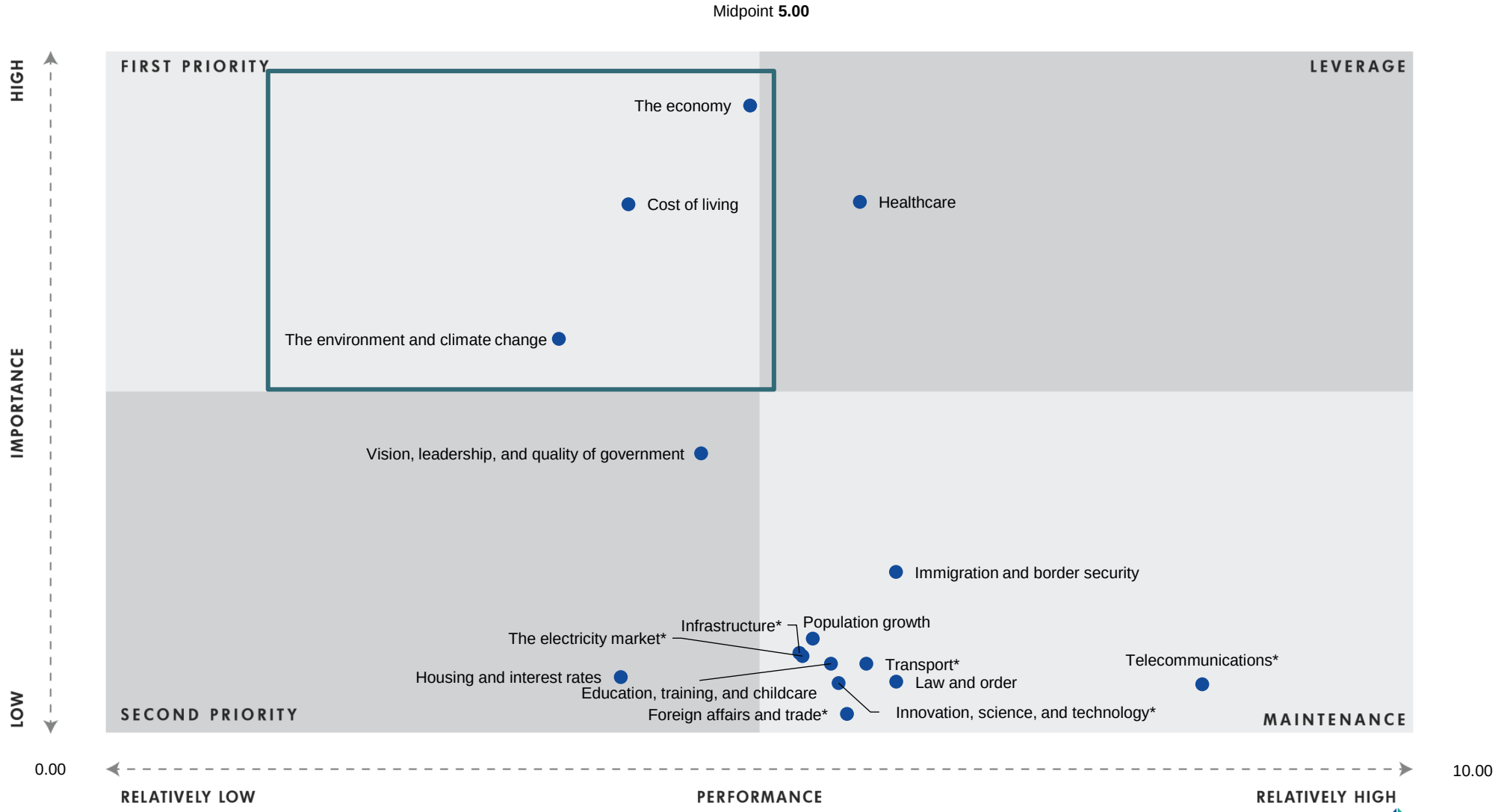
Forethought Outcomes

National investment priorities were the same for SMB customers



Importance: Which of the following issues do you think are most important in Australia right now? Ranked first.
Performance: How do you think Australia currently performs on the management of these issues?
Note: * indicates performance results based on small sample size. A minimum sample of n=30 is recommended for an indicative result.

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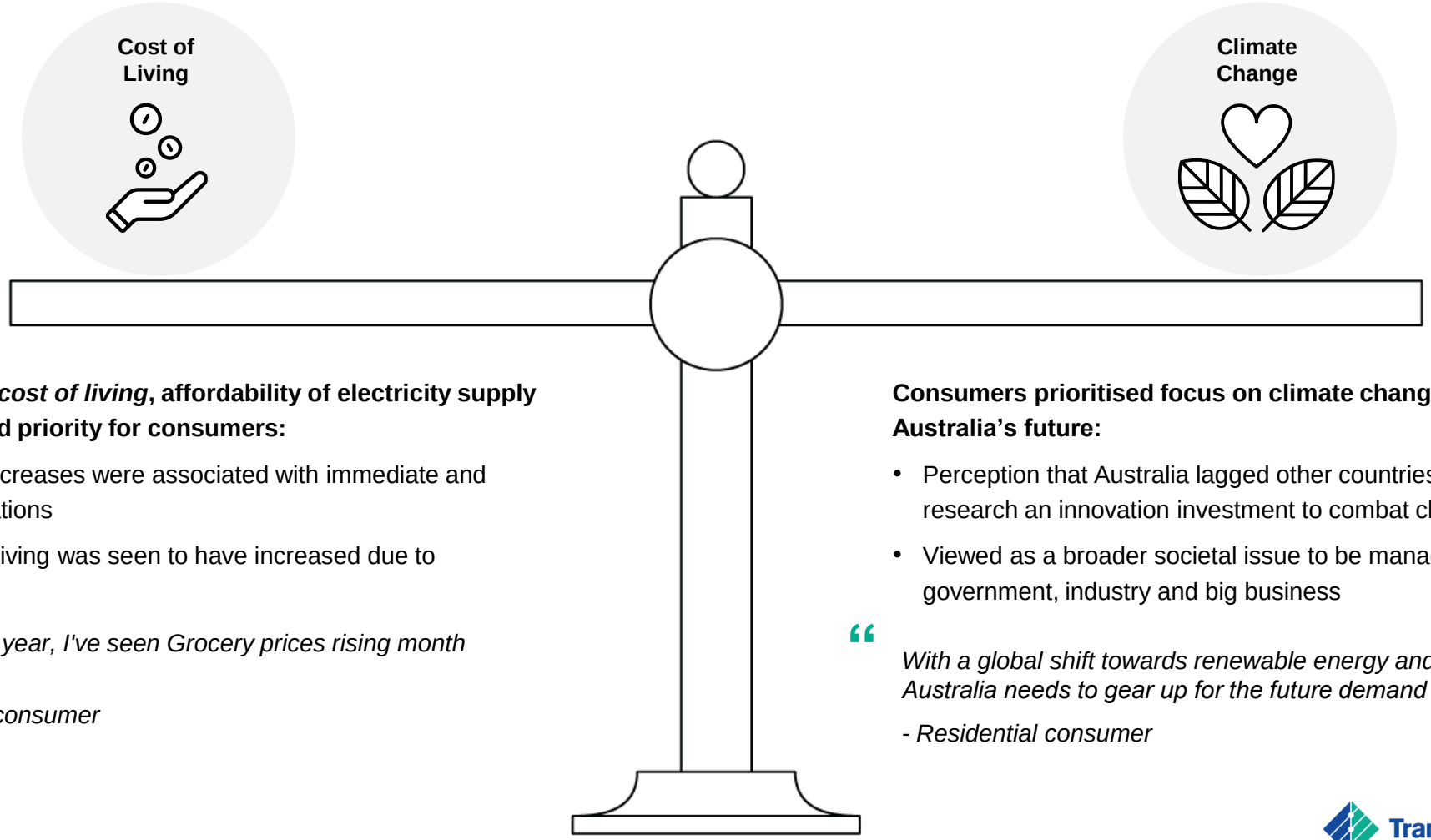
Forethought Outcomes

Consumer preferences reflected a balance of affordability and long-term climate change mitigation priorities



In the context of *cost of living*, affordability of electricity supply was a top-of-mind priority for consumers:

- Electricity bill increases were associated with immediate and tangible implications
- Overall cost of living was seen to have increased due to pandemic

> *Over the past year, I've seen Grocery prices rising month after month."*
>
> *- Residential consumer*

Consumers prioritised focus on climate change mitigation for Australia's future:

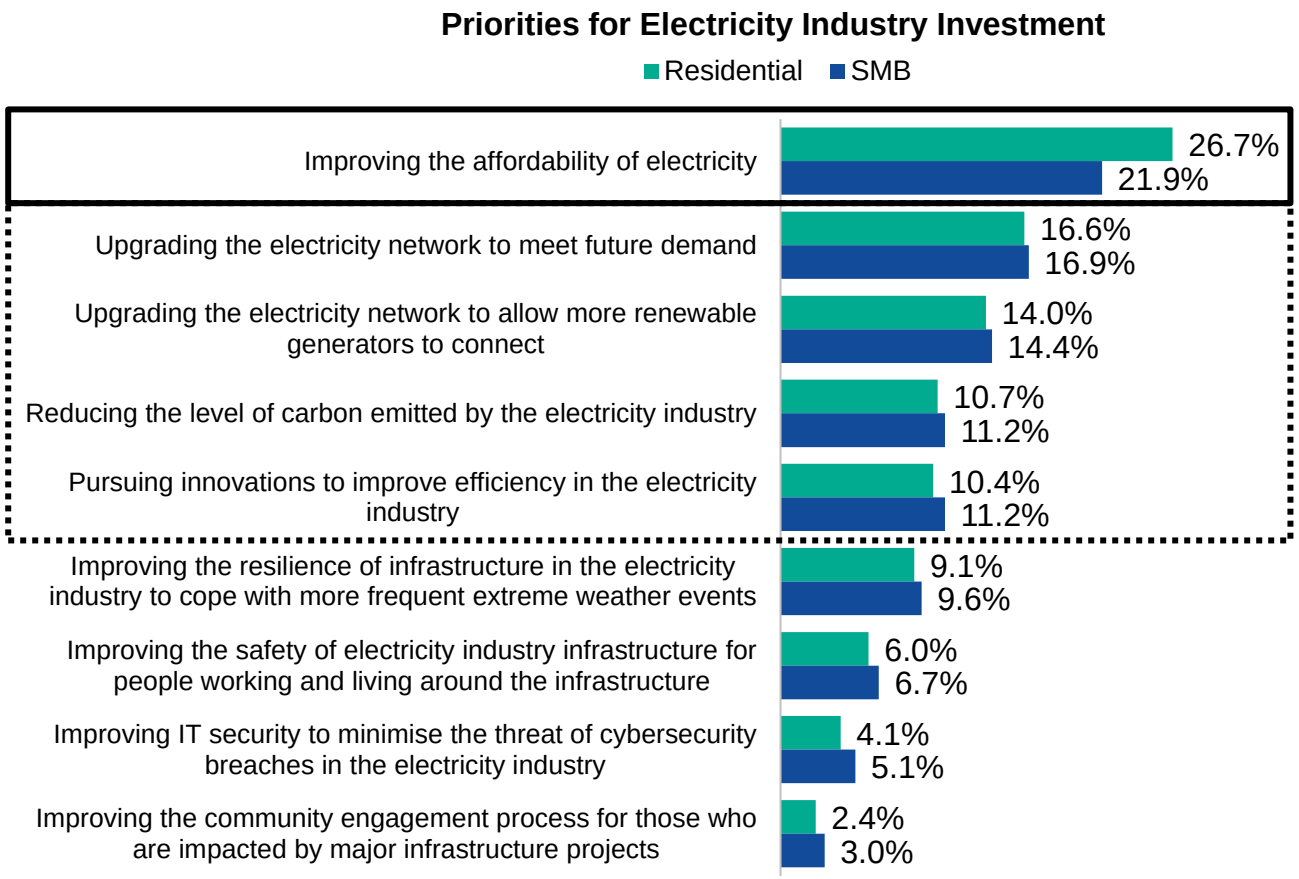
- Perception that Australia lagged other countries when it came to research an innovation investment to combat climate change
- Viewed as a broader societal issue to be managed by government, industry and big business

> *With a global shift towards renewable energy and solar power, Australia needs to gear up for the future demand in this space."*
>
> *- Residential consumer*

Key Finding 2:

Investment to improve electricity affordability was first priority for residential and SMB consumers, with preference for investment to be frontloaded within the next four years – aligning with the 5 year revenue proposal period.

Industry investment for more affordable electricity was first priority for residential and SMB consumers



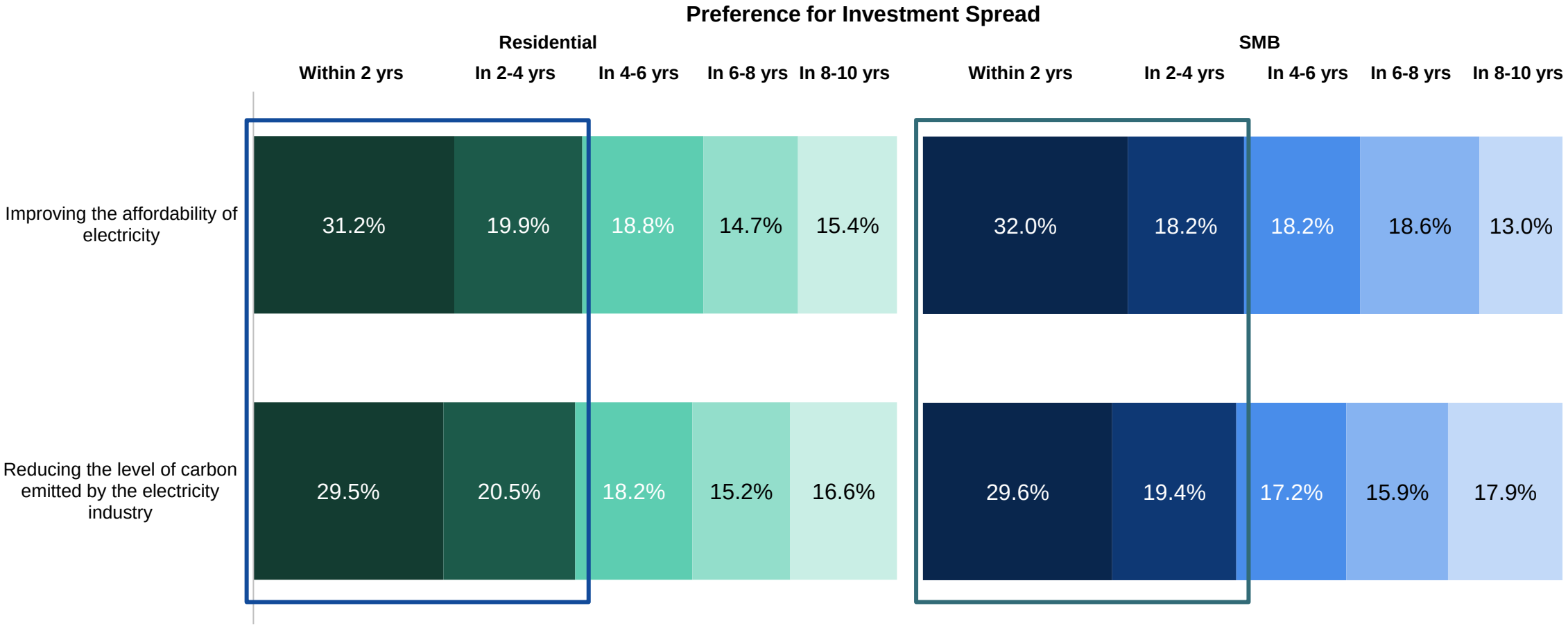
Phase 1 discussion boards revealed that network investment was associated with both cheaper and cleaner energy:

- Technological innovation to increase renewable energy usage was considered a long-term solution to minimising costs and environmental damage

> *[To ensure that cost of living is not a concern in future] we need to increase the uptake of renewable energy and keep gas onshore."*
>
> *- SMB consumer*

If the electricity industry was to invest $100 million into the following service areas, which would you like them to invest in?

There was preference to frontload network investment within the next 4 years to increase affordability, aligning with the revenue proposal's 5-year timespan



Please indicate how much money you would allocate to the following timeframes, noting the full sum must total $100 million?

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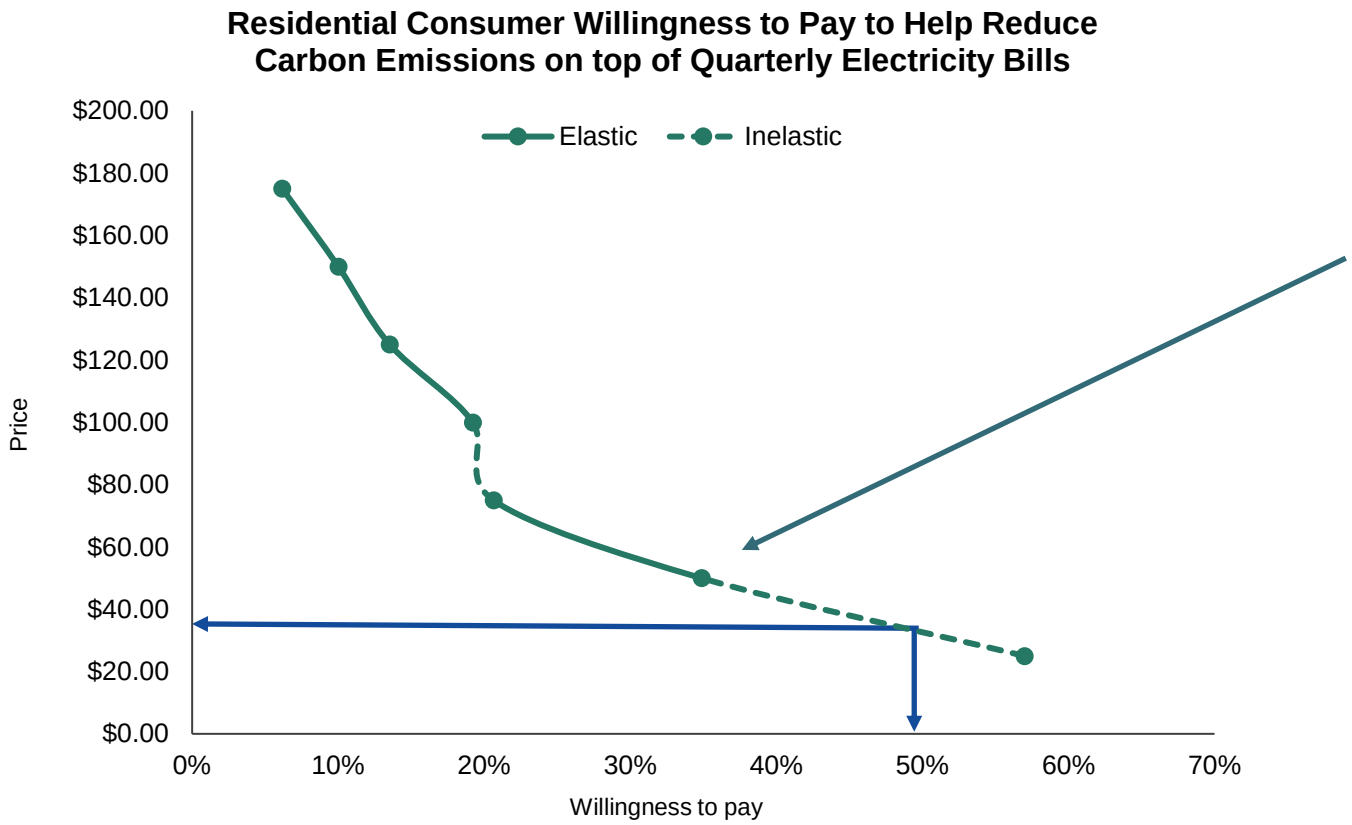
Key Finding 3:

To help reduce carbon emissions, 57% of residential consumers would pay $25 or more on top of quarterly bills and 50% of SMB consumers would pay $40 - $50 on top of monthly bills.

Willingness to pay was highest amongst younger residential age groups, larger SMBs and solar power users across consumer groups.

43% of residential customers would not pay more than $25 per quarterly bill to help reduce carbon emissions

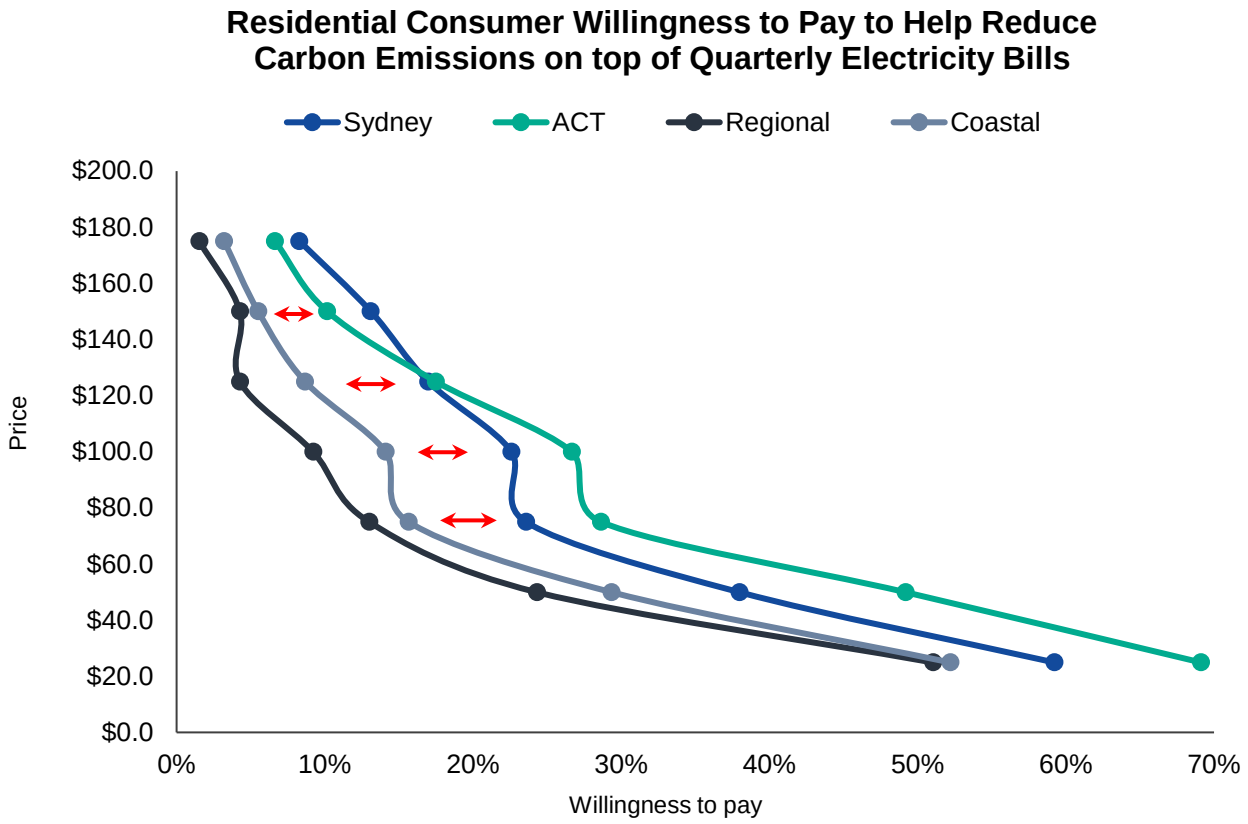


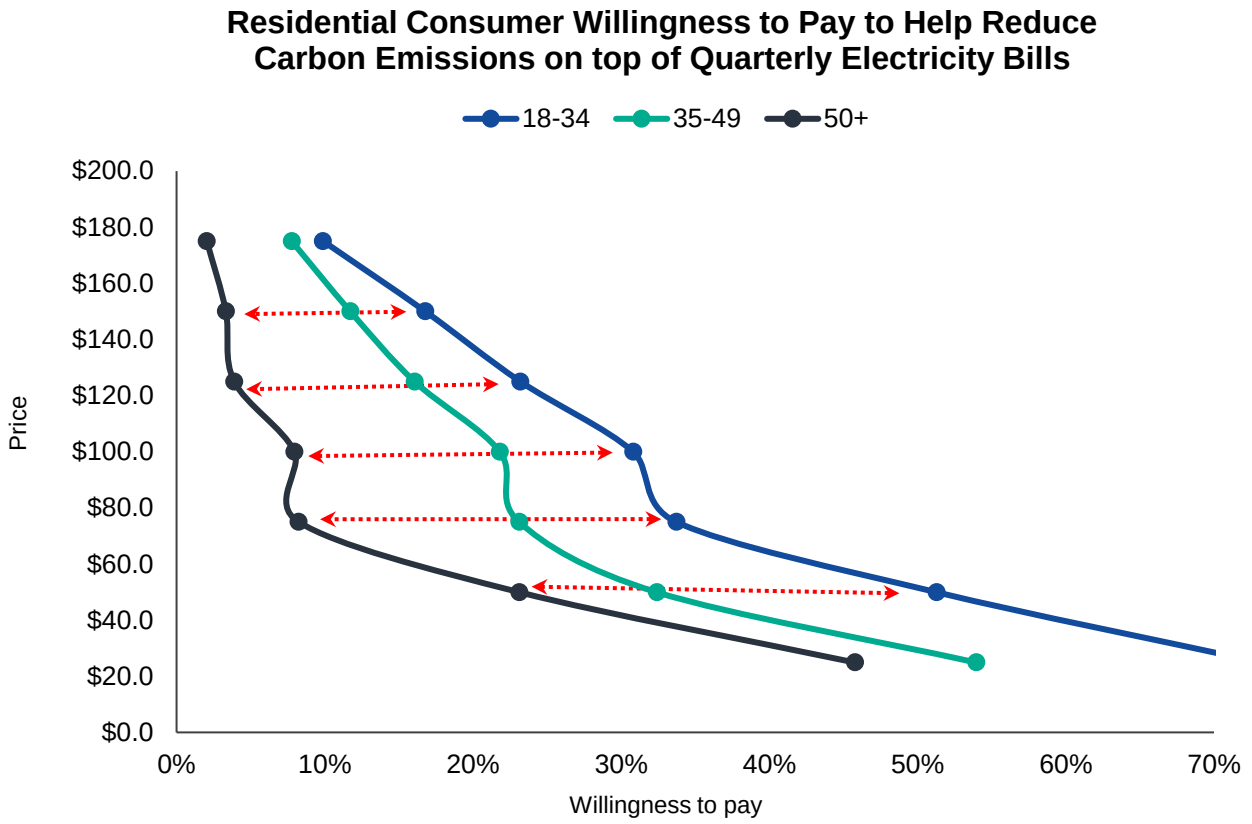
Willingness to pay to help reduce carbon emissions on top of quarterly electricity bills was **positively correlated with household income**, with those earning more than $100,000 significantly more likely to pay compared to those earning $99,999 or less at all price points.

There was inelasticity between $25 and $50 price points, presenting opportunity to charge up to $50 on top of quarterly bills without a proportional decrease in willingness to pay.

Supply Charge	Elasticity Co-efficient	
$25 to $50	-0.72	INELASTIC
$50 to $75	-1.28	ELASTIC
$75 to $100	-0.25	INELASTIC
$100 to $125	-1.56	ELASTIC
$125 to $150	-1.64	ELASTIC
$150 to $175	-3.09	ELASTIC

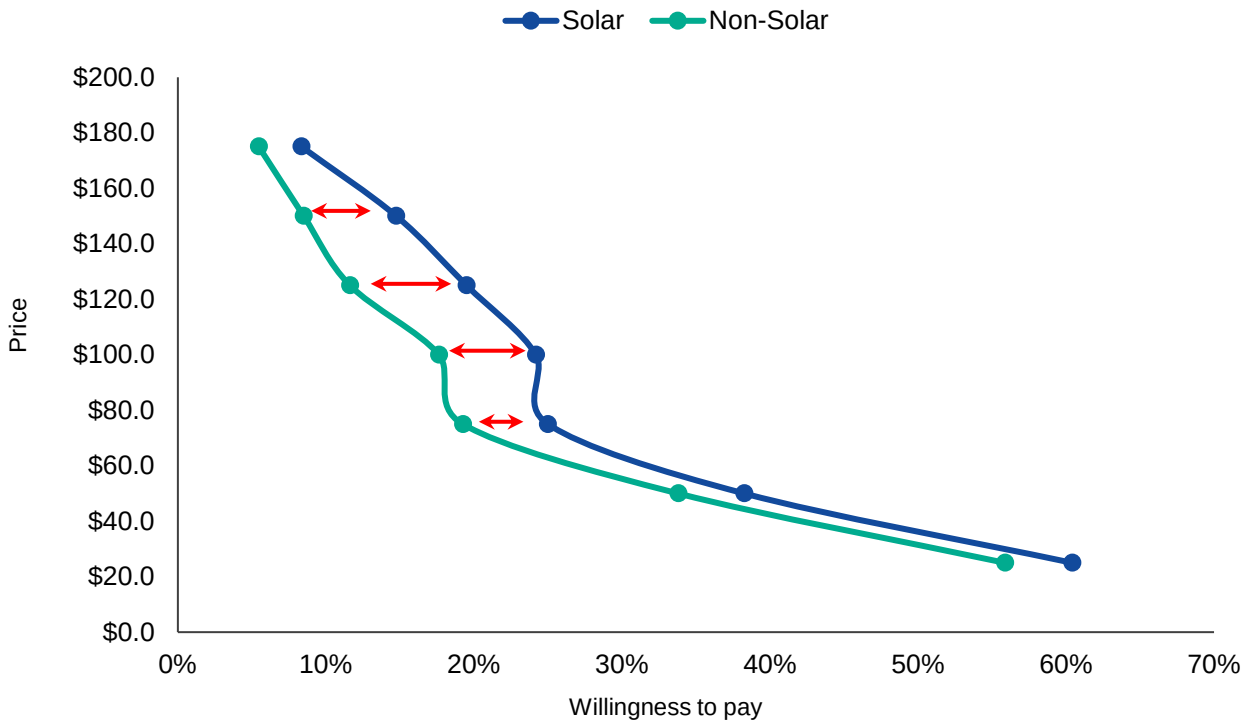
Residential willingness to pay to help reduce carbon emissions was consistently higher in Metro areas and amongst younger consumers



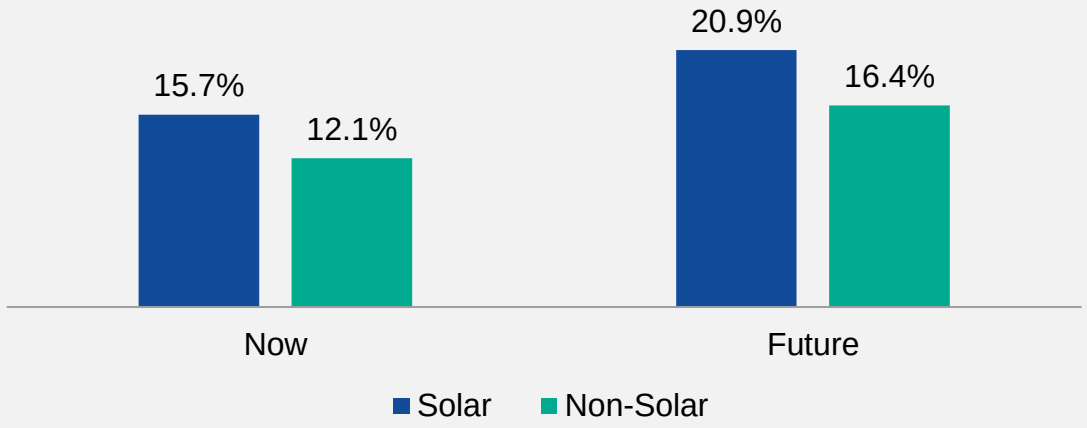


Residential consumers with solar panels also showed higher willingness to pay across price points and placed higher importance on climate change

Residential Consumer Willingness to Pay to Help Reduce Carbon Emissions on top of Quarterly Electricity Bills



Environment and Climate Change Ranked Most Important Issue for Australia



Residential consumers with solar panels were consistently more likely to elect environment and climate change as the most important issue for Australia, in both current and future contexts.

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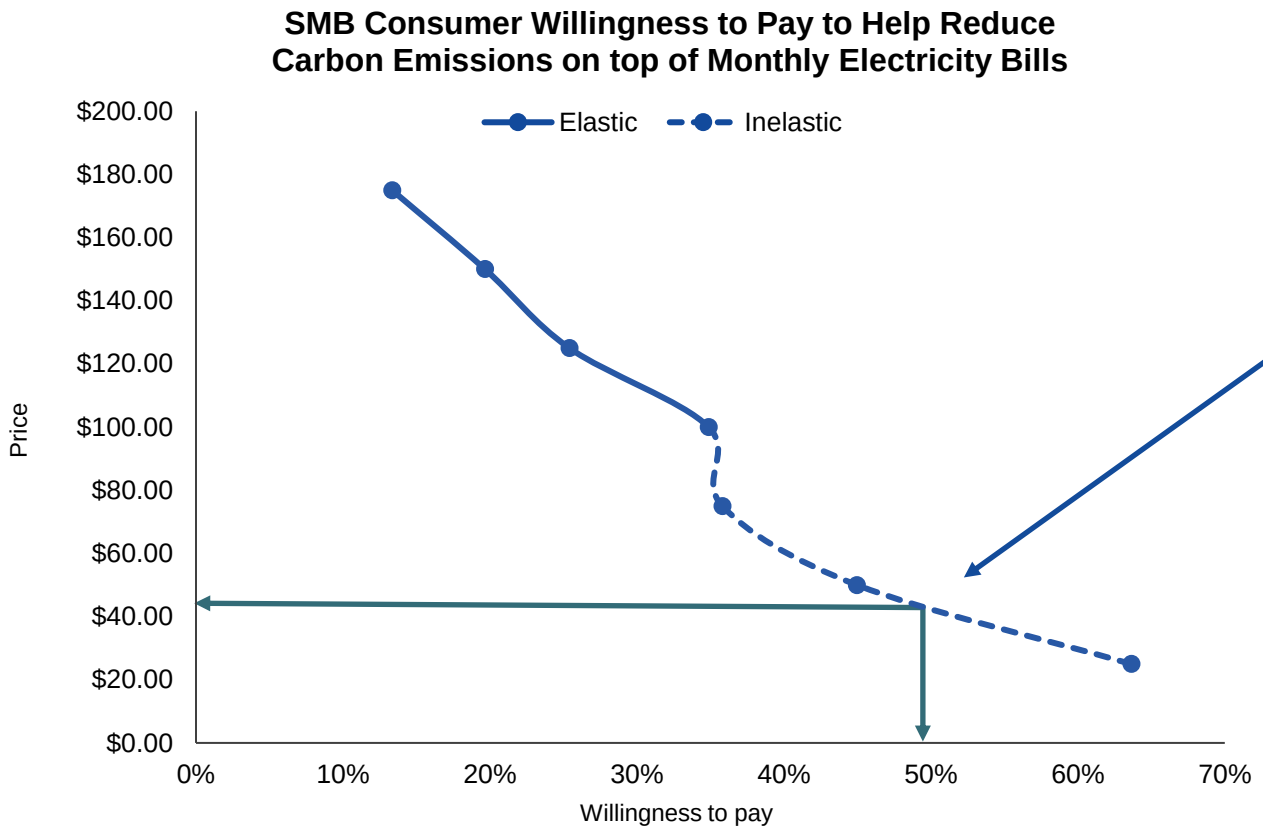
50% of SMB consumers were willing to pay $40-$50 on top of their monthly electricity bill to help reduce carbon emissions



There was inelasticity between $25 and $100 price points, presenting opportunity to charge up to $100 on top of monthly bills without a proportional decrease in willingness to pay.

Supply Charge	Elasticity Co-efficient	
$25 to $50	-0.52	INELASTIC
$50 to $75	-0.57	INELASTIC
$75 to $100	-0.09	INELASTIC
$100 to $125	-1.41	ELASTIC
$125 to $150	-1.40	ELASTIC
$150 to $175	-2.49	ELASTIC

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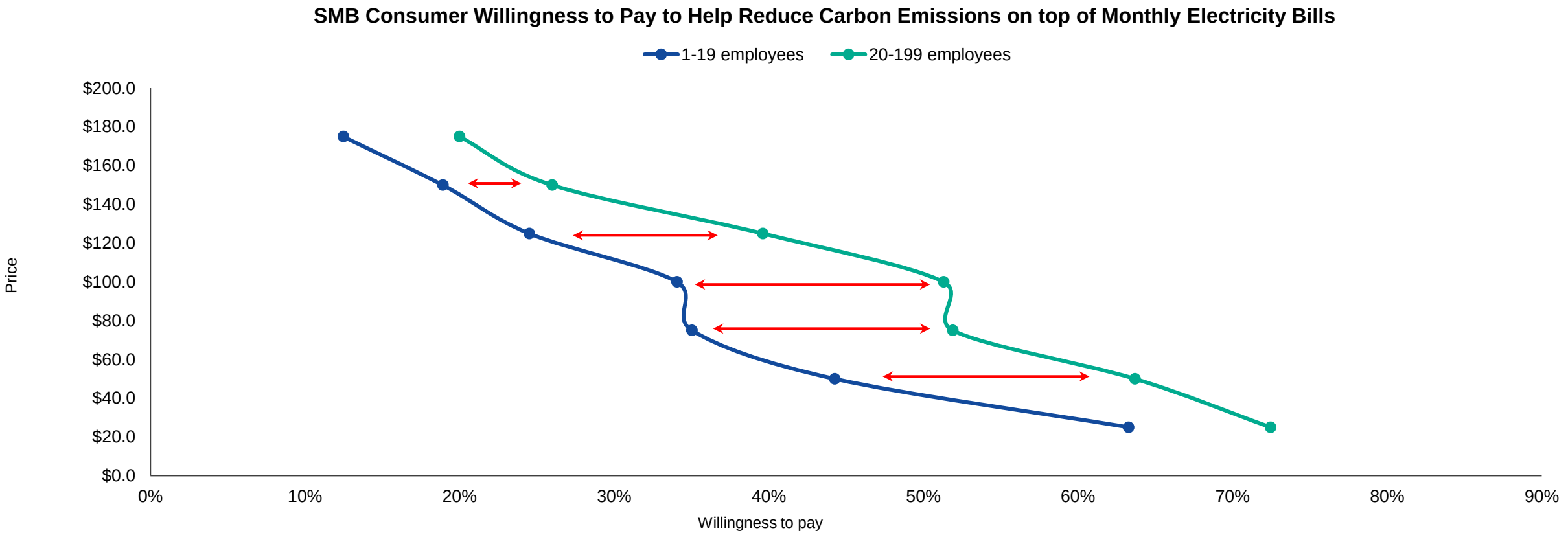
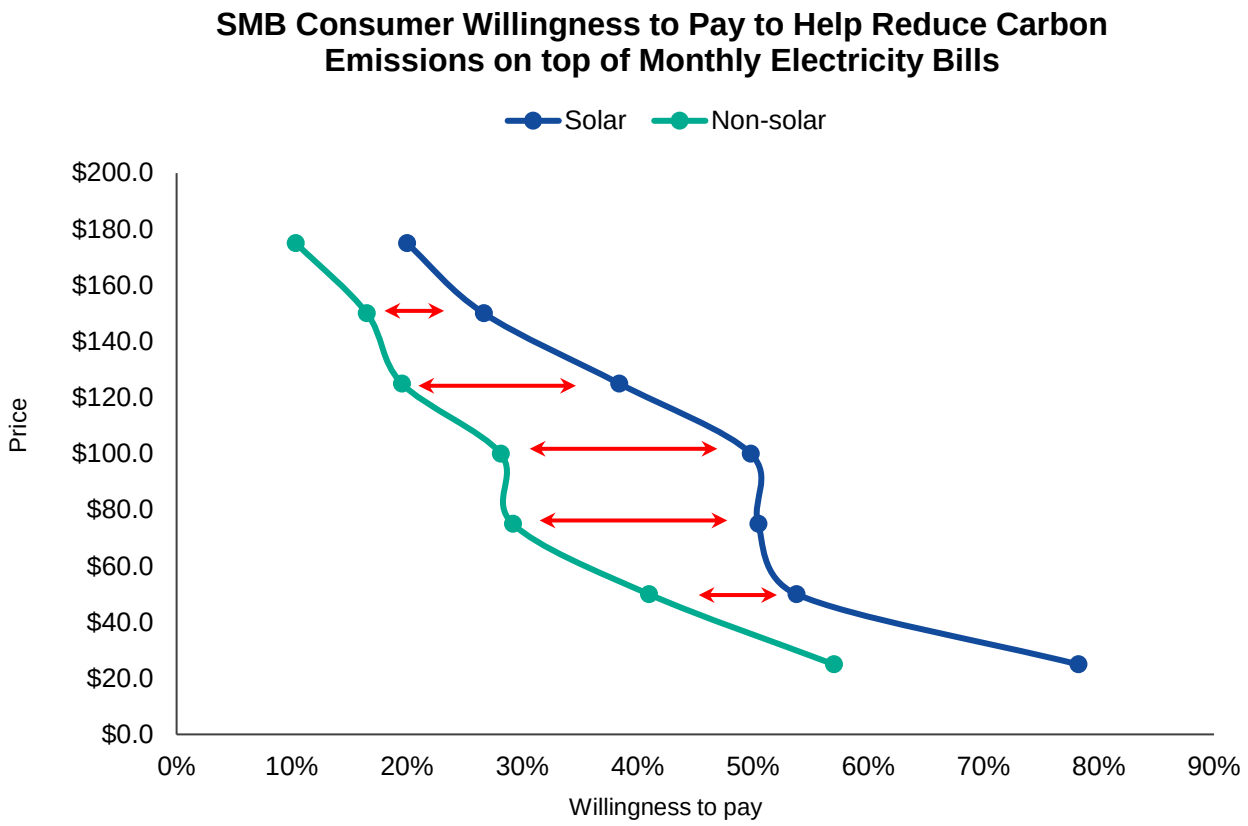
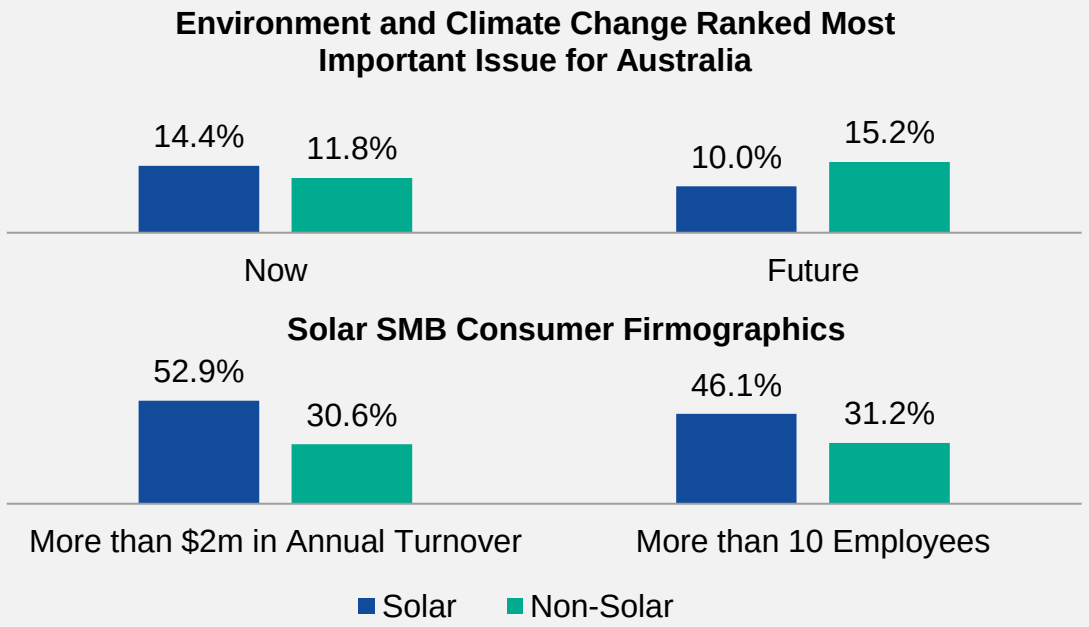
SMB willingness to pay to help reduce carbon emissions was consistently higher amongst larger businesses



Willingness to pay was also higher amongst SMB consumers with solar panels, which were more likely to be larger businesses with higher annual turnover

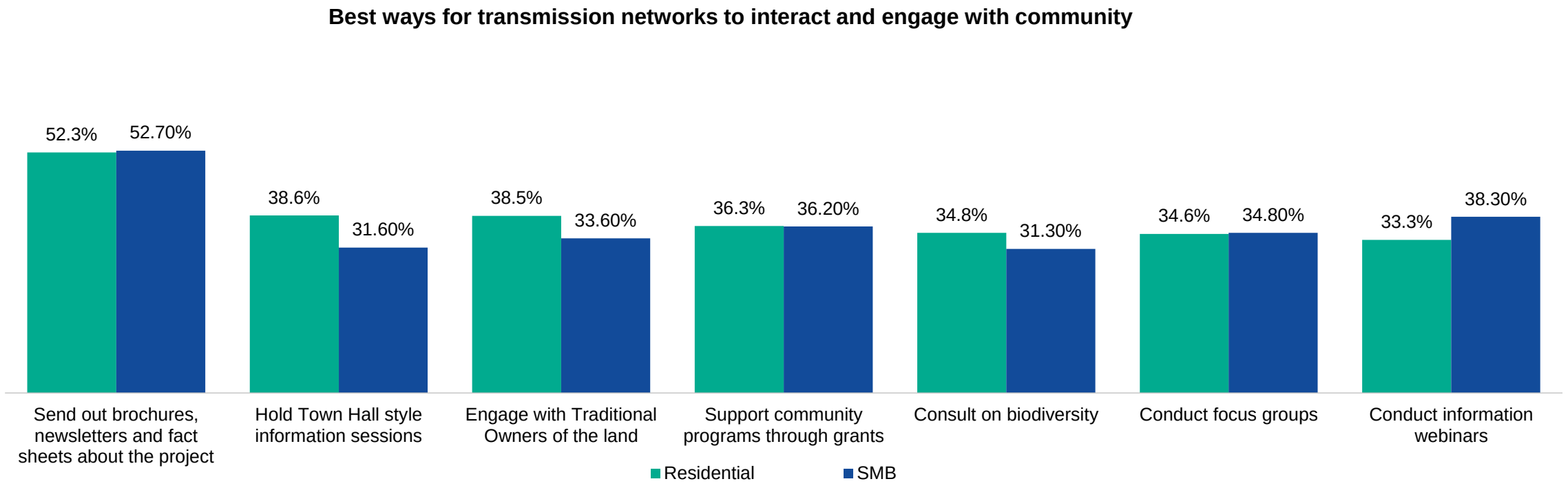




SMB consumers with solar panels were less likely to elect environment and climate change as the most important future issue for Australia, but more likely to have an annual turnover over $2m and have more than 10 employees.

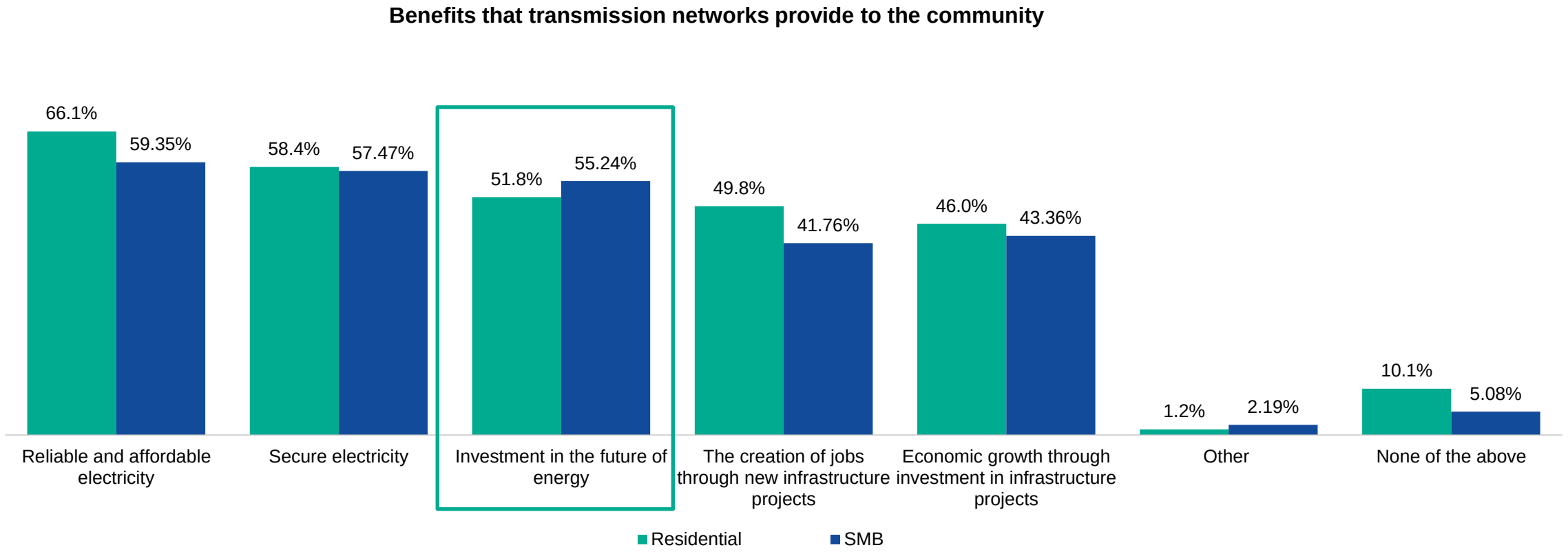
Engagement Considerations

Over half of residential and SMB customers would like brochures, newsletters and fact sheets about projects in their area, highlighting a need for transparency about projects



Note: Multiple responses were allowed for this question, so these results may not sum to 100%.

The most popular benefit of transmission networks provided to the community was reliable and affordable electricity, with over half of customers also seeing investment in the future of energy as a benefit



Which of the following do you see as the benefits that transmission networks provide to the community?
Note: Multiple responses were allowed for this question, so these results may not sum to 100%.

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Contact Us

Asia Pacific

Level 7 550 Bourke St
Melbourne VIC 3000
AUSTRALIA
+ 61 3 9614 3000

North America

Level 5 400 Madison Av
New York NY 10017
USA
+1 929 239 3080

www.forethought.com.au

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