

UNDERSTANDING CONSUMER BEHAVIOURS AND EXPECTATIONS – AN INTRODUCTION

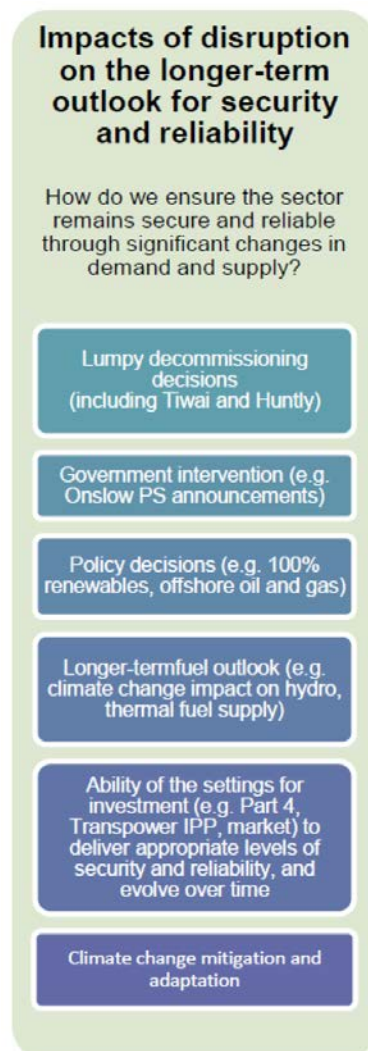
SECURITY
AND
RELIABILITY
COUNCIL

This paper introduces the consumer theme, touching on recent work being done to understanding consumer behaviours and expectations. It seeks the SRC's input into what work should be progressed to help benefit consumers acknowledging recent initiatives, the strategic aims of the Authority and the SRC's purpose.

Note: This paper has been prepared for the purpose of the Security and Reliability Council. Content should not be interpreted as representing the views or policy of the Electricity Authority.

1. Background and relevant SRC theme

- 1.1 The Security and Reliability Council's (SRC) functions under the Electricity Industry Act 2010 (Act) include providing advice to the Electricity Authority (Authority) on:
 - a) the performance of the electricity system and the system operator, and
 - b) reliability of supply issues.
- 1.2 In undertaking this function, understanding consumers is a key element for the SRC. It is a consistent theme in the SRC's work programme, with the aim to ensure suitability of the arrangements by which the electricity industry and its regulators remain informed about consumers.
- 1.3 The theme in the SRC's work programme is:



- 1.4 The focus on consumers that underpins this theme aligns with the Authority's mandate to promote a competitive, reliable and efficient electricity industry for

the long-term benefit of consumers and the more explicit strategic ambition of consumer centricity. Well informed decision making is critical to maintaining trust and confidence in the regulatory regime. This requires the Authority to engage and listen to a variety of stakeholders and ensure that it focuses on activities that have the most impact for consumers. From the Authority's recently released Annual Corporate Plan¹:

Implicit within these [the Authority's] activities are the associated ambitions of consumer centricity and trust and confidence. At the centre of our decision-making are consumer outcomes and everything we do seeks to build trust and confidence. We know these are areas in which we can improve – that's why they are ambitions while being central to everything we do. The Authority will continue to capture the diverse perspectives and aspirations of consumers as we develop and enforce rules. We will also continue to build trust and confidence in the Authority and the electricity sector through greater transparency, understanding and improved behaviours.

- 1.5 In 2019 the Authority used previous submissions, surveys, internal staff workshops and many stakeholder interactions to develop themes, which it then sought further feedback on in 2020.
- 1.6 The resulting strategy requires significant levels of cooperation and collaboration by the Authority with a range of industry and non-industry agencies to achieve system outcomes for the energy sector.
- 1.7 The resulting strategic framework identifies 5 key ambitions to build on capabilities and achieve the Authority's statutory objective. More information about the Authority's strategy is available in the recently released Statement of Intent 2021-2025.²

2. Purpose and scope of paper

- 2.1 The purpose of this paper is to introduce the SRC to recent industry activities aiming to capture consumer voice, understand consumers and how they interact with the electricity industry in their day to day lives. This includes initial steps and projects the Authority has taken since its strategy reset in 2020/21.
- 2.2 This paper seeks the SRC's input into what it considers are appropriate future steps the Authority and the wider industry could take to understand consumers better, and to minimise the impacts of disruption on the longer-term outlook for security and reliability.
- 2.3 Due to the timing of the consumer-focused themes in the SRC's work programme and the Authority's strategic reset, it was considered appropriate to

¹ <https://www.ea.govt.nz/assets/dms-assets/28/Final-2021.22-Annual-Corporate-Plan.pdf>

² <https://www.ea.govt.nz/about-us/strategic-planning-and-reporting/statement-of-intent/>

introduce the SRC to what's been happening and get the SRC's view on that before taking next steps. It was felt this would better achieve the SRC's aims in its consumer work. This includes aligning this work with the strategic aims of the Authority and building on and take learnings from other work.

- 2.4 The Authority's broadened strategic aims give scope to enhance its collaborative activities. The SRC is well-placed to contribute to this through feedback and advice that both acknowledges the SRC's role and meets the broader aims of benefitting consumers long-term.

3. Regulating to improve consumer outcomes

- 3.1 The Authority exists to contribute to improved outcomes for consumers. As the regulator the Authority is interested in consumer outcomes, not individual business outcomes. Incorporating the consumer voice and increased understanding of its wider operational environment in its work enables the Authority to more deeply consider how its decisions will affect outcomes for all consumers – whether they be domestic, community, small, medium or large businesses, or industrial.
- 3.2 While the long-term benefit of consumers has always been a critical element of the Authority's statutory objective, the Authority has sharpened its focus and been more explicit through the strategy reset process and commitment to consumer centricity. This aligns with the EPR recommendations for the industry to strengthen the consumer voice.
- 3.3 The Authority's initial steps acknowledge the primary relationship most consumers have with the industry is through their retailer. To hear the consumer voice there is a need for retailers to provide a consistent supportive standard of service where those needs can be shared and understood.
- 3.4 The Authority's first workstream from this was to review the existing *guidelines for vulnerable and medically dependent consumers* and design a whole new set of guidelines. Through a significant work programme and wide collaboration with industry and consumer groups the Consumer Care Guidelines³ were established. These were implemented on 1 July 2021, with the expectation retailers will align with them by 31 December 2021.
- 3.5 The purpose of the new guidelines is to guide electricity retailers in:
- 3.5.1 adopting behaviours and processes that foster positive relationships with domestic consumers; and
 - 3.5.2 helping domestic consumers maximise their potential to access and afford a constant electricity supply suitable for their needs; and
 - 3.5.3 helping domestic consumers minimise harm caused by insufficient access to electricity or by payment difficulties.
- 3.6 As requested by the Authority, the Electricity Retailers Association (ERANZ) is managing a process to facilitate development of a consumer care policy

³ <https://www.ea.govt.nz/consumers/what-are-my-rights-as-an-electricity-consumer/consumer-care-guidelines/>

template. The Authority will monitor retailers' alignment with the guidelines and review the outcomes of the guidelines before deciding next steps.

- 3.7 With ongoing challenges caused by the COVID-19 pandemic, in 2020/21, key projects such as the consumer care guidelines considered how by influencing the relationship between retailers and their customers, the industry could improve experience and support wider outcomes for all domestic consumers.

The Authority sought feedback on its approach

- 3.8 The Authority considered it was important that end consumers' views were also accounted for in the development of its strategy. As part of the process, Authority staff sought views directly from a representative sample of New Zealand consumers, including both residential consumers and small businesses.
- 3.9 This process was undertaken as a sprint, with support of CreativeHQ, and including representatives from MBIE and the Commerce Commission. The views collected informed all aspects of the strategy, as well as shaping the Authority's thinking on how it begins to engage more closely with consumers in future.
- 3.10 Following the sprint, the Commerce Commission and the Authority undertook a series of workshops on how to jointly improve direct engagement with consumers. This work was deprioritised during the COVID lockdowns, but conversations have continued in recent months, particularly in relation to the development of the consumer care guidelines.
- 3.11 From this work the Authority learned the themes it has developed in its strategic reset are on the right track.
- 3.12 This included:
- 3.12.1 consumers see energy through the lens of how it impacts their lives and what it can do for them.
 - 3.12.2 Sometimes, consumer apathy or antipathy is caused by a lack of understanding, so there is a need for the industry to focus on how it communicates with consumers to build trust.
- 3.13 These themes and learnings are borne out by a significant piece of consumer-centric research done in Australia, which is covered in more detail in the next section.

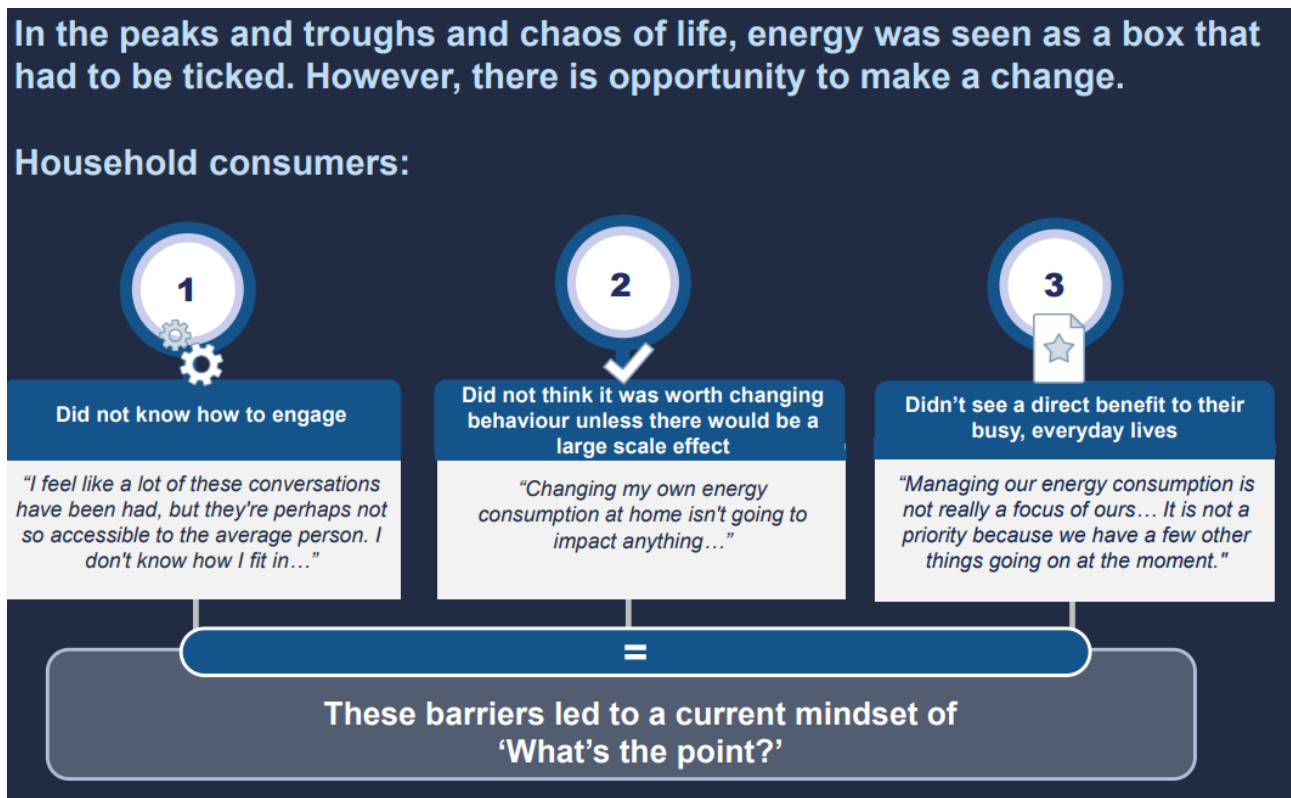
4. An overseas example

- 4.1 A recent example of deeper research is that done by the group, *Energy Consumers Australia* (ECA) on consumer values, expectations and needs.⁴ This is a good example of well-funded robust research in a similar market to New Zealand's that may be needed here to more fully understand consumer behaviours and how they may respond to market and industry signals.

⁴ <https://energyconsumersaustralia.com.au/projects/consumer-values-expectations-and-needs>






- 4.2 While it is beyond the scope of this introductory paper, the secretariat encourages the SRC to take a look at the ECA's work prior to the meeting, (via the link in footnote 4 above) in particular the research objectives and methodology.
- 4.3 Many of the high-level themes arising from the ECA's work align with what the Authority learned from both its sprint work and the work on the Consumer Care Guidelines. Some examples of these themes and learnings are demonstrated in the following ECA diagrams:

Theme example 1 - Consumers are unsure how to engage and are not sure how they will benefit if they do:



Theme example 2 - Consumer expectations for electricity services were a mixture of aspiration and impact on them personally:

What does a better energy future look like across life stages and circumstances?

 Affordable	 Simple	 Easy to manage	 Clean	 Inclusive
Consumers disliked rising energy prices and felt they were being overcharged by energy companies. Lower prices was a key desire and fundamental to a better energy future.	Energy bills and plans consistently confused and overwhelmed consumers, who struggled to understand the breakdown of costs and found comparing providers near impossible. A better future meant simplified, more comprehensible information. This extended to the source of energy and what options exist.	Apps, real-time information and smart homes were examples of technology to assist energy management, which would improve the lives of individuals into the future. This did not mean technology that took control of everything, but gave consumers options and automated energy saving behavior.	An overwhelming number of consumers believed that renewables were the future, and wanted Australia to be a country that moved towards a smaller carbon footprint. The ideal future involved adoption of more sustainable energy sources and an eventual shift to renewables.	Most consumers felt they didn't know much about the energy sector, and felt powerless. Further, some consumers wanted to have a say regarding the future of energy but felt they didn't have an information base to do so. Empowering consumers through information and a platform to have a say if desired, was seen to contribute to a better future.
More service related, but have a direct impact on everyday life			Bigger picture and have an impact on community	

Theme example 3 – There's a need to restore trust:

There was expectation on Government and Energy companies to drive change, but a lack of trust currently existed. This highlights a need to restore trust, to achieve a better future.

Government

Household consumers believed that past behaviour demonstrated a short-term focus, despite a longer-term focus desperately being needed.

Energy companies

There was a perception that energy companies were purely revenue driven, leading to a lack of faith in energy companies being able to put consumers first and make significant changes for the better.



Lack of trust

The roles consumers felt should be filled by government:

In their words...

Government

“ I think government policy plays a very important role and it should be governed by the federal government. I would like to see the same rules and regulations Australia wide, rather than state by state.
- 64, Mature, QLD ”

“ Hopefully the government will drive change. Pretty much just forcing the industry to say, “look you know about renewables so you better start using them. We’ll give you a tax break or an incentive to go and do that.”
- 44, Midlife, SA ”

“ The government need to set out a long term sustainable energy plan that we can use and trust. As a government, they need to be looking out for us first: making sure that there is going to be enough electricity moving forward and that there is the means to make electricity in sustainable and renewable ways.
- 31, Early Adulthood, NSW ”

“ The government is responsible for making energy better, and it’s been part of the conversation from what I recall.
- 52, Midlife, VIC ”

“ The federal government is in charge of making a better energy future for Australia because they are in charge of running the country. I expect them to make policy decisions regarding energy that will affect our future. My hope is that they go towards a sustainable energy future for Australia and that they put the policies in place to do that.
- 27, Leaving the Nest, NT ”

“ I think that the government have to get behind it. It is whatever they promote and push forward that will decide what everyone else gets behind. As much as we all say we get a vote about energy, I think the buck still stops with the government. They need to be the one to drive a change.
- 27, Early Adulthood, QLD ”

“ We all need to do it together, everyone is responsible. I also believe that the government could come together, like a big think tank, in order to get everyone’s say so we have alignment. They have the biggest responsibility.
- 34, Early Adulthood, TAS ”

The roles consumers felt should be filled by industry:

In their words...

Energy companies

“ I think retailers are responsible. I would want transparency from them by providing understandable pricing rules for the end consumer. I would look at each company’s individual messaging and see the reasons behind their messaging.
- 26, Leaving the Nest, TAS ”

“ Retailers need to make sure they are honest and upfront. They need to be transparent with prices and stop bullsh**ting people. The Telco’s have had to be more transparent and it has made for a better Telco experience for everyone. Energy providers need to follow suit so that people can compare apples with apples.
- 31, Early Adulthood, NSW ”

“ If energy companies were a little more open and transparent with the people - it would be easier to make a decision on who I’m going to use for power to save more money. Energy companies are making it harder for people to make a decision.
- 62, Mature, SA ”

“ Transparency is one of the big things that need to change. When I went to leave my provider, they offered me 60% off, and I wondered why it wasn’t offered to me before. I don’t think they’re very clear about putting out the best deal.
- 28, Early Adulthood, VIC ”

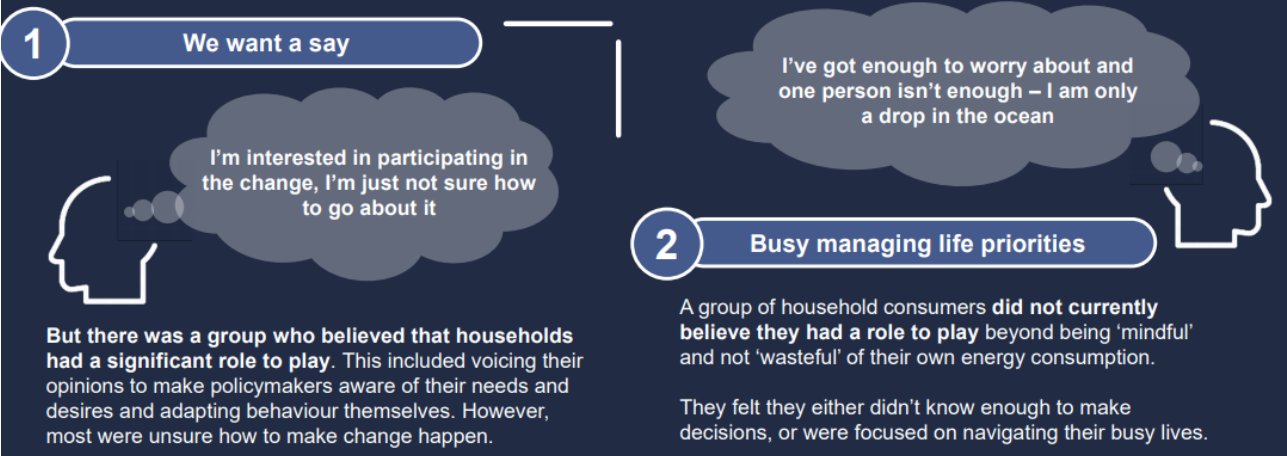
“ A better relation with [my energy company] would be for them to be competitive with other companies in the market, rather than charging whatever they feel like charging me. I find it very convoluted and it is really hard to understand what the best deal is because they confuse you with usage rates and other things on purpose. They need to be more transparent and do a proper breakdown.
- 54, Midlife, VIC ”

“ A better relationship with my provider involves more transparency.
- 40, Midlife, QLD ”

Theme example 4 - The role consumers felt they have:

Consumers did believe they also had a role to play...

There were two common positions that consumers took in describing their role in the change:



- 4.4 Some examples of other groups (both industry and non-industry) whose perspective on consumer behaviours and expectations may be relevant to a broader piece of research are set out below.

5. Government initiatives

Consumer Advocacy Council

- 5.1 As proposed by the Electricity Price review (EPR)⁵, the Government in 2020 established the Consumer Advisory Council (CAC)⁶ “*to be the trusted, credible, authoritative and independent advocate for residential and small business electricity consumers.*” As noted by the Ministry of Business, Innovation and Employment “*its role will be to advocate on behalf of these consumers by providing evidence-based advocacy on policy and regulatory consultations, and in decision-making processes.*”
- 5.2 As also noted by Minister Woods in August 2020 when the government allocated funding for this work:

“This funding allows us to bring together leaders from community organisations, consumer advocates, industry participants and government agencies to ensure energy hardship initiatives are carefully coordinated to maximise their effectiveness.

Pilot programmes will be developed to improve the consistency and reach of assistance to people experiencing energy hardship. A nationwide network of organisations providing credible, independent, electricity-specific advice and support services for those in need, will be progressively built.

⁵ <https://www.mbie.govt.nz/assets/electricity-price-review-final-report.pdf>

⁶ <https://www.mbie.govt.nz/building-and-energy/energy-and-natural-resources/energy-consultations-and-reviews/electricity-price/>

The electricity consumer advocacy council will give a much-needed voice to households and small businesses who struggle to make their voices heard and exert influence in the electricity sector.”

- 5.3 On 9 July 2021 Commerce and Consumer Affairs Minister David Clark confirmed the appointment of Deborah Hart, as inaugural chair of the CAC⁷.

Cross-sector energy hardship group

- 5.4 A further recommendation from the EPR was for the government to set up a cross-sector energy hardship group. In response the government has agreed to set up an Energy Hardship Expert Panel and an Energy Hardship Reference Group “to provide a forum to share information and encourage coordination across industry, NGOs and government agencies.”
- 5.5 According to the June issue of the Energy Hardship Update (a quarterly update on MBIE’s energy hardship work) nominations for the Energy Hardship Reference Group closed 16 July.
- 5.6 Nominees will be assessed by an MBIE panel, seeking a balanced and diverse range of perspectives, connections and skills.

6. Other organisations

The Electricity Networks’ Association’s Consumer Reference Panel

- 6.1 The Electricity Networks Association (ENA’s) consumer reference panel, established in 2018, covers a diversity of groups, including senior citizens, farmers, social housing providers and businesses. Topics for discussion have included:
- the Commerce Commission’s review of performance measures for lines companies to better reflect what consumers actually value;
 - feedback to the Ministry for Business, Innovation and Employment’s review of the regulations around trees and power lines; and
 - possible reform of the low fixed daily charge regulations.
- 6.2 As the SRC has noted, the introduction of more EVs presents a particular challenge for the industry. Some high-level views expressed during the panel’s discussions (not necessarily representing a majority view) can be summarised as:
- 6.2.1 There is a lack of information, with questions about choice, cost, funding, reliability, charging logistics and environmental impact.
- 6.2.2 There is potential for inequality among the vulnerable and digitally illiterate
- 6.2.3 Nationally consistent standards of regulation and information about EVs, supported by an electricity industry-wide communications plan would help

⁷ <https://www.beehive.govt.nz/release/deborah-hart-appointed-inaugural-chair-consumer-advocacy-council>

- 6.2.4 Stronger relationships between consumers and more sectors of the industry is needed.

Utilities Disputes Ltd

- 6.3 Utilities Disputes Ltd (UDL) is a free and independent dispute resolution service that resolves consumer complaints about electricity, gas, water, and broadband installation on shared property.
- 6.4 As the government-approved consumer complaints service provider, under the Electricity Industry Act 2010, UDL has a unique role (and dataset) on what issues consumers have concerns about. Recent insights from UDL include:
- 6.4.1 Their workload is increasing (43% more cases in 2020/21 than the previous year), including through lockdown and the impact of changing energy consumption patterns at the household level
- 6.4.2 Consumers react positively to industry service offerings that meet their needs, such as extended hours, the opportunity to talk (including in native languages), and timely resolution of their complaint.
- 6.5 The Authority recently completed a project to raise awareness of Utilities Disputes and Powerswitch. This has contributed to the increase in UDL's enquiries over the past year.

Electricity Retailers' Association

- 6.6 The Electricity Retailer's Association (ERANZ) has published a single-page electricity dashboard, with graphs and brief commentary, giving high-level insight into consumer-centric concerns. These include average annual household costs, average consumption, switching rates and some energy hardship indicators.
- 6.7 Click [this link](#) to see a copy of the May 2021 dashboard (the latest available).
- 6.8 Other government, consumer, and industry organisations, listed below, would be able to bring different perspectives and methodologies to inform broader research. This is not intended as an exhaustive list. The SRC, from their own experience, is invited to consider other agencies or perspectives they consider relevant to better understanding consumer behaviours and expectations.
- Consumer NZ (including its annual survey)
 - Transpower (including Transpower's consumer advisory panel)
 - The Commerce Commission
 - Canstar Blue (through its energy survey)
 - Financial Capability and budgeting services (FINCAP)
 - The Energy Efficiency and Conservation Authority (EECA)
 - The Australian Energy Market Commission
 - Public Utility Commissions in the United States
 - Federated Farmers; and
 - Otago Energy Research Centre.

7. Feedback on the Authority's approach

- 7.1 Progress made towards the Authority's strategic ambitions, including consumer centricity, is currently measured using impact measures. For its impact measures the Authority uses a range of sources, including perception surveys, data, and for the first time, independent qualitative assessments.
- 7.2 The Authority publishes commentary and the results from its measurement processes in its annual report. For this year that included two surveys – one targeted to residential consumers and the other to a random sample of participants. Both sets had questions relating to Authority outcomes (Competition, Reliability, Efficiency), and the consumer survey also touched on Powerswitch and Utilities Disputes, while the participant survey also related to the Authority's strategic ambitions.
- 7.3 The Authority commissioned an independent qualitative assessment in 2021 to measure success against three priority areas in the strategy specific to consumer centricity and trust and confidence. The secretariat understands this work is currently under review and will provide an update when further information is available.

8. Next steps

- 8.1 The SRC is invited to consider what it thinks the next steps could be for this theme. As noted in the introduction to this paper, the focus should aim to help benefit consumers while acknowledging recent initiatives, the strategic aims of the Authority and the SRC's purpose.
- 8.2 A useful starting point for the SRC would be to consider this when discussing future steps in its strategy session at this meeting.

9. Questions for the SRC to consider

- 9.1 The SRC is asked to consider and provide advice on the following questions:

- Q1. Who is best placed to undertake future work to ensure the industry understands consumers?**
- Q2. When should any proposed work start?**
- Q3. What are the real questions any potential broader study should seek to answer?**
- Q4. Does the SRC require further information at this stage?**
- Q5. What advice, if any, does the SRC wish to provide to the Authority?**