

AUSTRALIA ENERGY MARKET COMMISSION ANNUAL RETAIL COMPETITION REVIEW

CONSUMER RESEARCH FINDINGS¹: 30 JUNE 2016

The AEMC has commissioned research to track household and small business engagement with the energy market for the past three years.

For the first time this year the annual competition review includes research on:



Views on new and emerging technologies and services



Vulnerable consumer experiences in the market

One in five energy consumers in Australia

Traits common to the vulnerable middle-income and low-income

Especially impacted by energy price increases

Low understanding of energy use, retail offers and link to costs

At greater financial risk from not understanding and managing their energy use

More likely to respond to bill shock or change in personal circumstances by looking around for a better deal

Extremely low awareness of independent government comparison websites, but strong interest once they are made aware

Value incentives such as discounts, bill smoothing, and flexible payment arrangements

Greater barriers to switching from fear of doing the wrong thing, embarrassment, loss of current benefits, increased debt and exit or reconnection fees

Vulnerable customers²

Research looked at the broad extent and nature of customer vulnerability across the National Electricity Market to help identify ways to better meet consumer needs. It identified seven consumer groups based on a mix of market behaviours and attitudes and assessed their risk of vulnerability from high to low. While the two most vulnerable segments represent one in five consumers (20%) it's worth noting that all customers can experience some level of vulnerability from time to time depending on financial, social or emotional stresses. Different groups need different approaches to capture savings available from competitive market offers.

30%



Secure Higher Income

Use more energy, time-poor, but tech-savvy and comfortable navigating market

12%



Secure Retired

More financially secure and reasonably comfortable with navigating energy market

20%



Busy Homemakers

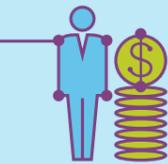
Largely busy parents in traditional households, with average financial vulnerability and market engagement.



Low Income Retired

Low levels of education and tech-savviness and reasonably active energy shoppers but less so than other groups

14%



Vulnerable Higher Income

Young, educated, culturally diverse, tech-savvy. Possible circumstantial or social vulnerability. Actively engaged in market; likely to have switched and are highly satisfied with their retailer



Vulnerable Middle Income

Overwhelmed by financial and family commitments and high energy bills. Less likely to have switched. Less familiar with support services, less likely to reach out for them. Require information to find out what their options are, including possible access to support like payment plans and concessions

8%



Vulnerable Low Income

Most vulnerable. More likely to have switched. Most familiar with support services

12%

New and emerging technologies³

Technology is creating opportunities for retailers and other service providers to develop products and offers that customers want. The drivers of market investment and development are being devolved to consumers as technology allows them to choose how their energy is sourced and used. As consumers are offered a greater range of products and services there is a need to build confidence, knowledge and understanding and consider how consumer protection frameworks should evolve.



Smart meters allow real-time usage information



Produce and store your own electricity



Control when your PV sells energy and charges your batteries



Time-of-use pricing for new ways to save



Remote controlled lighting, heating and cooling



Allow providers to control appliances in return for credits



High awareness of solar power as having the greatest and most immediate potential



Low awareness of other technologies such as batteries, smart meters and time-of-use tariffs



Great deal of interest once consumers understand the potential benefits.

The research found many customers find new technologies appealing but they have limited knowledge of their costs and benefits and the associated services they can deliver.

People are most concerned about the cost, practicality and environmental benefits of new technologies.

¹ Newgate Research – Consumer research for 2016 Nation wide Review of Competition in Retail Energy Markets, report to the AEMC, June 2016

Research method
Research included segmentation analysis, which drew on the results of the quantitative survey of 2,333 respondents and qualitative surveys with 53 residential customers across the NEM who were identified as being more vulnerable.

² Newgate Research – Understanding vulnerable customer experiences and needs, report to the AEMC, June 2016

Research method
Research included one on one interviews and online community forums.

³ Newgate Research – New and Emerging Energy Technology and Services, report to the AEMC, June 2016

Research method
Research included focus groups and online community forums.