



Energy consumer research 2016

Analysis undertaken for the AEMC's annual review of retail energy markets across the National Electricity Market

The Australian Energy Market Commission commissioned research to track the level of knowledge and engagement with the energy market among residential and small business consumers for the past three years. For the first time in 2016, new research was introduced focusing on vulnerable customers and new and emerging technologies.

Understanding vulnerable customer experiences and needs

Research was commissioned to increase AEMC, community and decision-maker understanding of customer vulnerability across energy markets.

The research included segmentation analysis, which drew on the results of its quantitative survey (2,333 residential respondents), in-depth interviews and online communities targeting consumers with various indicators of vulnerability. It explored how their experiences may differ from other customers and what additional information, tools or support may be required to assist them to obtain the most appropriate energy deal for their circumstances.

Vulnerable consumers in the energy market were identified as those who are experiencing social and/or financial difficulties that mean they are especially impacted by energy price increases, worried about the effects of changing their arrangements or susceptible to stressful experiences because they cannot always pay on time. Seven customer segments were identified based on a mix of energy market behaviours, attitudes and personal circumstances.

Key findings on different customer groupings

The risk of vulnerability varies across customer groups. Consumers sit on a spectrum from low to high risk of vulnerability and a customer's degree of vulnerability varies over time depending on their financial, social and personal circumstances.

Some vulnerable customer segments are not aware of support services. Around 20% of households may be regarded as most vulnerable. The lowest income group (12%) tends to have access to government services and consequently has access to a range of available support. Middle income families (8%) however may be overwhelmed by debt; not in touch with general government support and unaware of help they may be entitled to.

Vulnerable customer experiences and outcomes are similar to all other customers, however negative outcomes can have greater consequences. Largely consistent with all customers, these groups are largely aware that they have a choice of energy retailer and are investigating their options and switching at similar rates to the broader community. For all customers, the primary motivation is to reduce energy costs, and online search is the most common starting point. Extremely low awareness of independent government comparison websites, but strong interest once they are made aware, is also consistent across all groups.

Barriers to engagement are more significant. The reasons most consumers give for not actively shopping around in the energy market are: satisfaction with their current retailer, or lack of perceived value for the time investment required. For vulnerable consumers, these barriers are compounded by a lack of confidence in finding the best deal for them and fear of doing the wrong thing as the financial consequences might be greater. They are often embarrassed by their financial situation and concerned about a loss of current benefits, increased debt and exit or reconnection fees if they switch retailers.

This research explored how the experiences of vulnerable consumers may differ from other groups and what additional information, tools or support may be required to enable them to access the most appropriate energy deal for their circumstances.

Increased access to information and tools is particularly important for customers at higher risk of vulnerability. Vulnerable customers would benefit the most from greater awareness of the tools available to help them access competitive retail market offers and investigate new products and services. Some customers with higher indicators of vulnerability would benefit from targeted information about the tools available, so that they could investigate their options and capture available savings from competitive market offers. Others require information about the support services available. The research also suggests that some customers who may be eligible for concessions are not aware of them, and that others who are particularly vulnerable may not be eligible for them.

New and emerging energy technologies and services

Additional research was commissioned in 2016 as part of the retail competition review to identify awareness and understanding of new and emerging technologies and services in the energy market, along with analysis of possible drivers and barriers to current and potential uptake by consumers.

Consumers from across the technology adoption spectrum were targeted to participate in focus groups and online communities to provide qualitative insights into the findings of the major quantitative survey undertaken.

Key findings in relation to new technologies and services

Customers find new technologies appealing, but have limited knowledge. Most consumers have a transactional and pragmatic approach to energy. There are low levels of knowledge of energy arrangements and pricing structures. Consumers feel unable to make an accurate cost-benefit assessment of new technologies until they have more information. They are also concerned about reliability and lack of control of new technologies and services.

Cost, practicality and environmental concerns are the key lenses through which new technologies are viewed. Environmental concerns and a desire for innovative problem-solving are the primary values driving interest in new technologies.

Solar energy is top of mind as having the greatest and most immediate potential. Customers often found it difficult to accurately describe what certain products and services can do for customers, how much they cost and any concerns or issues that may exist with the technologies. Most consumers have not grasped the concept of energy services.

There are significant gaps in information about what technologies mean for customers. This may indicate a need to build customer confidence, knowledge and understanding to improve customer outcomes. Businesses and governments have roles to play in making clear and simple information available.

Recommendations

The Commission's recommendations for consideration by jurisdictions seek to promote competition in retail energy markets for all customers. Those with particular relevance to vulnerable consumers and for the update of new energy technologies and services include:

- the development of NEM-wide awareness and engagement programs to make it easier for customers to access the best options for their circumstances; and
- a review of jurisdiction concession policies to assess opportunities to better target them to customers most in need and to harmonise their structure across jurisdictions, where substantive differences exist.

About the AEMC

The AEMC is the independent body responsible since 2005 for providing advice to Australian governments on the electricity and gas sector. It makes energy market rules which are applied and enforced by the Australian Energy Regulator.

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