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‘It’s all so complicated’ What do Queensland consumers and advocates think about FRC?

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Individual interviews conducted with

- **30 consumer advocates**
- Financial counsellors (9)
- Regional Electricity Councils (4)
- Consumer advocates (3)
- Community/welfare organisations/peak bodies (7)
- Representative organisations of small business (6)
- Other (1)
- **Locations:** Brisbane, Ipswich, Toowoomba, Roma, Bowen, Bundaberg, Townsville, Cairns, Burketown

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Focus groups conducted with

- **Four focus groups - 30 residential consumers overall**
  - Brisbane (low income) - 9
  - Brisbane (middle income) - 7
  - Toowoomba (rural and regional) - 6
  - Cairns (retired – 55 and over) - 9

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Key research issues

- It's an essential service that is to some extent taken for granted
- There is a lack of knowledge among residential consumers about electricity in general with the exception of the quarterly bill
- FRC has not yet been introduced– very few people know about FRC

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Example Quotes

- I know it's generated somewhere and then it's piped through the wires and ends up at my house, that's all I know.
- It's just it's there and people expect it to be there when it's not there. That's when you get the problems.

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Some FRC-related questions that were asked

- 1) Knowledge of FRC
- 2) What factors/protections if any need to be in place with an FRC regime?
- 3) Whether clients would consider changing contracts under the new system
- 4) Receiving information about FRC? (anecdotal)
- 5) For noting – Interstate market research (regulator)

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Current issues for noting 1

- Confusion among residential users between supply and retailer functions
- Supply focus : connections, disconnections, quality and reliability of supply issues
- Price focus: Price rise fears
- Environmental considerations eg green energy and sustainability

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Examples Quotes

- Price is important but I'd rather pay that little bit extra to ensure that I have the electricity on all the time – just that it's reliable.
- But if the price of electricity goes up I just think of elderly people in winter time and not having any electricity to turn a heater on or anything like that.
- I put the environment as the major concern, because even though it's not an immediate concern, it's more a longer term one …

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Current issues for noting 2

- The Telco analogy – marketing issues and circumspection about the benefits of privatisation

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Example quotes

- You'll probably have a lot of bit players start up and then there'll be the quickies, make their money and go out of business. And a bit like One.Tel they'll have a lot of people that have signed contracts or whatever, and still be charged after the company's gone into bankruptcy because you've signed a contract to pay X amount of dollars.

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Example quotes

- I think when you say you introduce new players into the electricity market, people think, oh great, it's going to become cheaper. But I think it's like wishful thinking that it's going to be cheaper.
- What happens if a little place buys a big proportion of the thing and then just goes belly-up? What happens to all the people that are connected to their electricity?

1) Current electricity issues

- **Advocates**

  Issues: Price and connections

  Need for: Disconnection, lack of community awareness about saving energy and the new marketing terrain including contracts. Also requests for more tariff disclosure.

- **Focus groups**

  Issues: Price, quality and reliability of supply

  Need for: Certainty about the nature of changes, good complaints handling authority, environmental options,

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2) What factors/protections if any need to be in place with an FRC regime?

- **Consumer advocates**

  Community education – financial literacy
  Improved hardship programs with retailers
  Comparison information
  No loss of price cap for rural and regional consumers

- **Focus groups**

  Independent complaints authority
  Price caps
  Environmental choices in power usage

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Example quotes

- I would expect some kind of responsibility from them to make sure things are working reliably and that people aren't getting ripped off by the companies
- …it is terribly important that people are well informed about what's involved if they go into a contract
- Definitely people need to be guaranteed that they're no worse off and they need to have access to appeals and complaints mechanisms

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3) Changing retailers and/or contracts

Consumer advocates

Most said many people would change.

Focus groups

Wait and see approach for most with a cautious view to changing retailers.

The exception were some low income people who said they would stay where they are

Middle income earners and self-funded retirees expressed the most interest in switching than other groups.

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Example quotes

- The factors will be there's got to be a price difference ...
- I'd be waiting until the dust settled from the whole business…I don't think there's going to be that much saving…
- Well, I like the idea of competition definitely because it keeps people honest.
- I wouldn't even bother to move

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4) Suggestions for receiving information on FRC

- Comparator tool on government web site
- Information on offers in a standard format
- Information sessions via community networks
- Word of mouth - friends
- Television or radio advertisements
- Mail out from the government ‘as long as it doesn’t say junk mail on the top of it.’
- A service centre to explain things

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Example quotes

- So until it affects us we don’t do anything…
- Personally I would like to leave it to the experts…I want to put my trust in someone who knows what they’re doing
- I’d just like to see a bit more communication

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Re-capping

- Lack of knowledge across the spectrum about the impending changes and some confusion
- Most residential users were cautious about the changes
- A number of fears/concerns with the advent of FRC
  - Price increases, unfair marketing practices, impact on reliability
- Need for improved community education and a robust complaints mechanism identified
- **It's all so complicated!**

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(5) For noting: Interstate surveys (i)ESC (Vic) pre-FRC

- A degree of cynicism in particular groups (regional and low income) about the introduction of FRC partly due to a perception of a lack of opportunities and influence in decision making
- A fear that changes would result in higher prices based apparently on perceptions of changes within the electricity industry and the implications of this change for their particular geographical area
- Differences in levels of knowledge about FRC

(Source:Colmar Brunton Project Electricity Phase Two Results Prepared For: The Office of the Regulator-General Victoria, Melbourne. Sample sixe: 24 interviews and 5 focus groups)

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(5)For noting: Interstate surveys (ii) ESC (Vic) 2001

- Concerns in relation to deregulation of the electricity market were expressed by almost three-quarters of respondents (71%)
- Price arose as one of the central concerns that the Victorian mass market have in relation to the changing nature of the way electricity is bought (25%) and of equal concern was future reliability of electricity supply.
- Overall consumers were indifferent to the concept of changing retailers and less than half of respondents actually expressed an interest in switching electricity retailers (40%)
- Almost two-thirds of respondents (60%) were aware that they would have more than one electricity retailer available to them for the purchase of electricity.

(Source: Office of the Regulator-General (2001), Electricity Contestability Quantitative Research – Mass Market Customers, prepared by Millward Brown. 252 metropolitan and 100 regional customers were interviewed).

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For noting: Interstate surveys (iii)ESCOSA 2003

- Low income earners were less likely to be aware that they could choose their own electricity retailer (42% compared with 62% of all individuals)
- There was a greater awareness among metropolitan respondents compared with regional areas that they could choose their own electricity retailer

(Source:McGregorTanResearch prepared for ESCOSA (2003), Full Retail Contestability Effectiveness Research – Residents, ESCOSA, p.5-8.)