

# CONSUMER PRICING PREFERENCES

Qualitative research

December 2022



# Foreword

Over the past few months, we have watched with increasing concern the predictions of extraordinary electricity price rises. In October, the Commonwealth Treasury revealed expectations for retail electricity price increases of 56% over the two years from June 2022. While the *Energy Price Relief Plan* has recently been announced by National Cabinet to mitigate further price increases in the next 12 months, it appears inevitable that consumers will continue to face some of the highest retail electricity – and gas – prices they have ever seen.

Even before these price expectations were announced, consumers were concerned about the cost of electricity. Energy Consumers Australia's latest Energy Consumer Sentiment Survey conducted fieldwork in September 2022. It found that:

- 44% of customers are more concerned about their ability to pay electricity bills that they were a year ago; and
- 95% of household customers are concerned that electricity and gas will become unaffordable for some Australians in the next 3 years.

At such a time, consumer attention sharpens on how bills are calculated and communicated as well as how they can manage their energy costs. Consumer attitudes concerning the rising cost of energy should not be understood as incidental; they are integral to the ways in which Australians experience and make sense of these costs. They matter.

For this reason we sought to understand how consumers are managing their energy bills and to gauge their interest in different types of retail electricity pricing structures that may provide them with more control over the size of their bills.

Energy Consumers Australia engaged Essential Research to conduct qualitative research with three groups of consumers: engaged, financially vulnerable and small businesses. We asked 59 consumers how they currently manage their electricity bills, whether they would prefer five-yearly step changes in network costs to be passed through at the start of the five year period or gradually ramped up (or down), and their preferences for different retail price structures.

All participants told us that they want consistent and predictable bills, but consumers had divergent views on how they wanted changes in network costs to be passed through and preferences for retail electricity pricing structures: simplicity was more important to some, while others liked the option of being able to lower bills by changing when they use energy.

This research demonstrates that consumers have diverse preferences and behaviours and is further reinforcement of our view that accommodating such diversity should be a key feature of the energy system. Consumers should have the ability to choose a retail pricing structure that works for them. However, choice must be accompanied by simple to use tools and information that allows consumers to easily identify the retail electricity pricing structure that best suits how they can integrate energy management into their lives and business processes.



Lynne Gallagher, Chief Executive Officer

# Methodology

This research was designed to explore views of private households and businesses about the future of energy generation and distribution in Australia.

PLEASE NOTE: Given the limited number of participants involved, these findings should be taken as indicative insights into the research topics, not as definitive views of the general population.

## Fieldwork Dates:

**Three online overtime focus groups:**

11<sup>th</sup> – 13<sup>th</sup> April 2022

approx. 1.5 hours participation

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## Criteria:

19x Business owners

20x Vulnerable consumers

20x Energy engaged consumers

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**Prepared by:** **Essential.**  
RESEARCH

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Our researchers are members of the Research Society.

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# Sample profile

## State breakdown

VIC 13  
NSW 17  
QLD 16  
WA 2  
SA 3  
NT 2  
TAS 3  
ACT 3

## Gender breakdown

Female 29  
Male 30

### Group 1 – Business Owners

- Main or joint decision maker when choosing energy products and services
- Sample drawn from across Australia
- Have less than 50 employees in their business



Sole trader n=3



1-19 employees n= 17

### Group 2 – Financially Vulnerable Energy Consumers

- Main or joint decision maker when choosing energy products and services
- Sample drawn from across Australia
- Have previously experienced one or more of the following:
  - Serious concern about being disconnected from electricity
  - Received threats of being disconnected from electricity
  - Have been disconnected from electricity

### Group 3 – Engaged Energy Consumers

- Main or joint decision maker when choosing energy products and services
- Sample drawn from across Australia
- Self identify as highly to somewhat engaged and interested in the Australian energy market including their own electricity bill, market changes and new technologies.

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# Key findings



## Key findings

### **Business and household consumers pay particular attention to their electricity bills.**

This is because consumers often feel that their electricity bills are amongst the highest and most variable of their regular expenses. To reduce the impact of their bills most look to financial planning, shopping around with providers or behavioural changes. Significant changes, such as solar or better insulation, are also seen as possible solutions but are out of reach for many.

### **Consumers tend to prefer smaller, consistent payments for easier bill management and to reduce bill shock.**

They prefer consistent payment amounts or calculation methods as it allows for simpler bill management. Higher frequency of bills are appealing for similar reasons – it reduces the likelihood of receiving large one-off bills by breaking them into smaller and more manageable pieces. For these reasons, consistent network charges where the preferable for some.

### **Electricity plan options which provide a sense of control for consumers are highly appealing.**

Many household and business consumers desire easy bill management through simple to calculate plans (flat pricing structures) or set costs ('All you can eat' model). More engaged, energy or money conscious consumers, on the other hand, desire the ability to impact their electricity bill through time of use pricing, which allow them to reduce their energy bills through behavioural changes.

### **Consumers dislike plan options which encourage excessive consumption due to environmental concerns.**

Plan options such as the 'all you can eat' model are concerning to participants who see them as encouraging unconscious consumption and non-environmentally friendly behaviours.

## Overall, participants are divided regarding their preferred method for passing on changes in network costs every five years, with both options seen to have benefits and drawbacks

	Consistent network charge (Option 1)	Gradual network charge (Option 2)
Benefits	<ul style="list-style-type: none"><li>• Bill calculation and management is simplified, allowing for easier budgeting</li><li>• Does not create uncertainty of future bill costs as the network charge will remain the same during each 5 year cycle</li></ul>	<ul style="list-style-type: none"><li>• A gradual change reduces bill shock if there is an increase to the network charge</li><li>• Allows for budgeting for future bill increases</li></ul>
Drawbacks	<ul style="list-style-type: none"><li>• The full impact of the cost change is felt by consumers straight away. Any significant change could significantly impact consumers ability to pay, especially financially vulnerable households.</li></ul>	<ul style="list-style-type: none"><li>• Higher network charges in the final two years than the option 1 payments if the cost is increased</li><li>• Uncertainty over future bill costs if the increase per year is not known</li><li>• More bill management and budgeting required</li></ul>

**Overall, flat tariffs<sup>1</sup>, time of use tariffs and all you can eat models were most appealing, however each are seen to have drawbacks by participants**

	Flat tariff	'All you can eat' billing model	Time of use tariff
Benefits	<ul style="list-style-type: none"> <li>• Bill calculation and management is simplified</li> <li>• Appealing to businesses and households who do not have the ability to alter their usage times</li> </ul>	<ul style="list-style-type: none"> <li>• Bill calculation and management is simplified</li> <li>• Reduces the need to manage energy usage</li> </ul>	<ul style="list-style-type: none"> <li>• The ability to reduce ones' own electricity bill through behavioural changes.</li> <li>• Viewed as encouraging more conscious use of consumption (environmentally friendly)</li> </ul>
Drawbacks	<ul style="list-style-type: none"> <li>• No ability to reduce electricity bill costs through personal action like with time of use tariffs</li> <li>• Does not encourage conscious consumption</li> </ul>	<ul style="list-style-type: none"> <li>• Assumed to be at a higher cost than current energy bills</li> <li>• Concern that it would not be environmentally friendly as encouraging non-conscious energy usage</li> </ul>	<ul style="list-style-type: none"> <li>• Too complex and difficult for some to manage – dislike having to monitor time and usage</li> <li>• Only appealing if timings aligns with current participant behaviour</li> <li>• Not appealing to businesses with limited ability for usage change</li> </ul>

1. While the term “tariff” was used for the purposes of the research, it was clear that this was referring to the retail pricing structure.



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# Electricity bill management



## Both business and household participants pay particular attention to their electricity bill, due to it being one of their largest bills and having significant variations in cost

Comments suggest that many find it difficult to estimate upcoming electricity bills accurately and account for this in their budget – therefore the amount due can come as a shock. Consumers tend to compare incoming bills to previous, in order to detect and account for changes in cost, but at times don't find satisfactory explanations.

Usually, the electricity bill is the main bill that I look at. It is the most variable bill within my business and home. The water, gas, internet, and insurance are all fixed payments so require less thought.

– *Business owner/decision maker, VIC*

I tend to always forget about the electricity bill as it's quarterly and it's usually always a shock when it does come in.

– *Vulnerable consumer, NSW*

Given all utilities have different billing cycles, it just seems that you have a big bill coming in every fortnight. Some bills are relatively inexpensive, such as water bill. Some bills just contain amounts that are astronomical (e.g., an electricity bill, or an insurance bill).

– *Engaged consumer, NSW*

This always leads to stresses about bills and in electricity's case, not knowing how much they are going to be quarter to quarter really doesn't allow you to plan for them properly. I like to correlate the last month's experiences to the bill. "Was it particularly hot = more AC use", etc.

– *Vulnerable consumer, QLD*

When a bill comes in, I check it against the previous bill, and I then check my usage against the same period in the previous year to understand the change in consumption/price.

– *Engaged consumer, NSW*

## Efforts to reduce electricity costs tend to focus on financial planning and shopping around for better deals

We utilise a budgeting spreadsheet in conjunction with separate bank accounts for our bills to manage them. This ensures we have the money put aside to cover the bills, including a healthy buffer. I also will complete quotes each year when receiving renewal notices to ensure I am getting the best price possible.

– *Engaged consumer, QLD*

I try to sign up for new deals and am always on the lookout for a better deal, starting from electricity to internet, anything that could save money without any compromise on services.

– *Engaged consumer, NSW*

In order to manage the cost, I love to shop around every now and then. I like to compare the prices with other providers and see if a big saving can be made.

– *Vulnerable consumer, VIC*

In addition to this, most business and household consumers also attempt to reduce their electricity costs through adjusting their consumption behaviours.

I guess I just try and be aware of not wasting money i.e., close the door when air con on, set temperature to the most efficient, turn taps off when shampooing hair.

– *Business owner, NSW*

I try to control it and use as little as possible. I rarely use aircon, I open windows and doors everywhere, I don't waste light and water.

– *Engaged consumer, QLD*

For power we mainly just try to make sure if we aren't using something it's off especially lights also only doing washing/drying in off peak hours to save more money that way.

– *Vulnerable consumer, TAS*

## Some see significant changes such as solar or insulation as a way to reduce consumption, however low-income consumers and renters feel restricted

Many of these consumers say they would like to install solar panels or improve the insulation of their home in order to improve energy efficiency and benefit from savings, if this was an option for them.

As a renter my options are limited in how I can actually manage costs proactively. For instance, I can't install a smart meter, install insulation, get a more energy efficient dryer, or make other home improvements without landlords making it themselves, which they don't really have an incentive to do. Therefore, I'm limited to carefully selecting the best priced supplier (which is hard to do as prices are hard to compare as the different packages use different metrics) and to manage usage on the appliances we do have.

– *Vulnerable Consumer, NSW*

I would love to get solar but in rental atm. Will be looking into it further when I get my own home.

– *Vulnerable consumer, VIC*

Making sure lights and things we aren't using are turned off. Making sure to keep an eye on the Aurora Plus app to make sure we are sticking to the usual amount we use per day and if there's anything abnormal contacting Aurora to discuss why. There's not a lot more we can do that what is already being done so it's difficult to try implement anything else [as a renter].

– *Vulnerable consumer, TAS*

I also rent, and your electricity costs can easily vary depending on the house you live in at the time. We are fortunate with the house we live in given that it is extremely well insulated and has a very efficient heating/cooling system. I think it makes a big difference in reducing our electricity costs.

– *Engaged consumer, QLD*

## When it comes to billing, participants find smaller and more frequent bills to be more manageable

Monthly billing is more effective for business and household participants as it aligns more consistently with their cashflow, be it fortnightly or monthly pay slips, or client billing cycles. Additionally, participants believe smaller, consistent payments would allow for better planning and management, reducing the 'bill shock' of larger, less frequent bills.

I receive them monthly. I like this because my main business client is invoiced monthly. I wouldn't prefer a different frequency, I once had quarterly, and it was always a shock.

– Business owner/decision maker, QLD

*[Monthly]* makes it much easier to track when the bills are coming in more frequently and it becomes less of a 'oh crap' moment when you realise the quarterly bill you completely forgot about has just come in.

– Engaged consumer, ACT

I feel like fortnightly would be good as that's in line with my pay cycle which could be easier to manage and avoid large bills.

– Vulnerable consumer, QLD

Many household consumers attempt to mitigate the impact of large, less frequent bills by paying their utility provider smaller consistent amounts throughout the billing period. This is seen across both financially vulnerable and engaged energy consumers.

I pay a set amount each fortnight through centrepay. I decided to do this after I was hit with an enormous bill... I am just about always in credit now, that when the bill comes through there is enough in the account to cover it.

– Vulnerable consumer, SA

I don't have a formalised payment plan as such, I just choose to pay a certain amount each fortnight towards all of my utilities. Which makes it much easier for me to budget and organise my finances around.

– Engaged consumer, VIC

We have a weekly direct debit setup to ensure we do not get a surprise with a large bill.... helps with future budgeting. We find that by a weekly direct debit setup we can monitor our electricity bill more efficiently.

– Engaged consumer, NSW

## Energy consumers prefer payment methods that require minimal time or thought to stay on top of payments

Direct debit is the most commonly used payment method for all energy consumers. It is valued for requiring minimal effort, while ensuring participants receive 'pay on time' discounts.

We use direct debit, we find it easy and hassle free, once it's set up it takes care of itself. We obviously have to make sure there's enough money in the account for it to be taken out of, but it's the best way for us.

– *Vulnerable consumer, TAS*

I tend to use as much direct debit as possible in order to avoid any late payments. When things get busy in life, I do forget things, one of which might be paying the bills on time.

– *Engaged consumer, NSW*

Direct Debit, because it is automatic. This is effective because I don't have to think about it.

– *Business owner/decision maker, QLD*

I use direct debit. I chose this method because I don't need to think about it. It just gets debited on time.

– *Business owner/decision maker, NSW*

I use direct debit so that I never miss a bill payment, and get associated penalties.

– *Engaged consumer, WA*

Businesses and highly engaged consumers are more likely to use BPay as it requires more engagement with their bills.

My larger bills I like to BPay as then I pay attention to how big they are and it forces me to look over them.

– *Business owner/decision maker, VIC*

I do post bill pay. I can do it from my phone and I actively have to take notice of the amount. If it was a direct debit as I have done in the past I wouldn't take as much notice of the amount or query any discrepancies.

– *Business owner/decision maker, VIC*

I use BPay. I like to keep track of when money comes out of my account... I hate going through my accounts and finding money withdrawn without my knowing.

– *Engaged consumer, QLD*

## The impact of a higher-than-expected bill differs greatly based on financial position

For those less financially secure, a higher-than-expected bill results in concern for their ability to pay and its impact on other aspects of their life.

It would impact me greatly. It would mean I'd have to skip out on some meals, not replace business consumables that need replacing (leads, strings, microphone, etc). In response to this, I'd suck it up, because that's what you have to do. Even going on a payment plan is just kicking the can down the road. Better to have a few weeks of absolute misery rather than a few months of mild misery.

– *Vulnerable consumer, QLD*

It would make me very worried and stressed... money is tight. I would query it and keep a tighter eye on the bills and try to work out what contingency I have in the budget.

– *Engaged consumer, TAS*

*[This happened to me]* I found out that the electricity provider has been estimated my bills for the last 12 months so when they used the actual reading, I was handed a \$1,200 final bill which couldn't have come at a worse time with moving expenses and Xmas! This was obviously a big impact and caused some stress at a time of year that shouldn't be stressful, I ended up having to make a payment arrangement with the energy company.

– *Vulnerable consumer, NSW*

More financially secure households or businesses, however, are focused on understanding the reasoning and finding solutions to reducing the bill in future.

It would just require an adjustment on our budgeting, or possibly change in our consumption habits. It wouldn't have much immediate impact but would have us trying to reduce our usage.

– *Engaged consumer, QLD*

I would contact the retailer and ask why - if it was unusually high, but there's always some reason that the client cannot control. Other times I just pay it - especially if we're really busy and other issues are more important.

– *Business owner/decision maker, NSW*

It wouldn't make much difference, but we would compare to previous years and monitor usage over the next few months. There is always the possibility of a meter fault, but unfortunately this is on the user to prove. I would also monitor use of aircons, lights etc to ensure they are being used appropriately and if not, advise the employees to be aware of the costs.

– *Business owner/decision maker, QLD*

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Network charge  
options





# Participants were informed about network charges and two options for payment

## Stimulus shown in the focus groups:

One part of your bill is a network charge, which is your share of the infrastructure costs of building the 'poles and wires' that deliver electricity to you and all over Australia. Your network charge makes up around 50% of your electricity bill, meaning an average household who's annual electricity bill is \$2,000, their network charge would be around \$1,000.

Network charges are re-negotiated every five years and this cost is spread out in your bills over that 5 year period. There are two ways that the cost could be given to you over the 5 years, each with different impacts on your energy bill.

We would like to hear your views on two options:

- Option 1** is that the cost of the network charge is immediately passed onto you, which could be an increase or a decrease from the previous 5 years. This cost then remains the same across the five years of the payment. An example of this would be an average Australian family paid \$2,200 per year in the previous 5 years of their electricity bill, but for the next five years the cost will be \$2,350 per year. This cost is immediately passed on with each bill costing \$2,350 for the next 5 years.
- Option two** is that the cost is gradually passed onto you in your bill over the five years, meaning the cost will be different each year to account for an increase or decrease in cost. An example would be an average Australian family paid \$2,200 per year in the previous 5 years of their electricity bill, but for the next five years the cost will be \$2,350 per year. Instead of passing the high cost immediately, the additional cost is evened out over the five years. This could look like \$2,250 year 1, \$2,300 year 2, \$2,350 year 3, \$2,400 Year 4 and \$2,450 year 5. This results in the same overall cost over the 5 years as option 1, just spread out differently. This would also be the case if the cost was less than previous years, meaning the cost would be lowered gradually over the five years. Please see the below tables of examples of both possibilities.

IF THE NETWORK COST INCREASED (YOU HAD TO PAY MORE)							
	Original total bill in 2022	Total bill in 2023	Total bill in 2024	Total bill in 2025	Total bill in 2026	Total bill in 2027	Total amount paid 2023-2027
Option 1	\$2200 (\$183 per month)	\$2350 (\$195 per month)	\$2350 (\$195 per month)	\$2350 (\$195 per month)	\$2350 (\$195 per month)	\$2350 (\$195 per month)	\$11,750
Option 2	\$2200 (\$183 per month)	\$2250 (\$187 per month)	\$2300 (\$191 per month)	\$2350 (\$195 per month)	\$2400 (\$200 per month)	\$2450 (\$204 per month)	\$11,750

IF THE NETWORK CHARGE DECREASED (YOU HAD TO PAY LESS)							
	Original total bill in 2022	Total bill in 2023	Total bill in 2024	Total bill in 2025	Total bill in 2026	Total bill in 2027	Total amount paid 2023-2027
Option 1	\$2200 (\$183 per month)	\$2050 (\$170 per month)	\$2050 (\$170 per month)	\$2050 (\$170 per month)	\$2050 (\$170 per month)	\$2050 (\$170 per month)	\$10,250
Option 2	\$2200 (\$183 per month)	\$2150 (\$179 per month)	\$2100 (\$175 per month)	\$2050 (\$170 per month)	\$2000 (\$166 per month)	\$1950 (\$162 per month)	\$10,250

## Many participants find Option 2 appealing, seeing small increases as more manageable than a large jump in cost

Overall, I feel that Option 2 would be more beneficial to our household thus taking away any surprise of large increases of bills as well as any decrease in bills would be a bonus.

– *Engaged consumer, NSW*

Particularly if there is an increase in charges, I think option 2 would be easier to manage with a gradual increase rather than consistent all at once price hike.

– *Engaged consumer, VIC*

I would prefer option 2 as it is a more gradual increase and can be viewed along similar lines to inflation. This results in a slightly smaller "step up" each year so will be easier to manage.

– *Business owner/decision maker, TAS*

I believe option 2 is better simply because the increase and the impact on the bill will be gradual. Option 1 better if the cost is coming down, but only one option is possible, hence I prefer option 2 as the rate increase if any is not sudden.

– *Vulnerable consumer, SA*

I think option 2 is better, Option 1 could result in a bill shock for some consumers in the case of an increase depending on how much their usage is (i.e. someone with small usage and a larger percentage of supply charges would be effected more by this). Option 2 is good in that it smooth's that transition.

– *Engaged consumer, QLD*

However, the inability to predict the cost increases each year is stressful to some.

Looking at the slow increase of option 2 gave me anxiety you can't predict your future and if you're struggling now imagine when the price continues to climb!!!

– *Vulnerable consumer, NSW*

Initially I thought that I'd prefer option 2, delaying the cost increase as much as possible, and would incentivise solar power use, but option 1 seems simpler... Costs go up and up randomly is confusing, so to have something consistent for 5 years would be good.

– *Business owner/decision maker, QLD*

Option 2 would be great if there's a decrease in charge but not if there's an increase. As cost of living goes up your income doesn't always go up too. I don't like the idea of paying more towards the 5th year.

– *Engaged consumer, QLD*

## Option 1 is more appealing to small business and financially vulnerable participants who tend to see greater benefit in consistency for easier bill management

Staying the same price would make it more efficient and easier to budget over 5 years as aware of cost all the time....the increase in Option 2 would stress me out to be honest.

– *Vulnerable consumer, NSW*

Option 1 as it stays the same, I know what I'm paying with no hidden costs coming my way that I'm not expecting.

– *Vulnerable consumer, TAS*

I prefer consistency so I can budget ahead of time so option 1 would be the best for me

– *Vulnerable consumer, VIC*

I think Option 1, has its merits, such as a constant rate, and easy to predict, great for budgeting.

– *Business owner/decision maker, QLD*

Option 1 suits me due at least I have a figure locked in at the start with no variances year on year - at least I know what they will be going forward

– *Business owner/decision maker, VIC*

Option 1 allows us to have a pretty good idea of the bills coming in. If it changes every year like option 2 we have to guess at what that change would be to plan for the next year

– *Business owner/decision maker, QLD*

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# Electricity plan options



Participants were given information on & asked to discuss five different retail price structures and billing options

Tariff focused

Billing focused

Flat tariff

Time of  
use tariff

Wholesale  
market spot  
price pass  
through  
model

'All you can  
eat' Model

Prepay  
Model

# Flat tariffs are seen as simple and easy to calculate for bill management, but to lack an incentive for more mindful energy use

Flat prices are when you get charged the same amount for every unit of electricity you use (kilowatt hour, or kwh), no matter what time of day you use it. This is a bit like buying a Big Mac: it costs the same, irrespective of when you buy it or how many you buy at once.

This option is what many of you would currently be using.

*Stimulus shown in focus groups*

It's sometimes good to have a flat cost because it's not so confusing and you know where you stand and what you're paying.

But when you take a closer look if you are drawing power outside of peak times and it still costs the same amount there is no incentive to stop using power at the busier times of the day/night meaning it puts more stress on the grid.

*– Engaged consumer, QLD*

I think that this would simplify things a lot for me. I would prefer not to have to think about off peak times to complete tasks. It wouldn't greatly affect my business as I work during standard business hours, so my solar panels cover my usage during that time. I guess the draw backs are that you don't have as much choice and control about using electricity at off peak times. I think it would help with managing the bills though as it would be easier to estimate if the rate was consistent.

*– Business owner/decision maker, WA*

My first thought is that it would make it easier to understand your bill. It would be a benefit as you know how much you are spending. The disadvantage is that if you are willing to do things during the off-peak times to save money you lose the ability to do that.

*– Business owner/decision maker, NSW*

For someone who works from home this option suits me, my only consideration is if I could get cheaper power in the after hours and go to the library to work. I think it would be convenient.

*– Vulnerable consumer, NT*

## The appeal of 'time of use' tariffs is mixed across all groups. Some see it as useful with the ability to reduce their electricity cost, while others find it restrictive

I believe this is the better option of the two...This allows the user to have control over some usage such as dishwasher usage, washing machine... This is appealing to have a sense of control over the outcome of the usage bill.

– *Engaged consumer, NSW*

This is very appealing. I would make a real effort to do certain tasks at off peak times in order to save money. I am also well aware of the massive strain high energy consumption can place on the network. Downfall would be that I would need to be mindful of timing certain tasks, but I think it is manageable.

– *Business owner/decision maker, VIC*

The last thing I want to do is restrict myself or my family to only run certain things during certain times. I don't want to have to worry about when I can or can't use an electrical appliance.

– *Vulnerable consumer, VIC*

I think that I prefer this option as I am in control of when I decide to use higher load items that consume more electricity and therefore hopefully reducing or keeping the energy bills lower.

– *Vulnerable consumer, VIC*

Especially businesses with limited capacity to change their electricity usage find this option unappealing and restrictive. Some fear that any savings from 'off peak' will be void if their operating times cross over with the 'peak' or 'in between' periods.

I hate this option. Our business impacts peak time slots, and it would be ideal to have a base rate all the time charged. As mentioned, when you're busy or other issues are consuming in your business it's hard to keep on top of it. When it's quiet you can manage this a little better, but there's so much going on running your business day to day that a flat rate would be ideal.

– *Business owner/decision maker, NSW*

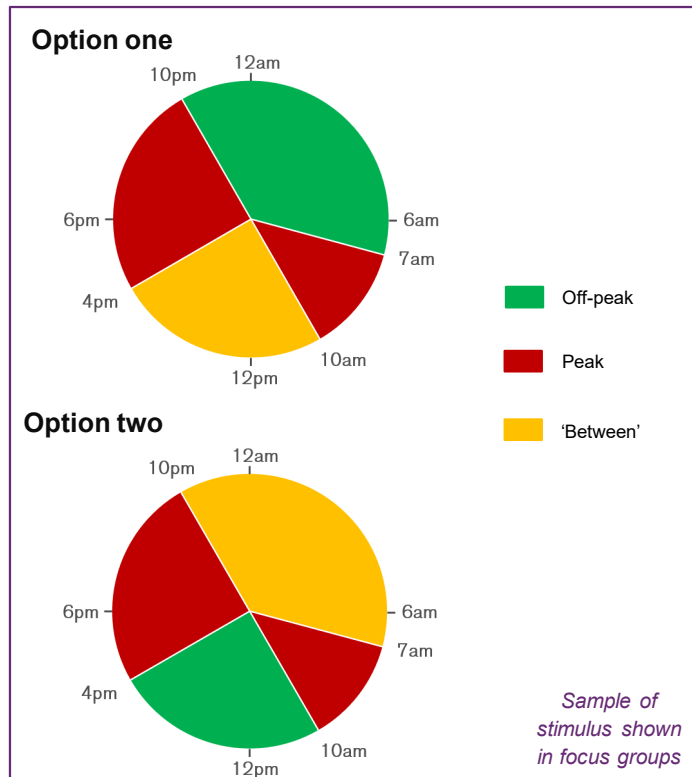
It would complicate things a bit if we were totally vigilant about reading our bills as working out the time zones would be frustrating enough. It would not impact on our ability to manage the bills apart from extra time in checking the different portions to make sure we are not being ripped off.

– *Business owner/decision maker, VIC*

My business hours are set and unable to be changed. This means that my hours (6am-5pm) would mostly fall in the "in-between phase". If the cost is averaged out, I would appreciate the small amount of time that I fall in the cheap tier but may benefit greater from the easier estimations available from the fixed option.

– *Business owner/decision maker, TAS*

## Time of use options are appealing to household and businesses if they align with participants' current energy use behaviors



Participants find time of use tariffs appealing when the time allotment fits within or in close proximity to their current usage patterns.

To have this time period in the middle of the day, I wouldn't get any benefits. None. I wouldn't be able to afford the normal rate of electricity being on the pension. It's not appealing. [Option 2]

– Vulnerable consumer, NSW

This is a bit more appealing than the previous as I work from home so during the summer so having aircon on during the day will take advantage of the off-peak time. [Option 2]

– Engaged consumer, NSW

Participants are likely to reject the option if the time allotments do not fit within their current usage patterns.

The 7-10am period is when everyone is getting ready for school or work so cooking breakfast, showering, using appliances. The 4-10pm is when kids are home from school, cooking dinner, showers, doing load of washing and using electronics. It wouldn't suit my family at all. I think it would very likely increase my bill. Its not appealing to me at all. [Option 1 & 2 peak times]

– Vulnerable consumer, VIC

This is more difficult for me. As I am not always free during those times to do the tasks that use more energy, I may miss my window. E.g., washing clinic towels and sterilising equipment. So, it would be less workable for me. I don't think it would work for my business as I would find it harder to save money. [Option 1]

– Business owner/decision maker, VIC



## Some find the need to monitor time of day and usage too complicated or find it unachievable to change their usage hours

Many find the concept of changing their behaviour and times of use to be complicated or out of reach. Timers and smart appliances were not top-of-mind for participants.

I could change my usage times a little, but the times that we spend at home on average along with the usual times that we eat, entertain, clean etc. will remain the same, so it may not be that helpful.

– *Engaged consumer, VIC*

I would not be able to fit in around the off peak times due to it not being when people want to attend my business.

– *Business owner/decision maker, NSW*

If I was REALLY dedicated, I could sacrifice sleep and do some things during off peak times. But I'm not going to stop watching TV or running fans and air-conditioners.

– *Vulnerable consumer, VIC*

Apart from turning off lights and PowerPoints there are not many options to help save money on power without spending more money for more cost-effective appliances. I feel one of the biggest drawbacks is running appliances of a nighttime and remembering to turn them on so they run while you sleep.

– *Engaged consumer, QLD*

To be honest it would probably frustrate me trying to keep tabs on when the cheapest times are. Think I'd get annoyed.

– *Vulnerable consumer, NSW*

I think that we would make an effort where possible to change our electricity usage into the cheaper time slots, however I also think that working full time with two young children this would not always be possible. Normally the priority when it comes to our electricity usage is to get done what we need to, when we have the time to do so. We don't have a pool/pump, or anything significant that I would specifically use during off peak times.

– *Engaged consumer, QLD*

# The wholesale market spot price pass through model appears complicated to households and businesses, requiring close monitoring to ensure savings

## Wholesale market spot price pass through model

All energy retailers buy their electricity from the wholesale electricity market, where prices change up to every 30 minutes. The retailers then set a standard price for electricity that they sell to you as a consumer. This cost is often higher to protect them against large fluctuations in the wholesale price.

This model means that you would pay a small fee to have access to the wholesale market price.

*Sample from stimulus shown in focus groups*

My initial thought is that it is creating more work for me to do! I don't always have time to check emails etc. on a daily basis. In my line of work I'm not in front of a screen all day.

*– Business owner/decision maker, NSW*

The drawback is that if you weren't careful, during times when costs were high the bill cost could potentially sky-rocket more than it does. I think it would make it incredibly difficult to manage bills and predict cost.

*– Vulnerable consumer, VIC*

However, this is appealing to some participants who view it as an extreme version of time of use tariff, allowing them to reduce their bills through changing their usage behaviours to cheaper time periods.

It would benefit the business by having more control over when you can save the most money but it would possibly be overridden by the time it would take to monitor the data. It would make managing your bill a bit easier as you would have more control over your usage times, and therefore able to save money.

*– Business owner/decision maker, NSW*

It would be good if people remembered or had time to keep looking at the fluctuating prices. It would also mean people need to be at home more to put these changes into effect.

*– Engaged consumer, QLD*

# Prepaid energy had little appeal to most participants due to the difficulty of monitoring and risk of disconnection

## Prepaid Model

A 'Prepaid' electricity model is when you would pay for your electricity in advance, like a pre-pay mobile phone plan. This would involve paying for a set amount of electricity and once your pre-paid amount is used up, you have to 'recharge' and prepay more otherwise your electricity would either be cut off or you would have to pay a much higher rate for electricity, depending on your plan.

*Stimulus shown in focus groups*

I don't like this idea. Maybe if it was modified so that the electricity was not cut off on expiration it could be a little more appealing. It seems a bit cut and dry and definitely in the favour of the electricity providers.

– *Business owner/decision maker , NSW*

I think too risky for me - I'm just imaging making a slight miscalculation and then all of a sudden your electricity is cut off. If the idea of this model is to help with budgeting then I don't think it helps.

– *Engaged consumer, ACT*

I don't like this idea at all. What comes to mind is being left to freeze or roast and increased loss of food through getting cut off during a time you already can't afford to buy food.

– *Vulnerable consumer, VIC*

I don't like this for electricity. I would just rather pay as I go. I don't want the risk of not paying for enough and then having to top up at a more expensive rate. Unless there are major discounts for pre-payment I wouldn't be interested in this offer.

– *Business owner/decision maker , NSW*

Initial thoughts is I don't like this option. Having the power cut unexpectedly would be a nightmare for anyone, let alone if you have to prepay for your electricity. Benefits would be for people who are more organised and aware of their consumption, and if their consumption doesn't fluctuate often.

– *Engaged consumer, VIC*

Pre paid is good to a point, until it comes to a time when you are down to your last \$2 until payday and then the decision on whether you are going to spend the money on power, fuel or food might be a real issue... for me unless it was a completely set and forget type of prepaid model that automatically renews I think it might become harder.

– *Vulnerable consumer, NSW*

# The 'all you can eat' model is appealing for bill consistency however; some are concerned with excessive pricing

## 'All you can eat' model

An 'all you can eat' electricity option is similar to that of an unlimited internet plan, where you pay a set amount and have no limit on your internet usage.

In this instance you would pay a set amount based on an average electricity user (potentially at a slightly higher cost than other options discussed) and you would pay no more, regardless of how much electricity you used.

*Stimulus shown in focus groups*

Most participants find this option appealing due to being able to freely use electricity and receive consistent bills, assuming the cost is not significantly higher than their current bills.

This option would appeal to a business that has highs and lows in electricity use. Would be good for big business and definitely make paying bills so much easier and less time consuming.

*– Business owner/decision maker, VIC*

The main benefit being it would give peace of mind financially, if the monthly cost wasn't too high as you wouldn't have to budget or estimate any other charges or worry that you were using too much electricity.

*– Engaged consumer, VIC*

There are some concerns however, that this model will encourage excessive use and therefore negatively impact the environment.

I feel that personally I would abuse this option to go overboard on electricity... There'd be no incentive for people to manage their electricity costs so usage would significantly increase...I don't think it's a good option for society.

*– Engaged consumer, ACT*

I feel that a model or system like this would encourage a lot of power wastage...People would just leave aircons on all day... Pool pumps would be left on all day, people would not need to buy energy efficient devices. It would probably be good for each individual, but not particularly good for the system or the environment.

*– Vulnerable consumer, QLD*

# Essential.

RESEARCH

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