

## ATTACHMENT 04.001 AA6 VOICE OF THE CUSTOMER INSIGHTS REPORT

ATCO PLAN 2025-29

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## Insights Report: AA6 Voice of the Customer

Prepared for ATCO by KANTAR Public

VOICE OF CUSTOMER PROGRAM Vendor Panel #: VP302938 KANTAR Public #: 263407449







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## **Executive summary**

This executive summary presents the key insights into Western Australian resident and stakeholder sentiment towards gas distribution and the major investment programs highlighted in the Access Arrangement 6 Draft Plan.

Key areas of focus include the recognition of ATCO's role in the gas supply chain and distribution, perceptions of gas as an affordable energy option, and residents' future plans regarding gas usage in their homes. Residents were heavily engaged throughout the process to provide their thoughts, opinions and expectations of their level of service from ATCO, as well as show their support for the major investment programs. For stakeholders, amidst conversations of the potential "electrification of gas and the gas network", there was significant support across stakeholder groups for ATCO's investment programs, including Gas Mains Replacement, Sustainability Projects, Network Expansion, and Meter Replacement.

#### About the residents

- Gas is deemed essential in households, with 97% of residents acknowledging its importance, being considered an affordable energy source in comparison with electricity, with 79% of residents endorsing its cost-effectiveness.
- Challenges in future gas distribution revolve around economics, affordability, maintenance, availability, and emission reduction. Residents are concerned about inflation, and they welcome the small change in price tariff to deliver each of these (unrelated to the cost of inflation and the cost of interest).
- Gas Mains Replacements and Sustainability Projects are the highest-rated investment programs, with customers acknowledging their importance for ensuring the safety and reliability of gas supply and believing they are relevant due to the potential environmental benefits through including hydrogen blending and other alternative gasses.

Several months later, community's view of the gas network was reassessed to ascertain any changes in their attitudes. The financial strain due to living costs and...

... the affordability of gas bills was a prominent issue. However, a substantial portion of the residents didn't consider the amplified costs from the investment programs as having a significant impact on their household budget, yet for a few the proposed cost of inflation in AA6 was undesired.

#### About the stakeholders

Retailers:

• The main challenges perceived by retailers include a potential societal shift towards electrification, considering ATCO should do more to bolster gas demand, and advocating for the development of sustainability projects.

Commercial & Industrial, Builders & Developers (CIBD):

• Labour shortage and its impact on future projects as a key challenge, along with the need to reduce carbon emissions in the gas network as seen as the key challenges. They expect reasonable gas prices, growth in household gas use, and the development of sustainable alternatives by ATCO in the future.

#### Peak Bodies:

• Main challenges are future-proofing the relevance of gas, maintaining its affordability, and recognising its environmental benefits. They recommend focusing on future-proofing the network with alternative gases and being prepared for policy changes related to the use of natural gas.

The summary underscores the importance of safety, reliability, sustainability, and equity in gas distribution, which are central to ATCO's strategic planning and execution. The investment programs were favoured by all, with most considering them "business as usual" besides Sustainability Projects which are seen as something new and relevant.

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## **Residents perception of gas in Western Australia**



#### Awareness and knowledge of gas

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ATCO's involvement in the gas supply chain and distribution is not widely known by the public. Despite this, about 47% of residents are familiar with ATCO, a figure slightly higher than the regional average of 43%.

Access to gas in households is considered important by 97% of residents, with 53% considering it "extremely important."

The two most common gas-operated appliances are gas stove tops (82%) and hot water units (72%).

The majority of residents (81%) intend to keep their existing gas stove and hot water unit for the next 5-10 years, indicating a low probability of switching gas appliances. Gas consumption is expected to remain stable during this period.

A significant majority of residents, 79%, view gas as an affordable energy option. This perception is considerably stronger compared to the affordability of electricity, which stands at 50%. Gas affordability contributes to its favourability, leading many residents to favour gas appliances over their electric counterparts.

#### Future gas distribution challenges

There is no clear consensus on the challenges related to gas distribution but when residents identified economics, affordability, maintenance, availability of gas supply, and reducing emissions as key areas for ATCO to address.

#### Net-zero

The government may set expectations for energy providers, including ATCO, to achieve net-zero or carbon emission targets. Customers believe that ATCO has a responsibility to reduce carbon emissions in the gas network.

#### Re-tested attitudes in CRG 2

Attitudes did not significantly change since the original research phase; gas a household energy source remains favourable.





## **ATCO's major investment areas**

#### **Gas Mains Replacement**

Regarding the "Gas Mains Replacement" program investment, the majority of residents consider it important due to the safety and reliability it would bring to the gas supply. This investment is seen as a priority to address gas leaks, improve safety, and prevent issues due to outdated infrastructure. Additionally, residents are interested in knowing more about hydrogen blending and the implications of new network gas pipes.

The Gas Mains Replacement program investment has strong support among residents, with 95% considering it important.

The main reason for supporting the Gas Mains Replacement program investment is linked to the safety and reliability of gas supply to households. Residents do not want any safety risks.

## Sustainability Projects (Gas from Renewable Sources)

There is strong support for the Sustainability Projects program, with 94% of Residents considering it important.

More than half of the Residents, or 54%, believe that Sustainability Projects should be the top priority among the program investments that are personally relevant to them.

Residents are particularly interested in being educated about hydrogen blending and its integration with the current gas infrastructure, as well as its environmental impacts and benefits.

#### **Network Expansion**

There is strong support for the Network Expansion program, with 88% of residents considering it "important". All respondents want gas access to be equal for all West Australians, indicating that equity is an important factor in expanding the network.

## Meter Replacement (+ Smart Meter focussed)

Given that the meters are compulsory to support gas distribution, Residents do not believe they should pay for them. Some desire smart meters due to greater customer control, with 89% considering investment to support "Smart Meters" as "important" while the majority do not believe they should pay for them.

#### **IT Infrastructure**

93% of residents consider the IT Infrastructure program investment as "important" due to its significant spending in the AA6 program.



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## **Customer choice and preference**

1 in 5 Residents consider their "overall customer bill size" (40.3%) as the most important attribute compared to others when deciding on the service offering levels for AA6. Of the non-price attributes, "gas from renewable sources" was the most important (24.9%) compared to all the attributes. It is also the attribute Residents are willing-to-pay higher rates for on average. While each of the program investment areas are very important to Residents, there is only some motivation / willingness-to-pay.

Residents show a strong preference for an "upper level" Mains Replacement program compared to the current "lower level" program. "Investment area for the AA6 program. However, there are diminishing returns for renewably or increased service levels (\$4.00). Residents consider this to be the second priority program. Residents consider this to be the second priority program. Residents consider this to be the second priority program. Residents consider this to be the second priority. Residents consider this to be the second priority. Residents consider this to be the second priority. Residents consider this to be the second priority.	Gas Mains Replacement	Sustainability Projects (Gas from Renewable Sources)	Network Expansion	Meter Replacement (smart meter focussed)	IT Infrastructure
	Residents show a strong preference for an "upper level" Mains Replacement program compared to the current offering, but they are more sensitive to a "lower level" program. There is a moderate willingness-to-pay for increased service levels (\$4.00). Residents consider this to be the second priority program.	Customers strongly prefer gas sourced from renewable sources, with the highest preference level at 15%. This is the most preferred investment area for the AA6 program. However, there are diminishing returns for renewably sourced gas beyond 15%, as the increase in preference is small. There is a strong willingness-to- pay for 15% renewable gas in the network (\$15.10). Residents also noted this program to be a key priority. Highest priority program, with 54% ranking it the number one priority.	Customers do not prefer ATCO to scale back it's program to expand the network. In essence, there is an expectation ATCO maintains 90% (current service offering). There is very little motivation / willingness-to-pay for increased levels of Network Expansion (\$0.60); however, Residents would expect a price reduction if fewer new suburbs/ dwellings (<90%) were achieved. Program is considered low in priority, with 50% ranking it 4 <sup>th</sup> and 5 <sup>th</sup> priority scores.	There is nearly no gain in preference share if ATCO were to introduce support for Smart Meters on the network. There is nearly no motivation / willingness-to-pay for Smart Meter support (\$0.10). Program is considered low in priority, with 52% ranking it 4 <sup>th</sup> and 5 <sup>th</sup> priority scores.	There is very little gain in preference share (3.80%) if ATCO were to achieve an increase in the service offering to Advance. However, there is greater sensitivity if ATCO scales back to the Basic level (- 7.40%). There is little motivation / willingness-to-pay for Advanced IT Infrastructure (\$1.00). Program is considered low in priority, with 52% ranking it 4 <sup>th</sup> and 5 <sup>th</sup> priority scores.





Willingness-to-pay dollar amount based on the Resident's previous quarterly bill size. Important to note bill size may vary between the Residents gas bill retailer.





## Key challenges facing gas distribution – Stakeholders

#### Retailers

## **Future challenges**

Societal shift to electrification (potential reduction in new gas connections) and Sustainability Projects, with ATCOs alignment with net-zero/ ESG targets being considered the key challenge by retailers.

## **Address challenges**

Build the demand for gas to future-proof against defection to electric-only households in new sub-divisions and mitigate any potential mass disconnection in current households with gas. Develop sustainability projects.

### **Net-zero**

Hydrogen blending should be at a reasonable cost (and implemented gradually in the network).

Commercial & Industrial, Builders & Developers (CIBD)

## **Future challenges**

The main challenge is seen as the labour shortage and its impact on completing future projects.

The other challenge is reducing the carbon emissions in the gas network.

## **Address challenges**

Expects reasonable gas prices, household gas use to grow, and ATCO to develop sustainable alternatives.

## Net-zero

To stay relevant and in business, it is expected that ATCO enact their own initiatives that align with net-zero government targets. Opportunity to collaborate with developers if hydrogen/ Sustainability Projects are to be built in new sub-divisions. **Peak Bodies** 

## **Future challenges**

Future-proofing and maintaining the relevance of gas is the main challenge, particularly the affordability of gas and the environmental benefit it has on customer preferences.

## **Address challenges**

Focus on future-proofing the network with alternative gasses and being prepared for policy changes to the use of natural gas.

## Net-zero

Opportunity to review the carbon footprint of all business operations.



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## Stakeholder perceptions major investment areas

#### **Retailers**

#### **Gas Mains Replacement**

Largely considered business-as-usual expenditure. Replaced network pipes are expected to withstand future gas blends.

## Sustainability Projects (Gas from Renewable Sources)

Varied support; government policy will be the driver of retailer support. Without government policy backing, there are some concerns about how to recover the costs.

#### **Network Expansion**

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Considered normal business practice and ATCO is expected to allow new customers to access the network. If WA state policy supports network expansion retailers do not oppose the investment

#### Meter Replacement (+ smart meter focussed)

Support for investment; otherwise ATCO would not meet its regulatory compliance. Smart meters may greatly enhance the network and increase efficiency, although no policy cause yet. Commercial & Industrial, Builders & Developers (CIBD)

#### **Gas Mains Replacement**

Optimistic for the program and is a core function of ATCO's business remit. Investment is necessary due to safety.

## Sustainability Projects (Gas from Renewable Sources)

Support for projects, and there is an expectation ATCO develop processes to meet net-zero targets. Hydrogen blending could 'smoothen' the transition to renewable energy.

#### **Network Expansion**

Most support the program although there is mixed sentiment regarding the timing. Expected ATCO to meet customer demands although they question the long-term demand.

#### Meter Replacement (+ smart meter focussed)

Necessary, routine and business-as-usual investment to give customers accurate bills.

#### **Peak Bodies**

#### **Gas Mains Replacement**

Strong support as ATCO is expected to maintain the network. Ensures the network is safe and reliable.

## Sustainability Projects (Gas from Renewable Sources)

Very strong support and seen as critical to the customer's future access to gas. Desire to learn more about hydrogen blending, i.e., economics, costs, impacts, and benefits.

#### **Network Expansion**

While demand for gas exists the investment to expand the network is appropriate, but innovation in renewable electricity is a key challenge for those closely linked or working in the gas industry.

#### Meter Replacement (+ smart meter focussed)

Support for the investment; however it is a lower priority compared to the other investment areas.



# **Purpose of this report**

## Purpose of the Voice of Customer research

## Introduction



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ATCO recognises the importance of understanding its customers and the value they place on its current and future investment plans. This is critical to meet their needs and exceed their expectations, as well as to stay up to date in an ever-changing market.

The goal of this research is to gain a comprehensive understanding of the customer base, including demographics, behaviours, and attitudes toward gas, the company's services, and potential future initiatives. ATCO aims to use this to inform future decision-making processes and investments to improve the gas distribution network's overall quality and reliability.

To achieve this objective, ATCO is conducting a comprehensive engagement and survey of its customers, which will provide valuable insights into their preferences, opinions, and behaviours.

The findings of this research will serve as the foundation for ATCO's AA6 submission to the Economic Regulatory Authority (ERA), which is a critical step in securing approval for future investments and initiatives. By demonstrating a deep understanding of its customers and the value they place on its services, ATCO will be better positioned to make informed decisions and achieve its goals.

In conclusion, ATCO is committed to providing its customers with the highest quality of service and staying at the forefront of innovation in the gas distribution industry. This research is a crucial step in achieving this goal and ensuring the long-term success of gas household gas distribution in Western Australia.

The insights in this report are from ATCO's key customer segments; resident households, commercial and industrial businesses, gas retailers, builders and property developers and peak bodies.

This report follows the principles of the Australian Energy Regulator's guidelines for Consumer Engagement for Network Service Providers and was prepared by the independent research agency Kantar Public in conjunction with Synergies Economic Consulting. The content within collates the insights developed during the research documenting the body of work undertaken as part of ATCO's Voice of Customer (VoC) program.

The following report has been designed as a comprehensive document detailing; the research purpose & methodology, implications for AA6 and insights from the research.



## **Purpose of this report**

The scope of this report follows the Voice of Customer program for ATCO

**Representative** Of ATCO's customer and stakeholders across 5 segments

#### Understand

Community, stakeholder priorities and values with regards to ATCO's services present and future

#### Provide

Feedback to assist in developing the Sixth Access Arrangement submission

#### Independent

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Follows Economic Regulation Authority's guidelines for Consumer Engagement for Network Service Providers and Kantar Public is an independent consulting agency (conducted by research agency Kantar Public in conjunction with Synergies Economic Consulting)

Representative
Understand
Provide Independent



## **Research objectives**

## The overall objective of this research was to:

Gain a deep understanding of ATCO's customers by delving into their needs, priorities, and preferences, providing insight into the services they value and desire, both currently offered and in the future, to shape and steer ATCO's investment programs towards maximum customer value.



In order to inform the Sixth Access Arrangement (AA6) submission







## The research phases

	ALIGNMENT	ENGAGE	MEASURE	RE-ENGAGE		
	<ul> <li>Immersion and scoping sessions to set the scene for the Voice of Customer (VoC). Activities included:</li> <li>Reviewed and discussed the AA5 submission including past research including a review of the methodologies.</li> <li>Discussed over a series of sessions and agreed upon the stakeholders to include the topic lines of inquiry, discussion guide and survey content, methodologies, identification of engagement opportunities, distribution of research communication, potential risks, the composition of the retailer session and Customer Reference Group (CRG).</li> <li>Assessed information in relation to the regulatory environment.</li> <li>Built-in opportunity to review each research and provide learnings from each phase to inform future phases.</li> <li>Development of the Consultation Strategy.</li> </ul>	Research was undertaken to investigate the thoughts, beliefs, and familiarity of gas in Western Australia, how customers perceive it, their outlook on the future of gas distribution, and customers understanding of ATCO's investment opportunities for the AA6. This data was employed to design the survey for the Measure phase. To better understand ATCO's stakeholders, a combined method was used to survey people in the Perth metropolitan and regional areas, commercial and industrial businesses, builders and developers, retailers, and peak bodies. The research included the following: • 76 individual residents and businesses • Multiple online focus groups, online workshops, face-to-face community forums and multiple telephone interviews • Conducted over a two-month period between October and November 2022	<ul> <li>This survey was specifically designed to measure the various preferences of community residents in the Perth metropolitan, Busselton, Bunbury and Geraldton areas. It sought to quantify the community profiles, priorities and acceptable trade-offs. Additionally, it aimed to evaluate the surveyed individuals' willingness to accept a price change to fund certain investment programs or changes to service levels.</li> <li>Mass-online survey consisting of the following: <ul> <li>n=1,000 community residents in Perth metropolitan, Busselton, Bunbury and Geraldton</li> <li>A 15 minute-online survey conducted in December 2022 and January 2023.</li> </ul> </li> <li>The above survey included a Choice Model design that measured the price and service offer trade that resident customers were willing to make.</li> </ul>	In April 2023, elements of ATCO's draft submission will be reviewed by the previously established Customer Reference Group and Retailers. They will be asked to identify any areas of agreement and any potential problems. This is a great chance for the reference groups to offer an informed, community- based perspective, recognise any missing information, and indicate which key insights match their true beliefs. The second CRG was conducted in April 2023 with the specific aim of uncovering the communities perception of the price tariff changes to the investment areas and further explore the impact of inflation since the first CRG. Other specific community related questions were asked. ATCO conducted a Retailer session and discussed elements of their draft plan, and presented the top line results from the Voice of Customer research.		
k	XANTAR PUBLIC ATCO Synergies					



## Design principles

The approach at each research phase The research phases were crafted as a sequential approach to involve customers and facilitate an iterative methodology for creating, examining, and retesting the different investment and service options aimed at all customer segments.

During the **Alignment** phase, a foundation was established for optimal project results. This phase facilitated mutual comprehension of prior research, and the responsibilities of team members, ensuring that everyone was working towards the same goals. This helped us to build upon solid research insights. Afterwards, a comprehensive Consultation Strategy document outlining the agreed-upon research and customer engagement methodology, risk management plan, expected outcomes for each phase, schedules, critical events, and a summary of engagement touchpoints to maintain a clear and consistent understanding across the body of research.

The **Engage** stage brought the research to life and provided an opportunity to validate key hypotheses and address information gaps discovered during the **Alignment** phase. This stage explored knowledge and attitudes towards gas, perceptions of ATCO's services, future expectations, and service trade-offs across all stakeholder segments of ATCO. The process began with qualitative research, which allowed us to gather feedback and generate new ideas from community residents, retail businesses, and other stakeholders, providing deeper insights and context for the quantitative phase that followed.

The **Measure** phase involved conducting a comprehensive survey of the resident community to gather and validate their perspectives and opinions among different customer groups. Based on the insights gained in the **Engage** stage, this phase re-assessed customer preferences related to gas usage, future expectations, and the importance of household gas. The **Measure** phase helped us to understand the energy priorities of the community, the significance of various service offerings, and the value placed on different aspects of the product and price offerings. These insights solidified the findings from the **Engage** stage, and the choice model simulator provided even deeper insights by exploring simulated real-life decision scenarios.

During the final phase (**Re-engage**), the CRG and Retailers have the chance to assess customer reactions, evaluate perceptions, and verify the direction of ATCO's potential future investment programs. These forums will also serve as a platform for gathering feedback on the AA6 submission. Insights from the **Engage** and **Measure** phases can also be further validated through these forums.







# Background and methodology

## Background

Celebrating 75 years, ATCO is a global one stop provider of integrated energy, housing, transportation and infrastructure solutions.

In Australia, ATCO is a diversified energy infrastructure company and after Western Australia's largest reticulated gas network, with more than 14,000km of pipeline serving the Perth metropolitan area and regional centres, along with structures and logistics operations in Hope Valley and Brisbane.

With a focus on enabling the transition to a net-zero emissions future, ATCO is pioneering innovation solutions for customers and partners on a national and global scale through energy storage, hydrogen and renewable gas projects.

Their core business is owning, operating, and maintaining gas distribution networks and providing a safe...

... reliable, and affordable gas delivery service to residential, commercial, and industrial customers.

ATCO has been on a path of energy transition and decarbonisation for many years and is committed to continuing this work.

A significant step in their sustainability journey was the announcement of their commitment to net-zero emissions by 2030 and an extensive set of ESG performance targets, several of which focus on the energy transition.

In setting their 2030 ESG targets, ATCO has recognised that they must thoughtfully transition their assets and invest in many new and different options so that their operations and customers can reduce their emissions in ways that work for their individual situations. To achieve their 2030 goals, their AA6 strategy focuses in part on a set of initiatives, including the use of cleaner fuels (hydrogen and renewable natural gas - RNG), energy efficiency, and carbon offsets.

ATCO would like to gain a deeper understanding of its diverse range of customers and the value they place on current and future investment plans for gas distribution in Western Australia.

In this piece of research, ATCO is looking to gain an initial understanding of the community's sentiment toward gas, their service and a set of future initiatives to improve the distribution network. Findings from this stage will help to lay the foundation for future research and their AA6 submission to the Economic Regulatory Authority (ERA).



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## Timeline









## **Qualitative methodology – who Kantar Public included**

76 customers and stakeholders were engaged through a series of interviews and a community forums

*Icons used throughout this report* 











<ul> <li>Objectives for the qualitative research</li> <li>Understand what is important to ATCO</li> </ul>		WA Residents: Focus Groups	WA Residents: Customer Reference Group	Retailers	Commercial & Industrial/ Builders & Developers (CIBD	Peak Bodies
_	<ul> <li>customers, stakeholders and the general WA</li> <li>population; i.e., their needs and wants from the gas distribution network</li> <li>Consult and gather feedback on ATCO's proposed investment areas</li> <li>Seek program improvements from the view of the community and stakeholders cited as important by ATCO</li> <li>Broad lines of enquiry to include: <ul> <li>Awareness and knowledge of gas</li> </ul> </li> </ul>	<ul> <li>N = 30 Residents</li> <li>Living in Perth metropolitan, Busselton, Bunbury and Geraldton</li> <li>6x 1.5-hour online focus groups</li> <li>Conducted between the 5th October to 13th October 2022</li> </ul>	<ul> <li>N = 20 Residents (19 attendees)</li> <li>Living in Perth metropolitan</li> <li>3-hour forum hosted at the Liberty X venue in the Perth CBD on September 21st, 2022. Respondents were paid \$180 for their time.</li> </ul>	N = 8	C&I Customer: N = 11 Builders & Developers: N = 2	Peak Bodies & Community Association s: N = 5
-	<ul> <li>ATCO Services and Unprompted Future Expectations of the gas distribution network</li> <li>Future Expectations</li> <li>Support for Investment Areas</li> </ul>	<ul> <li>Respondent profile:</li> <li>Demographic mix: gender, age, income, ethnicity</li> <li>Mix of household composition, living arrangements, house/ apartment type</li> <li>Mix of natural gas bill payer vs. non-gas bill payer</li> <li>Mix of natural gas bill size</li> <li>Majority natural gas users, with some who do not have gas</li> <li>Mix of natural gas sentiment</li> </ul>		<ul> <li>30-minute interview via web conferencing or telephone</li> <li>Conducted between the 10th October to 11th November 2022</li> </ul>		



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## **Quantitative Methodology Residents – Who Kantar Public included**

		Unweighted %	Weighted %	n (counts)
	NET	100%	100%	1,000
ion	Metropolitan	83%	94%	829
Locat	Regional (Bunbury, Busselton, Geraldton)	17%	6%	171
lder	Male	42%	49%	417
Ger	Female	58%	51%	583
dn	Age: 18-39	45%	38%	445
Je Groi	Age: 40 - 64	40%	39%	404
Ag	Age: 65+	15%	24%	151

#### **Community (Resident) Sample**

Residents aged 18+ living in Perth Metropolitan, Bunbury, Busselton and Geraldton were contacted. **Only Residents (current customers) with a gas bill and connected to mains were included.** Those who have switched their households from gas to electricity and or gas defectors were not included.

**Method**: A total of n= 1,000 quantitative online interviews were conducted by Q&A Market Research in Brisbane, which has a specialist consumer panel in Western Australia. A series of telephone interviews conducted by professional interviewers were completed to increase the number of respondents in the Regional areas.

Fieldwork dates: 13th December 2022 to 9th January 2023

Average interview length: 15.5 minutes.

**Population statistics:** Resident data was then weighted to 2021 ABS census data for the age and gender profiles within ATCO's operational area for Perth Metropolitan, and Bunbury, Busselton and Geraldton.

A total of n= 1,000 respondents provides data that, at the 95% confidence level, is accurate to within  $\pm$  3%. A survey error of  $\pm$  3% means that on a total response level, we can be 95% sure that the true figure lies between a range of minus 3% and plus 3% of the survey result.





#### **Qualitative results:**

At its core, qualitative research aims to understand and interpret subjective experiences, attitudes, and behaviours. While this method provides rich and in-depth insights, they do not typically result in quantifiable data, such as numerical values or statistics. This is because qualitative research aims to understand the meaning and context behind human experiences rather than quantifying those experiences. Instead, qualitative data is typically analysed using thematic or content analysis, which involves identifying patterns and themes rather than quantifying them. The Measure section provides the statistics uncovered in the VoC.

#### **Quantitative results:**

Where applicable, statistical significance testing between subgroups has been carried out at the 95% confidence level. This means that there is a 95% confidence level that the differences between subgroups are statistically significant (and not due to random variation).

Significance testing has been undertaken where relevant.

Where statistically significant differences occur, we note this within the report by using the below symbols.

Statistically significant at 95% confidence interval

Statistically significant at
 95% confidence interval

Some percentages may not add up to 100%. This may be due to rounding (percentages within the report are rounded to the nearest whole number), the exclusion of answers such as "don't know" or "not applicable" or the inclusion of multiple response questions.







# **Detailed insights**

# 4.1 Awareness and knowledge of gas



## **Unprompted awareness and knowledge**

## Residents; only 47% of ATCO's community customer base are aware of ATCO

WA Residents view natural gas as an important source of energy in their households, with the most common uses being for household heating, instantaneous hot showers, hot water, and stovetop cooking.

- There was low knowledge among WA Residents about gas, especially gas distribution and gas alternatives (e.g., hydrogen blending, biogas). Interestingly, many Residents appear to be aware of the state reservation policy and the numerous retailers available to West Australians.
- Awareness of "gas" in WA is most closely associated with the major retailers, Alinta, Kleenheat, and AGL, with several Residents mentioning their aggressive marketing campaigns.
- While most respondents' views of gas has not changed in the last 12 months, two topics came up multiple times, the potential health implications associated with the use of natural gas and renewable technologies.
- Residents generally mention cooking, heating, being instantaneous, cheaper than electricity, redundancy (can use gas if the power goes out), polluting less than coal, and being portable (cylinder gas) as the major benefits and reasons for their natural gas use.
- Overall, there were few dislikes of gas as an energy source among WA Residents, with no identified common themes.
  - Overall consideration of switching from natural gas to electricity is low; however, a small
    minority of Residents mentioned their views might change if electricity became costeffective.
  - Across the board respondents are eager for wind, solar and other renewable technologies to integrate into their households - gas isn't considered renewable. Still, most see it as a cleaner alternative to coal, and it could play a part in decarbonisation.

It's a bridge towards a more renewable future. – **Metro** 

We have a guaranteed supply for WA as well; makes it a different scenario. – **Metro** 

They're very integral to our economy sort of; that's how I view gas. – **Metro** 

Not renewable though. – Metro

I know very minimal about how we get our gas supply. – **Regional** 

We're debating on whether to switch to electric heating, which is a 20-minute wait for the heat, compared to gas which is about a 5-minute wait. – **Metro**  ...never taken much of an interest. – **Regional** 

At least there's a choice of gas distributors or retailers in WA. Not the case with electricity – we're stuck with Western Power, whether we like it or not. – **Metro** 

Well, I think one thing that the State Government introduced back in 2009, I think it was about having gas for domestic use, reserving a fair amount of gas for domestic use in WA. So, we don't have the problems they have over East. – **Regional** 

I didn't know an awful lot to be honest. – **Metro** 





What did you all know about gas as an energy source in WA? Is there anything you like about gas as an energy source? Is there something you dislike?





## **Use cases**

### Residents

Most WA Residents prefer natural gas for cooking and heating due to its perceived speed and affordability. While some Residents prefer to use electric alternatives for these use cases, for the majority of Residents, gas remains the most popular option.

The deciding factor in whether or not WA Residents consider switching appears to be the cost of running (predominant) and purchasing alternative electric appliances (secondary).

- Overall, the choice between gas and electric appliances is influenced by various factors, including
  personal circumstances and preference, with cost being the major determinant.
  - Most Residents were not consciously considering switching from gas to electricity in their households. A key perceptual barrier to switching appears to be the positivity towards gas as an energy source which may largely be driven by gas being cheaper and seen as a more efficient alternative in certain use cases.
  - Renters highlight their lack of choice, but similar to other Residents, note the same use cases and preference for natural gas in their households.
  - Many Residents prefer gas appliances for their reliability (especially rural customers), with many highlighting its importance when the power goes out.
  - Interestingly, there was an almost universal preference to cook with natural gas, with many seeing it as better than electric.
- Residents appear to have different opinions on switching from gas to electricity for common household uses, with the majority preferring to continue using natural gas.
  - Of those considering switching, health, efficiency, and sustainability drivers were most commonly mentioned.
- Explored in the second CRG, some customers are more inclined to switch retailers for better prices/ to reduce their gas bill every few years and are generally hesitant to invest in replacing their gas appliances or undergoing renovations to fit new appliances unless absolutely necessary; the total cost of these actions **and** cost of running an electric alternative are more expensive at the moment. Residents consider the economics.

Yes, especially for cooking; I'm 100% behind it for cooking. – **Metro** 

Also in like a case for an emergency blackout, you pretty much got nothing... at least having gas there you can light candles and cook a meal. – **Metro** 

Easier to use for us, so like I said before, having five kids, needing to make their food and stuff, if the power goes out we need to have gas. – **Regional** 

Gas, to me, is the best format for me for controlling temperature and cooking. – Metro

For me, the appliances are affordable... ... it's been reliable as well. I don't think I've ever had a gas outage in my entire life. – **Metro**  I moved into an apartment recently, and I have an induction cooktop. Do not recommend it, I always cooked on gas, and I absolutely hate induction cooking.

– Metro

Like you can still light stuff. you can still cook, and you can boil up water to be able to bathe children and all that kind of stuff. you know it's always like a necessity I guess. – **Regional** 

I certainly prefer cooking with gas and everything. Basically, if I'm looking for a new place or anything, I'm definitely going to be considering if it has a gas stove or an electric stove or something. – **Metro** 

I rely on it a fair bit for cooking. Power or no power, that's pretty much the main thing I use for cooking. So fairly important. – **Regional** 

## KANTAR PUBLIC



How do you currently use gas in your household? How important is it to you to have gas appliances in your household? Have you considered any substitutes for your gas appliances (electric heating, hot water, induction stoves etc.)? Are there any circumstances where you would switch from a gas appliance to an electric equivalent? Why?





## **Reliability and safety**

### Residents

#### Residents generally consider gas to be reliable and safe. The vast majority of Residents have never experienced problems with their gas supply.

Of the few that had experienced issues with their gas supply, they generally feel positive about ATCO's response times and service.

Residents highlight the importance of a safe network, expressing their concerns surrounding occasional safety events, which are perceived to have significant effects on the community when they happen.

A small minority of Residents outline concern about the sustainability of gas as a finite resource, questioning whether it can be considered reliable given this finite status.

In terms of reliability, we've been in this house for more than 11 years and have never had a gas problem, but we've had blackouts. 100% reliability for gas in my opinion.

#### – Metro

I've never had a problem where I've had the gas not working. It just seems to be consistent and reliable; like, you know, we lose power all the time and even there have been water issues in the past. – **Regional** 



I would say it's fairly reliable; I don't have my gas being cut off; in fact, I can't remember the last time my gas was cut off, so it is fairly reliable, and in terms of safety... I will say it's relatively safe. – Metro

There's a constant supply there, and we don't really have to worry too much about there not being gas, whereas if we had a gas bottle.... but also we find that our gas bill is the cheapest one out of every single bill we get. – **Regional** 



Gas at this point in time for our life is reliable and cheap to extract compared to other energy sources....but I think we also have to find how far we can rely on that because it is a finite source. – **Regional** 

With gas, I don't think I ever remember having a problem where you know people are going to be without gas. So it seems to be a reliable source for me. – **Regional** 



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When I'm saying these things is there anything that comes to mind about gas? "reliability, safety, sustainability, affordable"



## Affordability

#### Residents

#### The majority of WA Residents feel that gas is very affordable.

Comparing its costs to electricity, many Residents suggest that it becomes unaffordable only when the price rises in relation to electricity or they see incremental increases on their bills. However, gas affordability is still a concern for many Residents. They acknowledged that it would be difficult for gas to become unaffordable due to their limited usage, and unlikely to reach parity of electricity bills.

Most residents consider gas affordable, with a number comparing WA's low gas prices to electricity and that of Residents in Europe and the eastern states.

- Broadly, the affordability of gas appears to be linked to its cost in relation to electricity, with many suggesting they will only consider alternatives and view it as unaffordable if and when the price nears that of electricity.
- Residents also highlight the constant price of their gas bill ("they don't change much") in reference to electricity which is seen to be highly variable depending on the time of year. The majority of participants had not experienced bill shock or bill stress related to their gas bills. This was attributed to the stable and predictable nature of gas usage, which made some of them comfortable with setting up direct debit payments. While the opposite is true for other utility bills.
- A number of regional Residents not using ATCOs services note the relatively higher costs of bottled / cylinder gas services but otherwise feel the price of gas remains affordable.
- Perception of inflationary impacts on customers has now changed to a more moderate concern related to gas (as explored in CRG 2). Residents understand and acknowledge their household bills will increase however, they expect ATCO to absorb some of the cost. Gas makes up a small portion of their household expenditure and it is not their most significant bill, therefore they do not expect a bill shock. Some residents are very reactive to price increases; for these residents, the \$38 increase per annum due to inflation and interest is very hard to comprehend.
- Residents note a perceived positive impact of having competition in the market with various retailers driving down the cost to customers; awareness of retailer competition and marketing was high among WA Residents.



Affordable, yeah. Compared with Europe, it's a bargain. – **Metro** 

If you compare my gas to electricity bill, the gas is always lower. – **Metro** 

l think it's fairly affordable. – Metro

It's affordable in our house because we only use it on the hot water and, as I said, \$30 for a quarter. **– Regional** 

When you're comparing it to an energy bill, my gas bill stays the same pretty much throughout the year... – Metro

[inflation impact] Slightly, in a way that everything increases, but not really. – Metro It is a lot cheaper than having it hooked up than having gas bottles by far, and it definitely comes in cheaper than my power bills. **– Regional** 

There will be a lot cut out of my budget before I cut out having hot water. – **Regional** 

In terms of competition, as the retailers came into the market, particularly Kleenheat when that kicked off, that changed the dynamic a bit in this competition for prices, which was an obviously good thing for consumers. – **Metro** 

I guess if it's in line with inflation, then we really can't complain if all the other utilities are going up at the same percentage rate, then you have to allow for some kind of inflation to be occurring. – **Regional** 

## KANTAR PUBLIC

What about affordability? Thinking about how much you pay for gas today, do you believe what you are paying for gas is fair? Do you think it is affordable? When does it become not affordable? How does the cost of gas compare to the cost of electricity? Would your attitude towards gas change if the cost of gas increased relative to electricity? How much would it have to increase for you to change your attitude? What if electricity increased? What if the cost of electricity decreased? Do you think inflation will impact your perception of affordability when it comes to gas?





## Sustainability / decarbonisation and climate change

#### Residents

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The consensus among Residents is that the natural gas delivered to their households is a finite fossil fuel. Still, Residents generally see natural gas as the middle ground between renewable and non-renewable energy sources.

- Gas is generally viewed to form part of the equation with solar, wind, and hydro all considered to play a part in sustainability initiatives driven by businesses.
- When balancing energy choices, price is a key factor in deciding whether to use gas over other renewable energy sources.
  - Most Residents see gas as the cheapest energy source available and suggest that until the price of cleaner energy sources comes down, they will continue to use natural gas in their households.
- While unprompted, the majority of Residents need more information before they're fully confident in hydrogen / biogas blending.
  - While Residents are generally unfamiliar with natural gas alternatives such as biogas and hydrogen blending, most view them positively and support their further exploration.

I still favour the gas-electric mix.

– Metro

I think bulk burning like fossil fuels for me is the absolute worst you can do in terms of sustainability, and I just think gas is sort of the middle ground to where you'd probably need to get to. So yeah, it's just how I sort of view it. Not the worst, not the best. – **Metro** 

I have heard of hydrogen blending. I thought it was only in the Eastern States that they have been doing it.

– Regional



[gas alternatives] I am unsure because I don't know if other gases are better or not. If I knew more, then I'd be confident in an answer. – **Regional** 

Probably for a big chunk of the community, it's the cheapest, one of the cheapest. So, it's sustainable in the terms of it's actually affordable. – Metro

I guess, in terms of competitiveness — gas, electricity, solar and wind and water all come into it, and I think gas is a part of that equation. I guess if gas was extremely expensive, or gas wasn't available, then those other sources of power energy would increase in price... – Regional





## The future of gas as an energy source

## Residents

The majority of WA Residents feel that their energy supply needs will not change in the next 5-10 years, with gas expected to remain a key energy source in their households.

However, most residents highlighted' greener' alternatives as a future consideration in the next 5-10 years. Residents in general, see their energy usage and sources potentially being impacted by sustainability initiatives, particularly noting that it may impact affordability (demand due to EVs of particular note).

A number of Residents also highlight an increase or decrease in their gas use volume depending on the composition of their households (e.g., number of dependents moving through life stages) and changes in the general population.

Among Residents, there is generally high support for sustainability initiatives with solar and household batteries top of mind. Interestingly, Residents do not see their use of natural gas changing, believing it to still be more affordable for heating and cooking.



I think mine would be very similar. I don't think in that time frame; I would be without gas. – **Metro** 

Assuming we stay in this house, I don't see a reason [to switch from gas] other than a dramatic change in price. – **Metro** 

{purchasing a new home} No gas would be a bit of a deal breaker.

- Metro



We'll definitely be incorporating solar into our build, but as I said I'm still gunning for having the gas cooktop and I would probably still go with a gas hot water system.

- Metro

My future energy is going to stay about the same, but I will definitely move towards planet-friendly alternatives. – **Regional** 



Gas cooktop and hot water, that'd be the ones that I would hold onto the longest. – **Metro** 

We're looking at going battery and solar and the whole box of dice, but I think we'll still retain the gas, and that part of that is because of the cost to replace the units, but also, you know, in terms of reliability, and we do you like the gas cooker, I think gas is a lot easier to cook with. – **Regional** 

## KANTAR PUBLIC



Let's think 5-10 years into the future now; what do you believe your energy needs will be? What will they look and feel like? What about the use of gas, how and where does your use of gas appliances fit?





## The role of choice

## Residents

## WA Residents express a desire to have a choice in their household use of both gas and electric appliances.

There is a consumer preference for gas in specific use cases, with many stating they would not switch to electric appliances if given the option to continue using gas.

Participants prioritise financial savings when making decisions about gas retailers and appliances. They are more inclined to switch retailers for better prices and are generally hesitant to invest in appliance replacements or renovations unless absolutely necessary.

Residents generally note that they would not switch to an alternative provided the cost of gas remained low compared to electricity.

- Most Residents prefer gas as an energy source for cooking, heating, and hot water, and given the choice, they will use natural gas over electricity for these uses cases.
- Residents value affordability, with cost being the most important factor in choosing between gas or electricity.
- Generally, Residents prefer to have the choice of using gas or electricity viewing it as being important for competition and affordability.
- Some believe that climate change and the resulting policy changes may mean that the choice of using gas will be taken away.
- Several Residents also highlighted the availability of gas as a key determinant in their choice of property, with many not willing to consider a home without natural gas.
- Renters note their lack of choice but also prefer to have the choice between gas and electricity.

*I'm pretty reliant on water-heating and stove-tops, which are unchangeable for me. – Metro* 

One thing I like is that it gives you a spread of energy. So if the electricity goes out, you have the gas. – **Metro** 

...I prefer a gas top, and if I have the choice, I'll go for that, and if I don't, I'll just go for electric that's fine. – **Metro** 

I'm renting its sort of the appliance that they have, so there is not much of a choice there. But in my other houses, I have a choice. **– Regional** 

I think affordability is a big factor as well; I mean gas is well priced at this stage, and then, if you have the choice and have more options, it's good. – **Regional** 

I think that gas is necessary at the moment. – **Metro** 

Personally, I prefer the gas stove more so, I've never been in a house with an electric stove, but I've used electric stoves with members that I work with, and I find the electric stoves a lot harder to try and coordinate and use than the gas. The gas seems a lot more simpler to be honest. – **Regional** 

Yeah, it's about having choice for anything. So, you weigh up your options, and what's the best for you, and what's best for your family, whether it's cost or convenience, and then you pick the best out of the lot. So having choice of options is always better. **– Regional** 

When were looking to buy this house which was about twelve months ago, the gas cooking appliances were very high up on the list. – **Regional** 

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How important is it to you to have gas appliances in your household? How much choice do you have in your use of gas (i.e., control over appliances etc.)?



## 4.2

# Challenges facing gas distribution



#### Resident

Residents noted a wide variety of challenges facing gas in WA, with some including market factors, transportation costs, taxes and tariffs, availability of gas, the environmental impact, government involvement in cutting emissions, policy changes, an expanding population, and maintenance of ageing infrastructure.

A minor number of Residents believe solar and batteries are slowing gaining traction and potentially, which could result in increased costs to customers remaining on the gas network as other customers leave.

Political aspects such as government regulations to reduce reliance on fossil fuels also appear to be top of mind for most Residents. Interestingly, inflation was not mentioned.

Identified challenges by residents:

- Population growth and increased demand for gas
- Possible policy change to repeal the domestic reserve for WA
- Transportation costs, especially to remote parts of WA
- Market factors, increasing the cost of supply to households
- Price pressure from more affordable renewables, particularly solar and batteries
- Taxes and tariffs changing
- Infrastructure maintenance of ageing pipelines



It is an expanding state. I've been here 30 years, and the population has doubled. So industry has a greater demand for gas, which means a more extensive gas distribution. But I don't see any constraints or hurdles from that apart from infrastructure. – **Metro** 

They need to be across suburb planning and new industry. In the Kimberley and those regions, there are a lot of projects that are gasdependent. So there would need to be good prospective planning between those organisations. – **Metro** 

I think it would come down to just market economics and policy change, like if they decide to repeal the domestic reserve for WA, then that would present quite a big challenge for us, as we would face over east when they had their prices early in the year. – Metro



I think probably the pressure on renewables will be the biggest thing. **– Regional** 

I think taxes and tariffs are probably the biggest ones for me, I think because as renewables come on more and more, they're going to try and stop gas usage. **– Regional** 

I think there will be more government involvement in cutting the emissions and things like that. – **Regional** 

So adding on to what John said it's the maintenance of the ageing infrastructure, so as the infrastructure is getting older, it's become more spread out, more sprawling, maintenance will become probably costly. – **Regional** 

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What are some of the biggest challenges facing ATCO now, and into the future? Why are these considered challenges, and what is the cause of these challenges?





#### Retailer

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Sustainability Projects were a key discussion point for Retailers. It is a new issue for gas networks and Retailers to address. They understand it may be difficult for ATCO to navigate without clear policy support from the WA government. The Victorian Gas Substitution Roadmap has generated doubts about the future of gas in WA. However, this is not a consensus among all retailers; rather, being seen as a key challenge for ATCO to address early.

New wave 'electrification' will have an impact on ATCO's infrastructure with the impact on its customer base unknown. Some speculate it is inevitable or unavoidable if other states begin moving away from reticulated gas.

Retailers express concerns regarding hydrogen blending and how it will impact customer bills. The perception is that it will require more blended gas to generate the same energy compared to the usual natural gas, i.e., the value of energy changes. Retailers are unsure if standard meters will accurately capture the right amount of gas flowing through the meter when blended. Although, there is positive sentiment toward hydrogen blending as a future focussed solution to reducing carbon emissions. A key question for retailers is what hydrogen blending means for producers, networks and customers.

Other key challenges are related to ATCO's operations; namely, the Commercial Gas Request (CGR) process is slow, limited telemetry in the network, old or outdated information technology and processes, and the growing urban sprawl.

- Telemetry in the system is seen as important for automated meter readings and live information, reducing bill uncertainty and overhead costs. The desired outcome is to significantly reduce the time between meter reads (down from 3 months) and reduce the cost of meter readings.
- ATCO's information technology infrastructure is behind the eastern state network operators from an operational business-to-business perspective, processes are manual, especially in bill disputes.

What are some of the biggest challenges facing ATCO now, and into the future? Why are these considered challenges, and what is the cause of these challenges?

Hydrogen is not economic as yet, and I don't know if it's been mandated necessarily yet in WA, so in terms of spending the expenditure on hydrogen readiness, so I guess that would need to be justified by legislative or policytype initiatives rather than out of the business. – **Retailer** 

ATCO needs to be able to justify any expenditure on hydrogen... It adds a cost to current consumers for something that might not actually come to fruition. – **Retailer** 

The hydrogen ones, actually from an ATCO perspective, is a complex and messy one because hydrogen changes the value of energy that's delivered to customers; it becomes a metering problem. If you don't get it right, customers' bills get very big for the wrong reason. – **Retailer** 

I think the electrification of the world is probably the biggest concern for ATCO. – **Retailer**  There's a push in the eastern states to move away from reticulated gas and to take up electrification. I can't see how ATCO would avoid that push as well. – **Retailer** 

I think that it's probably similar to other gas distribution businesses around Australia as obviously you got a push from governments to, I guess electrify their communities, move away from gas. And I guess that's a pressure on ATCO in terms of, is their network going to be viable in the future? – **Retailer** 

Really comes back to how they have their IT systems and the technology that they have to update... they are probably a little bit behind on that space. – **Retailer** 

Urban sprawl... say you got greater distances small volumes, the economics become extremely challenging. – **Retailer** 



## **Commercial & Industrial, Builders & Developers**

Commercial & Industrial and Builders & Developers see gas distribution companies such as ATCO facing a number of challenges.

One of the main challenges is the idea of "degasification" (societal shift away from gas/ policy to block future gas connections and remove gas connections), and the pressures this may pose to distributors, i.e., meeting customer needs, government targets, regulations etc. Alongside this, the increasing demand for gas, tight labour supply and challenges of maintaining the necessary infrastructure present were seen to present further challenges.

There was also perceived to be a need for ATCO to remain flexible in relation to gas prices, presenting additional pressure on distribution, with the importance of ATCO maintaining a continual supply of gas at a reasonable cost being seen as essential for many companies.



Degasification is the big issue, and that comes back to greenhouse gas. – **B&D** 

It's not there yet, but you know, the policies are now in place to make investments to drive down emissions and to reduce our carbon footprint. – C&I

So there is nothing new for ATCO with regards to our demands, they have in got in place the necessary infrastructure to support our needs. – B&D



The challenges ATCO face will probably be world demand will be one of them. The current market, wouldn't see it much different than my business, so labour supply, it's just impossible to get labour or employers, or maintenance at the moment, so I don't see ATCO being any different. – C&I

I think it's mainly environment, low carbon alternatives to gas so that they might look at hydrogen as a bit of replacement, but I think the technology and the commercial reality is, it's not quite there yet that's what I think. – **B&D** 



I think one of the biggest things for me as a challenge is actually, whatever we do, we must remain flexible into the future because we've all seen it, we've gone over to gas and then suddenly electric prices have gone up. – **B&D** 

"For us, we need a continual supply for gas at a reasonable cost. We're contracted to the health department, and we can't afford to have any outages or stoppages with gas. – C&I

## KANTAR PUBLIC



What are some of the biggest challenges facing ATCO now, and into the future? Why are these considered challenges, and what is the cause of these challenges?





## **Peak Bodies**

The future role of gas in the rapidly evolving energy industry is seen to present the biggest challenge for ATCO. This sentiment is held more strongly for the residential landscape than the industrial. Future-proofing the network and maintaining the relevance of gas are seen as key challenges ATCO will need to address. Cost is an important element raised as part of those challenges (i.e., affordability/ cost impact on consumers and ATCO).

The uncertainty of gas is seen to be caused by the shift towards cleaner energy driven by government factors (i.e., policy), a global focus on net-zero targets, and renewables becoming more affordable.

- Various questions were raised on how ATCO could stay relevant: how would hydrogen work, what technology will be used, how to maintain affordability, is it scalable and costeffective, and how technological limitations would be addressed.
- The cost impact was a key area of importance discussed; the cost for ATCO to innovate the network and the effect on consumers who may be left to bear that future cost.
- Developers are already under pressure from rising costs and regulation changes; driving a shift towards long-term low-cost energy solutions and increased energy efficiency.
- Peak Bodies also expressed their concerns on how the future of gas would impact their industries and/or the people they represent:
  - The impact on the role of plumbers and gasfitters.
  - Developers are seen as already under pressure from rising costs and regulation changes, driving a shift towards long-term, low-cost energy solutions and increased energy efficiency.
  - The affordability of gas for vulnerable low-income communities was also raised as important.

We need to know the end game, the installers, how that is going to impact on us as an industry, so that is a real big question for us, and we're really concerned about gas being not a preferred product. – **Peak Body** 

...ATCO needs to come up with a strategy that effectively says how they're going to achieve net-zero whilst delivering and maintaining reticulated gas and their connections, and growing their connections, which is going to be really difficult. – **Peak Body** 

Biggest challenges facing ATCO now will probably be how to fairly transition to a net carbon neutral before 2050 and what their actual proposition is. **– Peak Body** 

Articulating what they are going to do to get to a larger scale... and how is that going to help industry and community. – **Peak Body** 

For most developers it all comes down to cost... the cost of construction is at an all-time high... they'll go for the easy, low-cost option. ATCO is up against the electricity market where a lot of them are using battery technology, solar etc., to lower the ongoing operating costs and that's just not the case with gas. – **Peak Body** 

The energy transition as we are going forward what the future role for gas really is at a household level, the small-use consumer. – **Peak Body** 

They then run the risk that will they have to pay higher network costs and because they are going to be a smaller consumer pool covering those costs. – **Peak Body** 

There is massive technological challenges, and there's also the cost impacts. It's either do they stop using the gas network which means a massive write-off cost to ATCO, do they alter the gas network so that there's applying different types of gas, how they're blending, are they blending their gas since they changed the gas type, how's that going to go with people's appliances? – **Peak Body** 

## KANTAR PUBLIC



What are some of the biggest challenges facing ATCO now, and into the future? Why are these considered challenges, and what is the cause of these challenges?


## 4.3

# Addressing the challenges and a focus on the future



## **ATCO's potential role**

#### Retailer

Retailers see the key challenge as decarbonisation and customers "potentially" moving away from gas. Specific operational elements in IT and other processes were also issues.

There are mixed perspectives about ATCO's role in addressing these challenges. Some believe ATCO could help build the demand and preference for gas, educate customers about the benefits of hydrogen and encourage policy. Others are concerned about developing Sustainability Projects in lieu of WA government policy (with some recognition that research and design are necessary). How the costs are recovered and if it is from the customer for Sustainability Projects is up for debate without support from legislation.

There is an opportunity to collaborate with retailers as many are unsure of the economics of hydrogen, i.e., it can only accommodate 10% blends before customer appliances are impacted (e.g., corrosion infrastructure). The meters must be hydrogen safe and can accurately read volumes with hydrogen. Another potential barrier is a reduction in electricity prices over the next 20 years as the globe pushes for electrification.

#### Other roles/ specific actions for ATCO

Other actions ATCO could perform were seen to be in process improvements to operations, specifically, updating IT systems as retailer competition is high, better information sharing (automatically process 'customer details' in disconnection and reconnection tasks), removing unnecessary manual processes in B2B and promoting gas-fired power stations for electrification.

#### Confidence in ATCO to address the challenges

There is confidence that ATCO can drive the hydrogen projects, but it is uncertain if the regulator will let ATCO do so. Network pipes and meters are expected to be changed to cope with hydrogen, and chromatographs should be introduced to evaluate gas flow. There is an opportunity for ATCO to set a standard for other gas networks with their hydrogen projects.

We do offer sort of decarbonisation offset alternative product; however, the view from the customer's point of view is that it shouldn't come at an additional cost; it should be provided by the retailer. **– Retailer** 

They've been a leader in trying to promote hydrogen for several years. Hydrogen isn't economic at this point in time, so it's a big challenge. – **Retailer** 

Where it becomes uneconomic is probably something that ATCO needs to model quite closely. – **Retailer** 

As we move towards net-zero ambitions, renewable electricity becomes much cheaper and much more widespread. I think there's probably going to be more of a push to electrify everyone's homes and have no need really for the gas network unless there's still some need for, I guess industrial purposes. – **Retailer**  I guess there's that element of hydrogen and what supporting legislation needs to exist. The hydrogen and what safety kind of regulations need to exist to support, you know, a higher percentage of hydrogen network and I guess ATCO's role to like give comfort to governments that hydrogen is able to be used within their network, it's safe to use with customer appliances and I guess advocating for why their network should exist into the future and how it's going to benefit WA consumers. – **Retailer** 

Will customers support it? I think it's going to be government policy and what you're really doing is selling it to everybody as a carbon reduction process which is what it is aimed at. – **Retailer** 

## KANTAR PUBLIC



Where do you see ATCO's role in addressing these challenges? Do you think ATCO can help? How confident are you that ATCO can address the challenges? What do they need to do to start doing to address these challenges?





## Where ATCO should focus

#### Retailer

Where ATCO should focus varies between retailers. The key areas revolve around IT developments, managing the costs customers are expected to pay in response to the AA6 programs and maintaining the core focus of distributing gas to WA.

Specific areas ATCO should focus on in the eyes of Retailers:

- Technology and development of the infrastructure; SCADA, control equipment, cyber security, smart meters for shorter gas collection periods
- Facilitating a smooth transition for retailers to bring on and acquire new customers and increase the number of B2B connections (IT focussed)
- Harmonising retail tariffs in the same cycle with retailers to avoid customers either being under or overcharged
- Continue maintaining reliability, safety activities and catering for growth. Investment in Sustainability Projects is expected, but it is important to manage costs within the programs (seen as very capital-intensive operations). A possible solution is to reduce exploratory activities that are a distraction from running the business efficiently (maintain low-cost structure to deliver low cost to the customer)
- Continue to follow what is important according to the guidelines and consider possible electrification of the network (although WA is not yet at this point)
- Understand some customers may not be connected to gas for the long term

#### Customer energy needs in 5-10 years' time

- Mixed belief; consumption is unlikely to change across the state, but some diminishing connections are expected due to electrification. Price is a driver for customers to stay connected. Supply gas to generate power for electricity generation.
- Overall a general push to net-zero targets. Perhaps a collective business effort pushing households to be carbon neutral.

I'm sure they have investment requirements for SCADA, cyber security is a big one, and it's getting bigger very rapidly. – **Retailer** 

There's a decarbonisation program that feeds through your Capex program. I know they're doing a hydrogen trial, in Kwinana I think it is, so I'm very keen to support them doing not just the trial but we'd be really keen to see things like smart meters rolled out and some work done with gas chromatographs. – **Retailer** 

Well now they're in a situation where there's probably uncertainty around, you know is the network going to have a longterm future, is hydrogen going to be able to justify the continued existence of the network. – **Retailer** 

Be very careful in over-capitalising in that space and explore how the networks or their infrastructure stay relevant in a changing energy world. – **Retailer** 



So I think that for the next kind of 5-year period, I think it's probably reasonable that you're going to be looking at business as usual almost and probably investing more in those kind of Sustainability Projects and trials. – **Retailer** 

Operating the business as leanly as possible. Not spending money on things that are exploratory that are likely to distract from running their business as efficiently as possible. – **Retailer** 

They've been doing a lot of network remediation; I guess because they have to under-regulation. It's replacing older pipes with polyethylene and so on; I guess continuation of that is important for them. In terms of new networks, I don't know. They'll probably have to do that in the interim, but there might come a point where the government says no new networks or new subdivisions may be electricity only, but we're not at that point yet. – **Retailer** 

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Where do you think ATCO should be placing its focus...what are the most important investment areas that ATCO need to deal with now and into the future? I would like you to think about 5-10 years from now; what do you believe your customers' energy needs will be ?





## **ATCO's potential role**

#### **Commercial & Industrial, Builders & Developers**

According to CIBD, ATCO's potential role is generally around future-proofing the network, ensuring the viability of gas at a reasonable price, developing sustainable alternatives, ensuring transparency of future gas plans, and aligning current service within their business. The importance of keeping gas at a reasonable price was highlighted as essential for the viability of some businesses. They are fairly confident that ATCO can meet the changing energy challenges as they are leaders in gas distribution.

They see Gas as continuing to be a relevant resource, a source of power and energy that is required by the community. Some CIBD stakeholders may increase their gas use. Overall, there could be potential increases in gas demand, as it remains a convenient and economic resource. Customers expect growth in the state's energy sector, incorporating different changes in renewables, more wind farms, and more batteries – further enhancing its capability.

There is a level of expectation from some customers to maintain the same level of service and reliable gas supply for their business requirements but also to expand their offer to alternative and greener gas. This is a key opportunity for ATCO to assist their customers looking to transition or use cleaner energy.

In the long term, the network is seen as a depreciating asset by CIBD if it doesn't become a cleaner energy source. ATCO should place focus on the needs of small businesses or industrial customers, understanding what needs to be considered to guide future investments. Some CIBD stakeholders are actively pursuing cleaner alternatives, aiming to decrease their greenhouse gas emission profile.

In terms of the network, CIBD considers active maintenance of the current infrastructure and upgrading low-pressure gas lines to high-pressure gas lines in certain areas as important for continued access to gas.

...their core role would be is start to offer alternatives to their customers, they have a large infrastructure, so it's how you use that infrastructure. Is the gas pipeline going to be redundant, possibly. It's about having some plans about the future and working out how that aligns with what the current is. – **C&I** 

Whether ATCO had any part or plays any part in negotiating with state government about maintaining how gas pricing is done here, I don't know, but if they do, keep doing what you're doing because it needs to be a commercially available product at a reasonable price; otherwise we wouldn't exist. – **B&I** 

They probably need to understand customers like ourselves, which are, you know, big users and what does our future hold and where do we see ourselves... we're all looking for a sustainable future and that's the huge focus of companies. So what can ATCO do to work with us, I guess, to help us realise that future of a more sustainable way of manufacturing, I would encourage them to get involved on that level.

– B&I

*I'm* confident in ATCO's ability to meet our requirements. **– C&I** 

I suppose they should be ensuring that the people that they're selling it to have the supply that they require for that period.– C&I

Continue along what they're doing now. They seem to be doing OK, so as long as they continue what they're doing, it will be good with us. – **C&I** 

there's nothing they need to do to make improvements on the current setup or format currently they have here.– **C&I** 

From what I see, it's just maintaining and also maintaining the existing infrastructure and upgrading low-pressure gas lines to high-pressure gas lines in certain areas. – C&I

They want gas whilst we are still selling gas appliances then they'll want gas, maybe over time that might diminish with solar or other resources that might become available to people, but whilst those appliances are still being sold there's an expectation that gas is provided. – C&I

I believe that there will be potentially some increase in the use of natural gas by some customers while Western Australia has an advantage in gas prices. – C&I

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Where do you see ATCO's role in addressing these challenges? Do you think ATCO can help? How confident are you that ATCO can address the challenges? What do they need to do to start doing to address these challenges?





## **ATCO's potential role**

#### **Peak Bodies**

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Peak Bodies primarily see ATCO's role in future-proofing the network with the "how" being seen as a key challenge. ATCO is acknowledged for their expertise, but there is some uncertainty in its ability to address the challenges due to external factors such as government policy and technology. The shared sentiment among Peak Bodies is that the state's energy needs are rapidly shifting towards cleaner energies, especially at a residential level. Although they all believe cleaner energy will become more prominent, how this will unfold and what mix of energy sources will lead is seen as difficult to predict. There is a perception that gas will still have a role to play in the next 5-10 years primarily at an industrial and generation level, while other technologies are still developing. Many believe ATCO should be focused on being ready for future shifts in the gas industry. They want ATCO to be transparent with their plans and work together with key stakeholders who will be impacted.

There are mixed opinions on how ATCO can start addressing the challenges: improving public perception of gas, promoting their strategic direction (especially hydrogen) and being at the forefront of future-proofing the gas network. Peak Bodies desire residential and other customers to be educated about hydrogen. Education on blending, offset arrangements, benefits, long-term economics, and a comparison to renewable electricity are cited as key areas.

- Investment in high-pressure gas pipelines and accommodating increased density and population growth is an area of importance for developers.
- In line with the challenges discussed by Peak Bodies that ATCO face, conversations on the shift towards cleaner energy are driven by:
  - Government policy; the current federal government is seen as more proactive in this space than the previous government presenting new challenges.
  - A growing focus on net-zero targets across all industries.
  - Renewables are becoming more affordable via support programs, packages, and decreasing installation costs.

...ensuring network costs remain low. So, not over-investing in a network that people are going to be shifting away from, creating longer-term costs that are borne by those remaining. – **Peak Body** 

There will be increased energy usage as we get electric cars onto the market. I see probably an increased need for energy; it's just what source of energy that is... – Peak Body

They definitely need to start acting earlier. Because they're expanding their network which means it could be a network that's got to be written off, or they've got to expand it in a way that can actually change across to hydrogen or something else. – Peak Body

The distribution channel and the network they have is huge, and so it's a matter of how that now works under a hydrogen mix and where does that fit... I think it's relatively important their input as to what the network would look like as it will have a major effect on the gas industry in Western Australia. – **Peak Body**  There's not even a conversation about gas in any form at a consumer level that I'm aware of, that is talking to the benefits of gas from an environmental perspective. – **Peak Body** 

I think they're really being proactive, and I think it goes back a number of years where they have been on the front foot with the hydrogen conversation with not only Australia but other countries. They have the expertise and the knowledge, and the engineering background from what I can see.

– Peak Body

..think gas still has that firming role over the next 5-10, depending on how quick technology is. It still has a bigger role in industry and generation than it does at the household level. – **Peak Body** 

Safety of supply and continuity of supply for those who are connected are the critical areas. So being able to maintain the same level of service and safety would be key areas for existing customers. – **Peak Body** 

Where do you see ATCO's role in addressing these challenges? Do you think ATCO can help? How confident are you that ATCO can address the challenges? What do they need to do to start doing to address these challenges?



## 4.4

# ATCO's responsibility in achieving net-zero



#### Residents

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Most Residents feel there is a need for ATCO as the gas distributor in WA, to work towards achieving net-zero and sustainability targets.

Residents see ATCO as having a responsibility to reduce emissions and offset them with green initiatives. Most Residents feel that it is a community and government expectation that energy companies do something to reach net-zero.

It's the responsibility of all businesses and corporations and everything to get as close to net-zero as possible. – **Metro** 

WA Residents want to know if investment in achieving net-zero will cost more and have limits on prices.

- Residential customers expect ATCO to be 'a good corporate citizen' when it comes to sustainability initiatives and the majority of respondents feel that ATCO should be investing in achieving net-zero.
- There is an expectation that ATCO help to educate customers on their plans to achieve netzero, specifically in regard to their planned investments in new technologies and how this will impact their bills.
- While residential customers do believe that ATCO should be investing in achieving net-zero, there is a general expectation that this is done within reasonable limits, with many seeing it as a long journey for a gas distributor.

Yes, in coming up with solutions. I think educating consumers as well. Then they'll be more likely to be okay with those changes. – **Metro** 

Practically, I don't know how ATCO could operate the distribution of natural gas in a way that is carbon zero. That is net-zero. I don't know how practically how that could occur but you know all industries should be good corporate citizens and everyone should do what they possibly can to reduce emissions and protect the environment as much as they can. – Metro



I think it's a good target. I think you should always be able to sort of be as minimal as possible. But realistically, I don't think we're ever going to get there with renewable energy. – Metro

I think they should, but I think they should provide more information like, is it going to cost us more? And what these are because we don't know really what they are necessary. – **Regional** 

I think it's important for ATCO to try to be at zero. But I think for a company that is based on hydrocarbons it is going to be a long journey to achieve proper net-zero for ATCO.

– Regional







#### Retailer

ATCO's perceived responsibility in achieving net-zero varies between each of the retailers and appears to depend on the retailers' ambitions for net-zero.

It's largely considered appropriate for ATCO to set reasonable net-zero business targets across their operations and enable retailers (and customers) to achieve their own goals. For hydrogen blends, it's important to retailers that it is at an affordable cost, that it's safe, and that it must be reliable to support retailers' net-zero ambitions. Retailers expect a gradual transition to gauge the impact of the change on their processes but do not expect ATCO to drive/lead the industry wide change.

Retailers also see several potential barriers that could prevent ATCO's net-zero ambitions including policy support for ESG targets and willingness for customers to pay for Sustainability Projects.

Another expectation is that ATCO looks at reducing emissions across their whole business, not just for their end users.



Now the biggest problem at the moment is that if you have a bunch of customers that need natural gas and you're trying to put blends in for other customers. You've got to have different gas distribution networks to do that.... But I think it's something that regulators need to recognize too. It's a limitation. So short answer is no I don't think they're going to be able to achieve or target net-zero. – **Retailer** 

The whole industry is working towards net-zero and is not reliant on ATCO to drive. – **Retailer** 



I think that they as you know, a business in WA, I'm sure WA has got some net-zero ambitions. I think as a large business, that distributes gas which creates carbon emissions, I think they've got a responsibility to help meet those net-zero ambitions.

– Retailer

Is decarbonisation happening, yes. Is it ATCO's role to be the sponsor or advocate for industrial decarbonisation, no. There is obviously a decarbonisation imperative that exists out there but is it for ATCO to drive that, no. – **Retailer** 



Retailers who are their customers have got their own net-zero ambitions, are going to be seeking to achieve them. So I think that and to ensure that they've got customers into the future, they're probably going to have to at least align with the needs and wants of their customers and retailers. - Retailer

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Do you think ATCO Gas (the gas distributor in WA) has a responsibility to achieving net-zero (e.g., moving to renewables / decarbonisation)? Why?



Do you feel ATCO should be doing more to help your organisation in achieving net-zero? Why or why not?



#### **Commercial & Industrial, Builders & Developers**

All CIBD believe ATCO has the responsibility to achieve net-zero citing two key factors; to stay relevant to customers and to align with government policy.

Not many of the respondents could draft ideas on how ATCO could help achieve net-zero, noting that it is a new topic for all businesses to manage. Aside from one respondent, the majority of CIBD customers did not know how ATCO could help their business achieve net-zero. This is unlikely to be a negative reflection of ATCO; rather, not all businesses have a clear plan to address net-zero.



There's a policy requirement but there's a requirement to continue to be relevant I guess. – **C&I** 

There's games you can play with net-zero, if ATCO went out there and did an assessment of their business, like we generate x tons of carbons through the business, so what we're going to do plant a bioforrest or plant a heap of trees or whatever it is, so that's one way of going towards net-zero but you could probably do than sooner rather than later. – C&I



They've got to keep on top on CO2 emissions. Let the least amount of CO2 emissions they can supply customers safely, and doing it alignment with the you know keeping everything healthy. Like just doing it greenly. – C&I

Everyone does. It's a government or international mandate as well. – **C&I** 

Sell us lower carbon gas or something, I don't know. I can't think of other ways they could assist us. – C&I \_\_\_\_\_

They could choose not to do it, I guess that's up to their business. If they want to stay in business, then yes. – **C&I** 

I think everyone has a responsibility in regards to achieving net-zero. I think every individual and every organisation needs to review what it is that they are doing, not just form a moral perspective, which is my starting point but also from a commercial perspective. – **C&I** 

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Do you think ATCO Gas (the gas distributor in WA) has a responsibility to achieving net-zero (e.g., moving to renewables / decarbonisation)? Why?





#### **Peak Bodies**

It is widely believed that everyone, not just ATCO, has a duty to achieve or work toward net-zero.

I think we all do. I think everyone is conscious that is what we're aiming for. - **Peak Body** 

Definitely. Every company and every person does. - Peak Body

Although it is acknowledged that achieving net-zero may be challenging for the industry, Peak Bodies believe that ATCO should still set milestones, explore offset programs and consider alternative strategies to reduce their carbon footprint within their overall business and supply chain.

It's looking back across your entire supply chain and how can you mitigate your carbon footprint throughout your entire supply chain. **- Peak Body** 

Among Peak Bodies there is also a level of scepticism around offsetting (greenwashing), with ATCO needing to be seen as genuine in their actions to make a difference (i.e., not seen as just ticking off a box).

And that's part of it from my perspective is how can you be genuine in doing that, rather than just a tick box exercise. - Peak Body

Peak Bodies highlight that consumers may be unfamiliar with ATCO and the role they play, but it would still be an expectation that they see ATCO's strategy as a large energy provider.

I think there would be set goals that they would look to achieve, attaining zero is a good thing to say but getting there is a difficult process for every industry sector, but I think we need to set some aspirations of what we would like to achieve and get some milestones in.

- Peak Body

I think any company that is dragging its heels, that didn't take that sense of corporate social responsibility and the social licence to operate very seriously, is folly. **- Peak Body** 

I think all elements of industry in the energy supply chain, we've all got a role to play now in moving into net-zero. I mean particularly as a regulated energy too and effectively monopoly provider in a lot of ways. I think it's incumbent on them to facilitate a net-zero future at the very least. **- Peak Body** 

...it's probably the case that a lot of people aren't that familiar with ATCO and the role that they play. They might see the trucks and stuff like that occasionally, but they're not seeing them on their bills as much so don't necessarily think about the role that ATCO might play, but where understood, yes that would be the expectation.

- Peak Body

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Do you think ATCO Gas (the gas distributor in WA) has a responsibility to achieving net-zero (e.g., moving to renewables / decarbonisation)? Why?



Do you feel ATCO should be doing more to help your organisation in achieving net-zero? Why or why not?



## A bit about Kantar Public and Synergies Economic Consulting

## Kantar Public

Kantar Public is a market research and consulting company with 47 consultants and offices in Perth, Sydney, Melbourne, Brisbane, Canberra and Adelaide, with a truly global presence. As a global leader in research and consultancy services, we provide high-quality research, data collection, modelling and analysis, and unrivalled, best-practice community consultation, policy evaluations, and impact assessments.

We have a team of research, community engagement and data collection specialists to deliver best practice, innovative and community-focused research solutions. As such, we bring energy, rigour, creativity and innovation to all aspects of our work. This includes careful consideration of research design and methodologies using both classical methods and the integration of new innovative approaches informed by the latest thinking in behavioural economics, neuroscience and new technologies.

Despite this drive for innovation, we have not lost sight of the need to ensure that all audiences are accounted for. This is particularly important where ATCO is required to serve everyone in the community, not just the technologically savvy or those willing to do online surveys. To achieve this, we ensure that inclusivity is always top of mind and prioritised when selecting our data collection methodologies.

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At Kantar Public, we ensure all projects are led by senior researchers and are supported by a team of consultants and dedicated project management resources. We also have access to a local team of data scientists who are uniquely positioned to critique our methodologies to ensure they are robust, defensible and able to stand up to the highest level of scrutiny. We have vast experience working with utilities – including Western Power, Energex, SA Water, Ergon Energy Retail, Energy Queensland, Sydney Water, Urban Utilities, Segwater, Hunter Water, and the Water Corporation.

We have also extended our internal offering through our partnership with the team at Synergies Economic Consulting. While we are experts at what we do, good consultants should always recognise when external expertise and insights are required. This partnership will allow expert consultation to assist with design elements of the customer consultation strategy and will also help to determine what the research findings mean for ATCO's business and its regulatory submission.





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## A bit about Kantar Public and Synergies Economic Consulting

## Partnership with Synergies Economic Consulting

Synergies commenced operations in 2004, primarily providing specialist advisory services in the field of economic regulation, competition, access pricing and markets. From these early beginnings, Synergies has now grown to a core team of about 20 staff, complemented by an extensive network of Associates. The firm has broadened its service offerings to include advice and analysis across a wide range of economic disciplines and industry sectors. Synergies have a Perthbased team complemented by a wider national pool of talented and highly qualified economists with a strong track record in advising utility businesses.

Synergies are very well-placed to assist ATCO with its customer and community engagement strategy. They bring the following expertise and experience to this consultancy:

- Preparation of regulatory pricing submissions for energy businesses across Australia
- Deep knowledge of ATCO's business operations, having worked on numerous assignments for ATCO since 2016, including:
  - Assistance with ATCO's AA5 regulatory review
  - Preparation of labour and material cost escalator reports
  - Advice on the Network Innovation Allowance
  - Gas distribution benchmarking analysis

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- Design and implementation of customer and community research for utilities and government agencies to understand values and preferences for alternative services, tariffs and outcomes. Synergies typically work in partnership with a market research firm for these projects. They guide the research design and interpretation of results for purposes of preparing business cases and/or regulatory submissions.
- Incorporation of customer research findings into regulatory pricing proposals, business cases, and corporate strategic plans
- Presentations and workshops on research findings to senior management teams in utility businesses
- Liaison with economic regulators, treasury departments, and other relevant authorities to define expectations around customer engagement and utility services.



# Glossary terms – program investments presented to Residents and Stakeholders (qualitative)

MAINS REPLACEMENT On-going work required to replace aging mains pipelines and assets

#### METER REPLACEMENT Routine exchange of aged domestic gas meters with new meters

#### NETWORK EXPANSION PROGRAM Upgrade and new pipe

connections to meet current and future demand

#### SUSTAINABILITY PROJECTS

Influence and achieve positive environmental, social and governance outcomes

#### What will we do?

 Replace approximately 300 kilometres of ageing pipes across older Perth suburbs

Why are we doing it?

- Older pipes may leak due to ground movement, degradation and wear
- Reduces the risk of a gas leak leading to a potential ignition event

What it means for you

 Continue to receive a safe and reliable gas supply What will we do?

 Replace approximately 156,000 residential meters over five years

Why are we doing it?

- Residential gas meters in WA have an in-service life of up to 25 years
- Gas measurement must be accurate for all customers

What it means for you

- Meter reliability and billing accuracy for end use customers
- Continue to receive accurate bills

What will we do?

 Expand the existing gas distribution network into new subdivisions or existing suburbs to connect new customers

Why are we doing it?

To meet customer demands in line with population growth and provide energy options for customers

What it means for you

- Cost of the natural gas service in WA is shared across a larger customer base
- You continue to have the choice of connecting to gas when you build

#### What will we do?

- Implement environmental and renewable energy initiatives, including:
  - Hydrogen blending stations
  - Biogas injection stations
  - □ 100% Hydrogen suburb

Why are we doing it?

To reduce the carbon intensity of the natural gas network and accelerate the transition towards a clean energy future

What it means for you?

 Customers helping to drive the transition to a sustainable future

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The program investments definitions were expanded following the qualitive research insights. The developed program investment definitions are on the next page.



## **Glossary terms – program investments presented to Residents (quantitative)**

#### Change to bill size

This is the change to your bill as a percentage of your last bill for the service outcome in the option. Assume the percentage change to your quarterly gas bill in the exercise. The bill increases shown in this survey are "real" increases in costs, over and above CPI inflation and higher interest rates.

#### Information Technology Infrastructure

ATCO makes ongoing investments in information technology to maintain and improve the operability of its systems.

The process improvements include an upgrade to cyber security, an improvement to customer service response times, and building the capability of ATCO employees, as well as your gas retailer. This will ensure that data is secure, available, and accessible which means accurate billing and efficient response for the customer.

The process improvements are described as "current", "basic" and "advanced". "Current" is the level of service you receive today.

#### Expand the gas network

Continue to expand the gas network to new sub-divisions or existing areas without gas. This means current and future customers will continue to have the choice of being serviced by gas into the future.

#### **Gas Mains Replacement**

Leak rates increase as pipes deteriorate with age. PVC pipes become brittle over time, leading to fractures and failure of the pipe. Currently, around 1600km of PVC gas mains are near the end of life. On average, ATCO records 11 leaks for 100 every km of pipe of this vintage or around 176 leaks on average per year.

Gas leaks are wasteful, pose a safety risk, and add to carbon emissions. Therefore, ATCO prioritises replacing PVC pipes aged 50 to 60 years old. New pipes are being installed that are made of longer-lasting polyethylene material.

Over the next five years, ATCO aims to replace 300 km of PVC pipes (or 60 km per year). This will reduce the average number of leaks to 143, which is a 19% reduction. ATCO could invest more in pipe replacement, but that would increase bills. Conversely, it could reduce its investment in pipe replacement and pass on the cost savings to customers, which would result in higher leak rates. These alternatives are presented in the survey.

## Gas Meter Replacement (smart meter focussed)

In this survey, we are interested to know whether customers would be willing to pay more on their bills to cover the cost of ATCO making changes to its operating systems so that smart meters could function across its network.

Please note that there would be no mandatory requirement for customers to change over to a smart meter. Only those opting for a smart would pay the installation cost (which would be additional and separate from the bill changes presented in this survey).

#### **Gas from Renewable Sources**

ATCO could invest in several projects that would help reduce the carbon intensity of the gas network and accelerate the transition towards a clean energy future.

The projects that will support this goal are:

- blending hydrogen in the network,
- biogas injection; and
- initiating a trial that will supply 100% hydrogen to a selected suburb.

These projects will enable ATCO to move to a situation where a certain percentage of the gas being delivered to your household is from renewable sources. This would help WA to achieve its net-zero Climate Change policy by 2050.



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## **Choice Model explained**

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## A choice model determines what people want by asking them to choose between different options and see what they like best.

**Choice Modelling** is based on economic principles, suggesting that people make decisions based on weighing up the utility (or perceived value) they expect to receive from each alternative (e.g., gas from renewable sources, gas mains replacement etc.), and choosing the alternative with the highest utility.

Choice experiments are designed so an individual must trade off various features (i.e., levels) against one another to maximise their perceived value. Within the survey, respondents were provided with a series of 16 hypothetical scenarios, with an option to choose ATCO's current service offer, which is defined as the base case (or the current status quo) in the survey. It is important to remember that the survey respondents were asked to state their willingness to pay in terms of 'real' increases in bills, over and above inflation.

The **Preference Share** represents a level of appeal/ preference with regard to a particular configuration of choices within the alternatives (shown differently 16 times). The base case represents the current service offering customers receive from ATCO.

From that, we have a starting level of appeal/preference towards this base case. The base case is assigned a starting preference level of 50% in the survey. As we change this configuration, we can understand how this preference changes between 0% and 100% which is analysed further in the report.

It is important to note that willingness-to-pay (WTP) results measure the maximum dollar benefit customers would receive from ongoing improvements in specific attributes. These values should be included in a cost-benefit analysis that considers ATCO's costs for implementing a program such as shifting to 15% renewable gas. Moreover, the choice modelling results used to estimate WTP values for individual attributes can also be used to value a package of outcomes (e.g., combining renewable gas with gas mains replacement). However, the total change in WTP cannot be calculated simply by adding the WTP values for each attribute; instead, the simulator must be used to run a scenario with the combined attribute changes (recalculate the WTP) to account for costs to ATCO for delivering the programs.





## Example choice model – possible service packages for ATCO to invest in

Attribute	Current	Offer 1	Offer 2	Offer 3
Change to customer bill size	Same as your average bill	5% more than your current average bill	20% less than your current average bill	10% more than your current average bill
Network expansion	Network gas is available across 90% of new dwellings/suburbs	Network gas is available as an energy source in 0% of new dwellings/suburbs	Network gas is available across 100% of new dwellings/suburbs	Network gas is available across 90% of new dwellings/suburbs
IT Infrastructure	CurrentEliminate the risks of cybersecurity attacks and system malfunctionMaintain current operability of systemOngoing improvements to website and online services	Advanced Eliminate the risks of cybersecurity attacks and system malfunction Significantly improved online services and functions for customers Faster processing of new connection requests	<b>Basic</b> Eliminate the risks of cybersecurity attacks and system malfunction Maintain current operability of system	Advanced Eliminate the risks of cybersecurity attacks and system malfunction Significantly improved online services and functions for customers Faster processing of new connection requests
Meter Replacement (Smart Meter focused)	Operational support for standard meters only	Operational support for standard meters and smart meters	Operational support for standard meters and smart meters	Operational support for standard meters only
Mains Replacement	Current 60km PVC mains replaced per year Results in 143 leaks per year on average (a 19% reduction)	Lower level 20km PVC mains replaced per year Results in 165 leaks per year on average (a 6% reduction)	<b>Upper level</b> 100km PVC mains replaced per year Results in 121 leaks per year on average (a 31% reduction)	Current 60km PVC mains replaced per year Results in 143 leaks per year on average (a 19% reduction)
Gas from renewable sources (Sustainabilit y Projects)	0% gas from renewable sources	50% gas from renewable sources	15% gas from renewable sources	30% gas from renewable sources
	0	0	0	0



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## Discussion guides



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The qualitative research involved a collaborative process, starting with the design and continual refinement of discussion guides in partnership with ATCO. This ensured that the guides were adjusted and tailored to meet the needs of different stakeholder groups, with maximum relevance and understanding among ATCO customers.

The Customer Reference Group (CRG) played an integral role in the qualitative research, providing critical insights into the topics, logic, and flow of the discussion to ensure maximum understanding. This involved examining the focus group and in-depth interview questionnaire to ensure that all elements aligned with the research objectives and that the level of detail was appropriate for each format and customer type.

- The initial Customer Reference Group engagement took place at Liberty X in Perth City, running for three hours in the evening.
- The Retailer forum was conducted virtually via Microsoft Teams for a duration of one hour. Indepth interviews were conducted over the phone or online through Microsoft Teams, lasting between 30 to 45 minutes.
- The focus groups were held online, hosted by Sydney Group Rooms, with a duration of 1.5 hours.

In April 2023, a re-engagement with the Customer Reference Group and Retailers is planned to discuss ATCO's draft submission in detail. This will provide further opportunities for feedback and insights to inform the final submission.



# Context for respondents

ATCO is responsible for maintaining the gas distribution network in Perth and specific regional locations of Western Australia. To the right is a diagram of the gas supply chain in WA. ATCO is responsible for he distribution and represents approximately 30% of the customer bill.

The attitudes, perceptions, opinions, and choices of customers were investigated through various research methods. ATCO is an upstream supplier of gas and not a retailer. Therefore, a customers do not directly receive a bill from ATCO. They will get a bill from their retailer with the retailer mark-up included. This may vary between retailers.

Further details on these techniques can be found in the subsequent pages. In order to gather accurate information, respondents were provided with a brief overview of ATCO's role in the value chain before the research was conducted.









## **Juster Scale explanation**

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The Juster Scale is a well-known scale in market research. It is a rating scale used to measure various aspects of people's lifestyles and consumer behaviour, such as their purchasing habits, media usage, and leisure activities. The scale is designed to be simple and easy to use, with a range of values from 1 to 10 that represent different levels of intensity, frequency, or preference.

The Juster Scale is often used in surveys and other forms of market research to gather information about consumer attitudes and behaviours.

There are several key benefits; Simplicity, versatility, standardisation and responsiveness.

- **Simplicity:** is simple and easy to understand, with a straightforward range of values from 1 to 10. This makes it easier for respondents to provide accurate and reliable information in surveys and other forms of market research.
- Versatility: can be used to measure a wide range of consumer attitudes and behaviours, including purchasing habits, media usage, and leisure activities. This versatility makes it a useful tool for gathering information on a variety of topics.
- **Standardisation:** use of a common scale allows for more accurate comparisons between different groups and regions. This makes it easier to draw meaningful conclusions about consumer attitudes and behaviours.
- **Responsiveness:** provides a relatively high level of responsiveness, meaning that it can detect small differences in consumer attitudes and behaviours. This makes it a useful tool to look for subtle differences in consumer attitudes and behaviours that may not be apparent using other methods.

Overall, the Juster Scale is a useful tool because it is simple, versatile, standardised, and responsive, which gathers accurate and reliable information about consumer attitudes and behaviours.





## **Customer Reference Group 1**

## September 2022











# 5.1 Detailed insights on investment areas

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# 5.1.1Gas Mains Replacement



#### Residents

The majority of Residents support ATCO's investment in their Mains Replacement program which is seen as necessary to maintain the safety of the network and avoid leaks.

Residents generally expect investment in maintaining aging infrastructure as part of ongoing maintenance that ATCO would carry out.

 The majority of Residents see investment to replace aging infrastructure, specifically Mains Replacement, as necessary, sensible and very important to ensure the uninterrupted supply of gas.

If they're making it safe for everyone, then it's good. - Metro

 Safety is seen as a priority for Residents, with broad support for proactive investment aimed at improving the safety of the network.

To me, this is almost a non-negotiable that you know the pipes get replaced. - Metro

- Many felt that investment in maintaining the gas distribution network was a normal part of business and should be expected from the gas distributor.
- A number of Residents would like to know the cost of replacement vs the cost of not replacing mains, i.e. the safety risks and future costs. There is also interest in knowing where future investments will be made and which areas of the network will be prioritised.

Probably a bit too much detail but in what sense does it define what is considered old pipes or what are considered old suburbs, like is it 50 years, 20 years or 100 years old? Because I know our water pipes just got replaced and they were over 100 years old along parts of the city. – **Metro** 

I think it's better to kind of do the maintenance now than later when it's a major issue, and we don't really want anything kind of exploding underground or causing a leak, so I think it's good. – **Regional** 



I think it's important. Obviously, you don't want to have leaks and problems and issues that are going to cost more in the long run. So, it's better to sort of fix the problem before it becomes a big problem. – Regional

But what would the cost be if they didn't replace them, and it gets worse? That would cost more if you don't do the maintenance; it's only going to get worse at a higher cost. – **Regional** 

I think it's vital. Safety – if people had a bad experience with leaking gas, which would persuade people to transition fully to electricity. So they would need to prioritise that.

– Metro









#### **Residents – Customer Reference Group 1**

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#### Retailer

Retailers support ATCOs investment in Mains Replacement, believing it to be a core part of the gas distributors' responsibility and an important investment for safety and reliability for customers.

This is a core part of their responsibility. if there is a reason, safety is the reason to do this. That could be justified. – **Retailer** 

Nearly all believe the program is business-as-usual for ATCO and the replacement should allow for future blends in the network. It's understood that gas mains have an end-of-life period and are subject to wear and tear requiring periodic replacement.

The suitability of future gas blends and the type of pipe to be replaced were discussed in parallel with most retailers desiring this information. If there were any acceleration to the program, Retailers desire a justification of the costs involved and the business case to support it.

Generally, retailers desire technical information about the material of the pipes with questions about how much more replacement remains in the cycle and if this investment involves hydrogen readiness (i.e., are the pipes being replaced with newer materials, will hydrogen reduce the life of the pipes, impact on steel products)

It's absolutely necessary. The other pipes are less integral than the newer polyethylene ones and less susceptible to ground movement or earthquakes, not that we have that many, but yeah pipeline ruptures. It also reduces the amount of unaccounted for gas in the system so it becomes cheaper in the long run for everybody. – **Retailer**  I think overall it does seem reasonable to replace pipes that are causing these issues or likely to cause these issues within the next 5-year period and replacing them to ensure that these kind of issues don't occur. – **Retailer** 

Naturally requires expenditure to ensure safety and reliability in the network. – **Retailer** 

That makes sense there's a safe and reliable supply line with what we do and the extent that investments are required. – **Retailer** 

*I think without being an expert on pipes, I think that it sounds very reasonable the way that that it's described.* – **Retailer** 

I mean that's sort of stock standard. As long as it hasn't been accelerated or anything like that. This is standard expenditure for the gas networks. – **Retailer** 

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## **Commercial & Industrial, Builders & Developers**

Mains Replacement was optimistically received by CIBD, seeing it as an operational core part of business activities that are linked to infrastructure and safety. Nearly all consider the investment as necessary and the activity as "self-explanatory".

The relevance of Mains Replacement depends on the stakeholder type; C&I customers are mainly concerned about their supply being interrupted by Mains issues while B&I are primarily concerned about connection to new sub-divisions and households.

Generally, the only information required from ATCO is related to advance notice of interruption to their gas supply in relation to maintenance programs.



I think it is a good idea to replace older, almost redundant equipment with the newer and more modern, more accurate and presumably safer equipment; I think it's a great idea for residential. – C&I

So, it is a worthwhile expenditure, although it may not improve the gas network to a large extent but it will ensure correct meter readings. – **C&I** 

Good. They need to have their equipment reliable and reading accurately. – **C&I** 

Yeah, I would've thought that this is part of the core business. It's almost mandatory for them. – C&I



I think it's a very wise decision to make because, in the process of doing this, you'll also be able to upgrade the gas line, particularly get away from the materials that can't handle the higher levels of hydrogen, and so that could potentially be worked through. – C&I

I don't want see the investment slack off and increase my risk factor by even 1%; I don't want my house to blow up. – **C&I** 

Well, I think it's essential because you can't operate with substandard pipes in the ground. – C&I



Probably only relevant to our business other than it means other gas users are getting charged correctly, which is a good outcome. – **B&I** 

Clearly, if it makes things more efficient and they are required from a safety perspective, and If they're going to have two guys in a trench with two happy smiling faces, I think it's probably worthwhile. – **B&I** 

Positive and relevant. Yeah. They need to keep on top of their infrastructure. Otherwise, they would be leaking a lot of gas, and there could be an ignition event that wouldn't be good for anybody; people get hurt or whatnot. – C&I

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#### **Peak Bodies**

The majority express their support for infrastructure maintenance and believe this is a critical investment area to ensure the network is reliable and safe.

Depending on the customer, they may anticipate Mains Replacement to be reflected on their bills, but they still expect a level of obligation and responsibility by ATCO as the provider. Similar to the other audiences, Peak Bodies are interested in knowing the technical details of the program such as the cost, locations and interruptions to customers.

There is no need seen to collaborate with Peak Bodies unless the network is expanding to a new sub-division and a developer is involved.

- Strong interest in future-proof the network for long-term use, i.e., pipes can withstand new blends of gas
- Desire for more information is mainly regarding the prioritisation of pipes and the cost-effectiveness of the replacement
- It's expected that the impacted customer impacted (i.e., by street disruption) needs to be given information on why it is happening and why it is important (usual practice)
- Opportunity to engage with other stakeholders:
  - Government agencies: Water Corporation (learn from their recent replacement program), WALGA and Main Roads (to help facilitate it smoothly)
  - Development industry to ensure the program accommodates and aligns with the necessary future demand and supply within the appropriate timeframes



Highly supportive of course. It's one of those things that needs to be done with a lot of forethought and well in advance.

– Peak Body

[Of whom they represent] I think they will definitely see it as important. I think safety is one of those things that cuts across all groups regardless of socioeconomic position. It's definitely something that I think is important. – Peak Body

I think that one comes back to the safety aspect; while there are gas mains across Perth it is critical that they are maintained at the level where its safe for the public. – **Peak Body** 

...Mains Replacement depending on what customer you're talking about.. probably an area that customers would be willing to pay for because you don't want gas leaks and you don't want gas pipelines to cause any kind of safety issues. – **Peak Body** 

*It's very relevant. As custodians of the infrastructure, the community perception would be that they are maintaining it well. – Peak Body* 

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# 5.1.2 Sustainability Projects (Gas from Renewable Sources)

ATCO



#### Residents

## The majority of residential customers are highly supportive of ATCO investing in sustainability initiatives seeing it as both important and relevant.

Of particular interest are the sources of hydrogen, the applicability of the initiatives to existing infrastructure and equipment, the environmental impact of such initiatives, and the need for education around the initiatives. Residents felt that a collective effort should be made to future-proof, while others highlighted the environmental benefits and importance of achieving net-zero goals, "*It's the future*".

Residents generally expressed a belief that the industry should lead such initiatives with the government providing support in areas such as education.

- While awareness of hydrogen-blending and bio-gas injection is low, they are of interest to residential customers, with many wanting to hear more about the initiatives.
  - Specific information regarding affordability (and who will foot the bill for Sustainability Projects), sustainability, safety and sources; if household infrastructure has to change to use different gas
  - Highlighted was the need for greater education and promotion among the community, including through social media and government involvement.
- Continuity and security of supply were seen as important by Residents when it came to the gas
  delivered to their households, with many viewing the initiative as a logical step to secure future supply.
- A few Residents expressed interest in ATCO investing in their own 'sustainable' business practices, e.g., equal opportunity workplace and supporting causes beyond the environment.
- Sustainability Projects were retested in the second Customer Reference Group.
  - Participants appreciated the "clean" initiatives and expressed interest in staying informed about ATCO's progress. Continued positive interest in hydrogen but some reservations about it's safety and net positive environmental impact. Biogas was the most liked due to accessibility to fuels, renewability and recycling potential.
  - Participants believed that customers should not bear the costs of Sustainability initiatives, as they expected ATCO to undertake them as part of their operations. While the service cost to the customer was considered very low (\$3), some participants still did not believe they themselves should pay for it.

I think it's a good idea. I think it would drive me to opt for gas. **- Metro** 

I think the general population needs to be educated on this. If they are going to go in this direction because we don't know much about it or I don't know much about it. – Metro

I think, being a limited supply, they do have to look into other options for themselves to keep going on for years to come. – **Regional** 

I think it's really important to look into any kind of sustainable project.

- Regional

*I've never heard of biogas before, but I'm interested to find out what it is.* **– Metro** 

I love the idea of sustainable projects and going to renewable energy. I would like to know a bit more about the initiative – Metro I love the idea of sustainable projects and going to renewable energy. – **Regional** 

Absolutely, it's the way of the future; it's more sustainable. – **Regional** 

I think very relevant and very important. I think this is 100% something they should be investing in. – **Metro** 

Highly relevant. That is a good way to go. – **Metro** 

These are good initiatives because there has to be a continuity of supply and security. – **Regional** 

I think it's good that it will encourage the development of appliances that use hydrogen as well. This would be a good thing for the future because not sure exactly how that will work now. – **Regional** 









**Residents – Customer Reference Group 1** 









### Retailer

Retailers are genuinely interested in Sustainability Projects, in particular hydrogen blending. There is varied support for hydrogen blending with Retailers citing pre-requisite conditions that should be met before changing the whole network to suit hydrogen. The pre-requisite conditions involve feasibility studies to understand the economic benefits, the future demand for gas and legislative support before recovering costs from customers. Retailers also desire more information about project progress to deliver a clear message to their customers.

#### For Sustainability Projects:

- Retailers believe customers may be keen on cleaner energy but are unsure how the cost should be recovered
- A justification of the costs and key drivers is expected to be known (e.g., is it the efficient option, is it policy driven, is it cost-driven, etc.)
- It's seen as necessary to develop and optimise new products / technology and acquire learnings
- Retails want to see a consistent and clear message for consumers
- ATCO is expected to provide more information to retailers and also work together to support the projects (i.e., potentially fund elements of the project to reduce costs passed on)

#### **Concerns for Sustainability Projects:**

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- A balance in the costs and additional funding by ATCO for the end customer is highly appreciated
- Concerns over steel appliances and suitability for re 100% hydrogen suburbs
- ATCO has competition: not the only one looking to provide alternative fuels, and it depends on who is going to be the ultimate provider of these alternatives

We're supportive of these kinds of projects in terms of trialling the viability of hydrogen as a long-term replacement for natural gas. – **Retailer** 

I think you need to invest and explore these opportunities to drive down the long-run marginal costs of hydrogen and those other products. – **Retailer** 

Everyone is keen on green energy and things as long as it doesn't cost them any money. They want us to pay. – **Retailer** 

I got to listen to a lot of the customer reps talking about this and at the end of the day they do have a key interest in decarbonization, but they also have an interest in making sure that the next generation isn't going to be paying. – Retailer

I think all retailers will be interested to hear how those projects are moving forward and the learnings that are being made. – **Retailer** 

Need to know more about what's involved in each of the projects, but I'm sure there is some scope to have partners that help to reduce some of those costs that get passed through to all the consumers. – **Retailer** 

Our involvement and interest is going to be awareness of it and managing communications between us and the customer, and the network and the customer, so we're all saying the same things. – **Retailer** 









#### **Commercial & Industrial, Builders & Developers**

CIBD customers support investment in Sustainability Projects as it is expected that all organisations should be working towards net-zero/reducing their carbon footprint; it is seen to also align with government obligations and is future-focused.

Aside from the technical elements, CIBD desire education and constant updates about projects in development; seen as important given that hydrogen in the network could impact their business activities – especially if gas is a key component to their manufacturing.

Positively, a few CIBD customers expect ATCO to do more to promote their Sustainability Projects and to collaborate with developers and builders to encourage hydrogen-related projects in WA.

Detailed findings:

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- CIBD are optimistic about Sustainability Projects and desire reports on hydrogen feasibility, education materials, impact on appliances and the cost of projects
- ATCO could explore and develop incentives for Sustainability Projects for developers to give to house buyers
- Few brought up concerns about the blended hydrogen, highlighting that they have a higher preference towards electric appliances unless blended hydrogen is very "sustainable and green"

I fully support their intention to find ways to reduce greenhouse gas emissions from the use of natural gas. – **C&I** 

Considering we have plants in every state in the country, we're quite a large gas consumer throughout, so the impact it could have on the business is very substantial if it were to be a negative impact. -C&I

I would be interested to see what the options are in terms of converting from natural gas to hydrogen and what the associated costs are. – **C&I** 

I think it's very relevant. And the time will come when we will need to look at some other alternative, no doubt. – **B&I**  I think it's about ensuring that consumers are educated as to what's required from you know if they build a new house. – **C&I** 

[In working with ATCO] I would like to think that they would engage with me personally and directly and personally. We have had some emails and communications on these topics. – C&I

It's good that you're sitting here telling me about it, but it would also be good on a regular basis to know what ATCO is doing.- **C&I** 

I think it's relevant that ATCO goes into those because I think hydrogen will become more prevalent as the technology improves bio-gas injection stations. – **C&I** 





#### **Peak Bodies**

There is very strong support for Sustainability Projects which are considered a critical investment area. Whether hydrogen blending is worthwhile, its cost-effectiveness, how it will be funded, the implementation plan and public perception of hydrogen are all factors Peak Bodies desire more information on. Other information about the environmental benefits and technological challenges is also of interest to Peak Bodies.

It is seen as crucial for customers to receive an aligned message from ATCO and relevant stakeholders they may interact with. More publicity on hydrogen is expected, and some Peak Bodies suggest future collaboration when engaging with customers as well.

- The impact of hydrogen initiatives on stakeholders and customers is expected, with some concerns expressed about ATCO's hydrogen initiatives including,
  - Perception of low environmental benefits and resource intensive
  - Cost effectiveness and impact.
  - How it will impact existing infrastructure and how upgrades will be funded.
- Proactive education on where hydrogen fits as an energy solution is noted as crucial to addressing the lack of public awareness and knowledge, i.e.;
  - Safety
  - Environmental
  - Customer and stakeholder benefits and impacts
  - Affordability

100% supportive, I think it's great, but how will that impact on the cost of infrastructure upgrades if in fact it is required to accommodate 100% hydrogen... – Peak Body

The biogas probably makes sense. If the biogas is actually a sustainable approach, that's really good. – **Peak Body** 

I think again, it's a necessity. I think the way that the world is going, they can't not, or they'll become irrelevant.

– Peak Body

I think sustainability is one that people would expect to be on their bills, depending on what kind of project...

– Peak Body

Yea I think this is a really good topic to get involved with, particularly with the consumer and in educating the consumer earlier about what a hydrogen mix will be and if there are any concerns out there at the moment. – Peak Body I think it is all highly relevant and what would be expected of them. I think the hidden challenge is that whilst these things might be less carbon intensive it doesn't mean that they are not resource intensive... – **Peak Body** 

We got to get out early about the benefits, look at really what it's going to be, what we will do, and I know in dealing with consumers through environmental issues, their pocket in a lot of cases comes first, but if we can have a very holistic view about the greenhouse gas and cleaner gas emissions and make sure that's a strong message, the environmental issue is a good one to cling onto, we shouldn't disregard the consumer's ability to understand that. – **Peak Body** 

I think the connection would be between what is being done and what actual environmental outcomes are being achieved. That's the key thing.

– Peak Body

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# 5.1.3 Network Expansion



## **Sentiment towards Network Expansion**

#### Residents

## Residents are generally supportive of investing in network expansion, but views differ regarding relevance and how costs are distributed among customers.

Most Residents feel that natural gas should be equally available in all suburbs, existing and new, with customers having the choice to be connected to gas. All views suggest that customers want the choice to be connected to gas, but not all Residents are willing to pay if it doesn't benefit them personally. To these Residents, Network Expansion is not as important or relevant when compared to the other investment areas.

- Residents are generally supportive of ATCO investing in network expansion; however, differences emerge when discussing willingness-to-pay specifically in relation to the direct benefit to customers.
- A general expectation from customers is that the cost of gas will go down with more customers on the network.
- Residents value the choice to connect to gas even if they have no desire to use gas.
  - Sentiment was closely associated with comments surrounding affordability, with choice being perceived as a driver of competition.
- Residents also expressed an expectation that investment in network expansion would benefit existing suburbs and customers in regional locations (high mention among those using cylinder gas).
- There was a desire to have more information sounding the investment area, specifically related to the areas of expansion and the potential costs to customers.

Saying that it's shared across a larger customer base, if you're sharing something larger, the cost of it should be going down. – **Metro** 

I think it's relevant because there is obviously quite a bit of population growth; it's always expanding. So, it would be relevant that they would have to expand. – **Regional** 

I think people should have the choice. So yeah, when they build a house, it's up to the consumers to decide or to go more sustainable, as like the induction or whatever. To have the choice at least.

– Regional

I think we should have the choice that's for sure. I agree with that. – **Regional**  What they're looking to do is to try to future-proof new suburbs, which is good and I like the idea in the last section where you will have a choice to connect. If you move into a new suburb, you will then have the choice. So, in other words, it will run past your house, and you can then have a choice to connect to it and pay for the connection. I think that's a good idea, and it shows good planning. – **Regional** 

I'm interested to know more about it, just to see how it works. I think it's an important thing that for them to invest in. – **Metro** 

It just seems like a logical thing to me. – **Regional** 

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#### **Residents – Customer Reference Group 1**

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#### Retailer

Retailers consider Network Expansion as a normal expenditure, and so long as policy and customer demand support expansion, they are not opposed to the investment.

That's normal, I mean, we expect the gas networks to expand. – Retailer

Consistent with ATCO's primary role, demand and the policy. While policy supports expansion it is highly appropriate. – **Retailer** 

ATCO should consider gas demands and what they use gas for as it will dictate whether customers can switch.

There is considerable discussion about the gas markets nationally, with significant policy changes in Victoria generating 'uncertain' feelings about the future of gas. The conversations about gas are seen as early, and there are no major 'customer disconnection' discussions in WA currently – nor is it expected. They believe there will need to be justification for spending as disconnection could be possible.

This is a normal type of expenditure too; if the demand is there, then there's probably an obligation to connect. As I say, it's just whether expansion of the network is appropriate in a decarbonisation environment. They just need to justify the expenditure. – **Retailer** 

No real need to work with retailers as the decision is based on ATCO's demand forecasts and the Access Arrangements. Their key concern is an efficient connection program.

I think that there's that kind of question of should they be investing in expanding the network when there's uncertainty about the future of the network? And I think that the issue that ATCO probably faces is that there's no kind of mandate in WA for customers to move away from gas. – **Retailer** 

Conceptually yes, but again practically it depends is the answer. To the extent that investments are very large to capture very small benefit, then no. If its smaller investments to capture large, then yes. – **Retailer** 

We would expect them to be making investments where they involve the smallest capital outlay to get the largest amount of new customers; very much, any sort of inner urban in-fill opportunities will generally make sense, but outer urban ones generally won't make sense. But the specifics again we need to understand. – **Retailer** 

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#### **Commercial & Industrial, Builders & Developers**

There are mixed feelings about this investment with CIBD, although most support Network Expansion.

There are positive opinions tied to ATCO's expected role in meeting customer demands, reliability of supply, and growth. CIBD stakeholders are unaware of future demand and generally do not understand the cost-effectiveness of expansion. This is similar to their position on shifting towards greener energy in energy networks.

Participants suggested that ATCO should be working with developers to ensure gas is available in the new areas. Minor comments were raised about the additional information required; they only would like to obtain information if it impacts their business or operations directly.

If you look at their charter [ATCO remit/ function], this is probably within their charter of what they have to do, so again, all you're doing is saying what you have to do. – **C&I** 

I think ATCO needs to work with the developers of those new areas because we usually come in much later. – **C&I** 

Well, they should be doing it because they need to meet their customers demands. So yes, it's a good thing. – **C&I**  I think it is because there's a lot of people that use gas appliances in the new subdivisions and so forth. And being able to connect to gas, there's some benefits, quite a few benefits there in regards to sharing the load. So you're not either fully electric, not fully solar because that hasn't got to that stage where basically you can sustain that from batteries and so forth. So I think yes, ATCO will have to continue investing in that just to continue the growth. I mean even for commercial and us, we don't see us changing from gas boilers in the near future at this stage. – C&I

I think ATCO does work with us when the time comes that they do notify us and they try to arrange a time where it's least impact to the business. – **C&I** 

Yeah makes perfect sense to me, absolutely - C&I

Yeah, very good. They need to invest their money in there and keep supplying people with gas – **C&I** 

The area with this type of development it's probably going to move to different suburbs than what they have developed now. Having a choice and having ATCO to ensure that they supply on those areas will be very important for us. – **B&I** 

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#### **Peak Bodies**

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Network Expansion has mixed sentiment among Peak Bodies and is generally seen as less of a priority compared to Mains Replacement and Sustainability Projects, but there is support.

Peak Bodies see the evolving energy market as presenting challenges for ATCO, developers, and the housing industry. ATCO is seen to have a crucial role in helping address these challenges faced by industry stakeholders, and as well for customers in ensuring gas remains affordable.

Peak Bodies would like to see ATCO remain competitive in the energy market, giving customers the information and tools to make well-informed choices on why gas may be the best option for them now and in the future.

This is an area where ATCO is primarily seen as working together with the housing and building sector, e.g.,

- More engagement with the developers and housing industry to address policy changes that are affecting their ability to meet customer demand for gas connections in new developments
- Regions still on bottled gas are highlighted as potential areas for expansion
  - It is suggested that ATCO should engage with WALGA.

There is minimal information required, with one comment around the composition and cost breakdown of the expansion between new suburbs and existing areas.

I think it is good, so there are still a lot of places that are on bottled gas who would prefer to be on mains gas. – **Peak Body**  I'm supportive of it, but I think that they're going to face a lot of challenges... From a residential perspective where we're dealing with a shift from the national construction code [on] a whole range of increased requirements around getting a star rating compliance for new housing in both apartments and single residential. – **Peak Body** 

Network expansion is a bit of a double-edged one that you potentially expect that laying new connections would be, but that could end up reducing bills also by having more customers across the network

– Peak Body

I think ATCO really probably need to increase the level of engagement. And I don't know what level of engagement they have with the actual builders themselves. But I would say that's really important as our industry with the land developers and the apartment developers themselves to work around; if consumers are saying that they want gas in this development, how can we make it work?

– Peak Body

I think they can put some models up to show some of the energy costs... to say what's my options, if I'm going to use the gas option, what is it, what's the cost what's the return on investment, if it's replaceable, all these things I think are important for the consumer. They need to get on the front foot and get competitive in its offer, if you're opening new areas, then you need to say well this is your total cost of the energy your using, and customers will compare. – **Peak Body** 

I think it is good there are still a lot of places that are on bottled gas who would prefer to be on mains gas. I know that places like Mandurah, the city of Mandurah has been desperate to have expansion so again WALGA would be useful, but I also think spending time with UDIA and the property council to understand what any of their grievances, barriers, policy, and inhibitors are. – **Peak Body** 

It's not improving cost outcomes for customers as it's creating an additional cost and resource; it has to be updated and maintained.

– Peak Body



# 5.1.4Meter Replacement



#### Residents

# Most Residents believe that it is important for ATCO to replace meters as they reach the end of their life.

While Residents believe that meter replacement is important, relevance appears to vary, with many suggesting that the cost should not be recovered from the customers, as it is a compulsory area of maintenance.

To be honest, I wasn't aware that it was actually the responsibility of the company. I presumed that it was maybe the responsibility of the householder – **Metro** 

Residents generally believe that meters should be moving toward digital, which are seen to provide more accurate readings and allow customers to view their usage in real time.

- Most Residents see meter replacement as important for maintaining safety and the accuracy of readings.
- Residents generally expect ATCO to maintain and replace meters as a part of their normal business practice as the gas distributor.
- Residents are seeking more information regarding how long the new meters will last and if they will be digital, with a large percentage expecting smart meters which are perceived as more accurate and allow customers to monitor their use.
- Willingness-to-pay appeared to vary among Residents, with some expecting ATCO to cover the cost while others want the cost to be included in across their bills - not a lump sum.

I'd like to know what they do with the old ones and if the new ones last the same as the old ones. – **Metro** 

I think it's relevant and important ... kind of a basic expectation of what they would do as a company. – Metro

I think it would be obviously relevant given the fact that things do deteriorate after so many years. – **Regional** 

I think it's for safety reasons that those sorts of things should be maintained and fixed. – **Regional** 

It is good to have a meter that is more reliable, and for your billing accuracy, I think that's a good thing personally. – **Metro**  I think for me if the program would include a meter that may be more digitalised would make it, I suppose, easier for a consumer to work out their spending. – **Regional** 

I would hope it was already being included in the bills, as for the pipelines too, being a little bit included for maintenance as well, in building up for it to be affordable for everyone. – **Regional** 

I think if it isn't reliable, they should be fixing it anyways, and it shouldn't be something we have to worry about. It should just be something they are doing generally – **Regional** 

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#### **Residents – Customer Reference Group 1**

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#### Retailer

The Meter Replacement program is seen as a regulatory requirement and an expected activity to ensure the reliability and accuracy of bills for customers.

Retailers support the investment. There is no real need or desire for ATCO to work with retailers in the Meter Replacement program; rather, transparency about the program is requested to ensure the Retailer is aware that their customers will be impacted when the meter is scheduled to be replaced.

Though not a core focus of the AA6 program, there is some discussion about smart meters based on trials in other states. Retailers see that the desire to introduce smart meters in WA could increase based on the results although they highlight that it is a very early concept and there is no policy cause for smart meters.

- If smart meters were introduced, how would the costs be recovered? This is a recurring question among retailers.
- Retailers have concerns that if a smart meter program is rolled out, then there may be an asset write-down on the recently replaced standard meter.
- Retailers see several benefits to smart meters, i.e., remote access to chronic no-access sites, remote access to data, shorter wait time on customers' gas use, greater oversight of the flow of hydrogen and other blends in the network

What is your opinion of ATCO investing in this area?

Do you think this is an area where ATCO should be working with you on? How?

What - if any - additional information would you like from ATCO regarding this investment area?

I think it is important that the individual customers obviously pay for what their gas usage is, so the reliability of meters is important. Obviously as efficiently as possible is always the goal. – **Retailer** 

Conceptually again it probably makes sense, given the logic of replacing meters over time on a rolling bases makes sense.

– Retailer

Standard [meter] cause in gas there is no reason to do anything more then that [no need for Smart meter].

– Retailer







#### **Commercial & Industrial, Builders & Developers**

CIBD stakeholders consider the Meter Replacement program as a necessary investment and a business-as-usual activity – they support the program.

CIBD see it as important for customers to receive an accurate bill which may not occur if old or end-of-life meters are not replaced.

Depending on the participant, this is seen as largely a 'residential' expense aside from a few larger businesses relying on ATCO's standard meters.

- For businesses that use natural gas as a core function of their manufacturing (whether it be for heating or otherwise) they would not support any increase in their bills to cover residential Meter Replacement programs
- A few respondents questioned if smart meters could be used instead (given that the standard meter would be replaced anyway) if there was a clear benefit to the customer



I think it is a good idea to replace older almost redundant equipment with the newer and more modern, more accurate and presumably safer equipment; I think it's a great idea for residential. – C&I

You know the meters are accurate. So it still seems like a pretty important thing to do. The outcome still makes sense that the meters are accurate.

– C&I

Think ATCO does work with us when the time comes that they do notify us and they try to arrange a time where it's least impact to the business. – C&I

From my point of view, like the previous slide, it's so what. And not only so what, now I'm really concerned about getting a bill if it's not accurate. – C&I Like again, they say gas measurements must be accurate for all customers, so that's a given, so are they saying at the moment that it's not? – C&I

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#### **Peak Bodies**

The Meter Replacement program is generally well received, although considered a lower priority than other investment areas. It is seen as a standard business function and also in ensuring the customer receives an accurate bill. This is cited as the most important aspect of the program, especially for customers who may struggle to pay their bills (mitigates the chance of overstated gas use).

ATCO is not expected to collaborate with Peak Bodies in this area (more direct to consumers) unless it aligns with the interests of the Peak Body. This is in addition to the general information ATCO would typically provide to their impacted consumers (i.e., on the what, why, and where).

- Expectation that ATCO as part of their routine business operation would ensure accurate readings and a replacement of faulty/ end-of-life equipment
- Customers would want to be informed on why the replacement of the meter is required and that any additional costs incurred are justified and would make a difference
- There is a desire to know whether the meters are identical replacements or have any additional new features, such as smart meters.
- Opportunity to explore whether the plumbing and gas fitting industry can be incorporated into the process of residential meter replacement

Again, it's a necessity. We've already seen Western Power come out and upgrade most of the power meters. I think this is just business as usual, to be honest. – **Peak Body** 

Getting accurate billing data is definitely important for the people that we represent. – **Peak Body** 

For the people that we represent, accurate billing data is so important because generally, you're struggling to make ends meet. – **Peak Body** 

I think it is very relevant; people would expect to be charged appropriately, to have a device to do that that is fit for purpose. – **Peak Body** 







# 5.1.5 CRG 2 sentiment of investment program cost to Residents



# Post Draft Plan submission CRG review cost of investment programs

Participants generally supported ATCO's Network Expansion, Sustainability projects, Meter Replacements and Mains Replacement, but most expressed concerns about the inflationary and interest costs (\$38)

#### Reactions to the investment areas:

- Participants appreciated ATCO's transparency in disclosing costs and justifications on the night. They found the four investment areas reasonable and "not too much to ask of customers to pay for".
- However, they did question whether the individual cost of the investment areas would make a difference as the investment areas alone "were not a lot of money to customers".

#### Concerns about bill increases:

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- Most participants expressed concerns about the uncontrollable inflation and interest costs and questioned whether ATCO could absorb some of these costs. Some groups decided they shouldn't have to pay for ATCO's financial decision to borrow "too much money", which some believe it has resulted in the increased interest rates.
- There was a strong worry about the impact of ATCO's portion of bill increases will have on their overall bill. ATCO's component is only 27%, while the remaining 73% of the bill could increase as well (it is also unbelievable 53% of the bill is from retailers alone). Compounding effect is concerning.
- While many participants did not agree with the interest rate and inflation increase, one person did say it is "only \$50, the cost of a breakfast for two in a restaurant".

#### Affordability and importance of investment areas:

- While some participants were unhappy about paying for services like cybersecurity, most supported the investment areas and understood there was little choice.
- Some participants believe they should not be paying for cybersecurity, as it is a service that is expected from all businesses in all industries it's a required service for ATCO to protect customers, rather than an optional benefit.
- Participants found the \$3 cost for Sustainability investment to be reasonable, despite previous concerns – in the previous discussion on ATCO's Sustainability goals and activities, participants were very concerned about the cost of these initiatives. Learning it was only \$3 is "nice to hear".
- However, some do not agree with paying for Sustainability initiatives at all, as ATCO alone is too small to make a difference, and instead the whole utility industry should have a consolidated plan (controlled by the government). This means Sustainability goals should be brought to a higher level in the industry/ society to make an impact. Despite this, they understand ATCO must act due to government policy.
- Lastly, participants were not willing to reduce service quality for a reduction of their bill.





# Post Draft Plan submission CRG review cost of investment programs continued

#### **Questions from participants:**

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- They inquired about the impact of changes in interest rates during the AA6 period and whether savings from lower costs would be passed on to customers:
  - "What happens if ATCO are in surplus of profit, what happens to the savings? Is it passed on to customers and if so, when?"
- Participants also asked if ATCO could find ways to reduce uncontrollable inflation and interest costs.

**Communication recommendations:** 

- Participants suggested ATCO explain the jump from low interest rates to higher rates and be more transparent without overpromising.
- They recommended directing customers to the ATCO website for more information about the investment areas (and how ATCO is tracking), and incorporating the information on bills and other communications. Example:
  - tell customers how ATCO plans to spend their money (and where customers' money is going)
  - Keep customers informed on progress / how their money has been spent so far.



# 5.2 Quantitative survey results Residents





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# 5.2.1 Customer perceptions and preferences – Residents



# Customers perception of gas and electricity affordability

Nearly 4 in 5 customers believe gas is affordable



Half of ATCO's customers do not believe electricity is affordable, which is significantly lower (p=0.001) than gas affordability at the 5% confidence interval.



Affordability does not imply gas is a superior product on a like-for-like basis



A10. Approximately, how much was your last **quarterly natural gas bill** in your household? Proportion of "Don't know" is omitted from the chart. Base: Total n=1,000 Gas bill size average source: https://www.canstarblue.com.au/gas/average-gas-bill/





# **Customers perception of gas affordability**



Believe what they are paying for **gas** is **affordable** 

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Do you believe what you are paying for natural gas is affordable?

	Metro	Nett: Regional	Bunbury	Busselton	Geraldton	18-24	25-39	35-44	42-54	55-64	65+	Income - \$1 – \$51,999	Income - \$52,000 – \$103,99 9	Income - \$104,000 _ \$207,999	Income - + \$208,00 0	I rent the household I live in
Yes	79%	82%	74%	87%	87%	70%	83%	72%	74%	86%	84%	78%	79%	82%	76%	72%
No	21%	18%	26%	13%	13%	30%	17%	28%	26%	14%	16%	22%	21%	18%	24%	28%

Residents aged 18-24 (70%) have the lowest level of perceived gas affordability compared to the older age groups, closely followed by renters (72%). Gas affordability is highest in Busselton (87%), Geraldton (87%) and Residents aged 55-64 (85%). Perception of affordability slightly increases as Residents' income increases before decreasing at the above \$208,000 income households.

Affordability does not imply gas is a superior product on a like-for-like basis

A10. Approximately, how much was your last **quarterly natural gas bill** in your household? A11. Do you believe what you are paying for natural gas is affordable? Proportion of "Don't know" is omitted from the chart. Base: Total n=1,000 Gas bill size average source: https://www.canstarblue.com.au/gas/average-gas-bill/

# **Customers perception of electricity affordability**



Believe what they are paying for **electricity** is **affordable** 



Do you believe what you are paying for electricity is affordable?

Perception of electricity affordability is lower for most demographics; the lowest affordability score in age is for 35–44-year-olds (38%) and higher for 65+ (59%), while those without a mortgage (60%) believe electricity is more affordable than mortgage owners (46%) and renters (45%)

Affordability does not imply gas is a superior product on a like-for-like basis

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A8. Approximately, how much was your last **quarterly electricity bill** in your household? A9. Do you believe what you are paying for electricity is affordable? Proportion of "Don't know" is omitted from the chart. Base: Total n=1,000 https://www.canstarblue.com.au/electricity/average-electricity-bills/



Total

### Importance to have access to natural gas in the household



Residents were asked to rate how important it is to have access to gas in their household...

#### More than half of ATCO's customers (53%) consider access to gas as "extremely important" in their household.

And a further 44% ascribe some degree of importance to having access to gas (thus resulting in 97% in total that believes gas to be important)

Only 3% *do not consider access to gas in their household as "important".* Regional customers consider gas access as slightly more important (i.e., the overwhelming majority).





B1\_FACTOR - Using the scale below where 0 is 'not at all important' and 100 is 'extremely important', indicate how important it is for you to have accessing to natural gas in your household? Base: Total n=1,000



# View of customers household appliances and energy source

The two most common gas-operated household appliances are the kitchen stove top (82%) and hot water unit (72%). Fewer households have an electric kitchen stove (11%) and an electric hot water unit (14%). A small proportion of households have both electric and gas-operated stoves and hot water units. Nearly two-thirds (64%) of households have an electric kitchen oven compared to gas (26%).

% Column Responses	Kitchen stove top	Hot water unit	Heater (other than a fireplace)	Kitchen oven	Outdoor kitchen (not bottled gas)	Fireplace	Pool/ spa heater	Laundry dryer	Row n
Natural gas	82%	72%	31%	26%	15%	9%	2%	1%	971
Electricity	11%	14%	34%	64%	4%	4%	13%	62%	894
Both	6%	10%	11%	6%	3%	3%	2%	2%	265
Not applicable	1%	4%	24%	3%	78%	84%	83%	36%	









# View of customers household appliances and energy source

Higher-income households are more likely to have electric-only appliances, e.g., stove tops, hot water units, kitchen ovens and outdoor kitchens (lowest share of the gas alternative).

	Kitchen stove top	Hot water unit	Kitchen oven
Natural gas	Out of the regions, gas stove tops have less penetration in Busselton (69%) compared to the other regions, which is around 10% less on average	Very little variance between demographics; although highest penetration is in Busselton (82%)	Highest penetration in Geraldton (37%) Lowest in Busselton with (8%)
Electricity	Higher penetration of electric stove tops in Busselton compared to the other regions, which is around + 20% more on average Highest among 18-24 (20%) and +\$208,000 income households (18%)	Highest among +\$208,000 income households (24%) Lowest in Busselton with 5% penetration	Highest in Busselton (83%), followed by + \$208,000 income households (73%) Lowest in Renters (50%) and Geraldton (58%)









# Probability of switching household appliance to electric an alternative in the next 5 – 10 years (Juster Scale)

For the two main household natural gas appliances, the kitchen stove and hot water unit, there is a relatively low probability (19%) that customers will switch to an electric alternative in the next 5 – 10 years. Compared to the extreme importance of having access to gas in Residents households (53%), it is inferred that a large proportion (around 45% - 50%) of gas users are firm on their gas appliances.

Average	1.9	1.9	2.0	2.0	2.4	2.5	3.7	4.5*
Probability of switching	19%	19%	20%	20%	24%	25%	37%	45%*
<ul> <li>Certain, practically certain</li> <li>Almost sure</li> <li>Very probable</li> </ul>	18% 4% 7% 11%	2% 4% 5% 6% 10%	<b>8%</b> 5% 5% 8% 10%	<b>3%</b> 5% 7% 12% 6%	<b>3%</b> 8% 6% 11%	8% 6% 7% 9%	8% 2% 6% 6% 9%	7% 3% 7% 14%
Probable	8%	9%	8%	7%	<u>6%</u> 9%	9% 7%	20%	14%
<ul><li>Good possibility</li><li>Fairly good possibility</li></ul>	14%	15%	11%	9%	15%	15%	9%	18%
■ Fair possibility	400/		4007	400/			14%	20%
Some possibility	46%	45%	46%	4070	37%	37%	3%	3%
Slight possibility							22%	<u> </u>
<ul> <li>Very slight possibility</li> <li>No chance, almost no chance</li> </ul>	Kitchen stove top to an electric alternative	o Hot water unit to an electric alternative	Heater (other than a fireplace) to an electric alternative	Outdoor kitchen (not bottled gas) to an electric alternative	Fireplace to an electric alternative	Kitchen oven to an electric alternative	Pool/ spa heater to an electric alternative	Laundry dryer to an electric alternative

Probability of switching is the attribute average multiplied by 100

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B3. Using the scale below, how likely is it that you will switch your <insert appliance> 5 – 10 years in your current household? Base: Total; Kitchen stove n=890, Hot water unit n=823, Heater other than a fireplace n=404, Outdoor kitchen (not bottled gas) n= 171, Fireplace n=171, Kitchen oven n=322, Pool/ spa heater n=35, Laundry dryer n=24



\* = low base size caution is advised when interpreting results. https://assets.forethought.com.au/Forethought-Client-Briefing-The-Juster-11-point-Probability-Scale-1\_2021-02-01-010739.pdf



# Probability of switching household appliance to electric alternative in the next 5 – 10 years (Juster Scale)

Average	1.9	1.9	2.0			
Probability of switching	19%	19%	20%			
<ul> <li>Certain, practically certain</li> <li>Almost sure</li> <li>Very probable</li> </ul>	1% 4% 7% 11%	2% 3% 5% 6% 10%	8% 6% 7% 9%			
Probable	8%	9%	9%			
Good possibility	14%	15%	1 %			
Fairly good possibility			15%			
■ Fair possibility	400/	1504				
Some possibility	46%	45%	37%			
Slight possibility						
Very slight possibility	Kitchen stove top	an Kitchen oven to an				
■ No chance, almost no	an electric electric alternative electric alternativ alternative					

# Across each appliance, the intentions to switch increases as income increases (positive relationship)

**Demographics** 

• Among household ownership types, renters have less intention to switch, with mortgage holders having a greater intention

- Households with solar PV have higher intentions to switch compared to non-solar PV households, especially for kitchen ovens (70% vs. 58%)
- There is an inverse relationship between age and intention switch; as age increases the intention switch decreases

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chance

B3. Using the scale below, how likely is it that you will switch your <insert appliance> 5 – 10 years in your current household? Base: Total; Kitchen stove n=890, Hot water unit n=823, Heater other than a fireplace n=404, Outdoor kitchen (not bottled gas) n= 171, Fireplace n=171, Kitchen oven n=322, Pool/ spa heater n=35, Laundry dryer n=24



\* = low base size caution is advised when interpreting results. https://assets.forethought.com.au/Forethought-Client-Briefing-The-Juster-11-point-Probability-Scale-1\_2021-02-01-010739.pdf



# Key reasons to switch appliance to an electric alternative

Of the customers that are thinking of switching, the top reason was to "reduce the cost of my energy bill" (34%), followed by "improve energy efficiency" (28%), "reduce household emissions" (24%) and "current gas appliance is old" (24%). This could imply that gas could be more expensive to these households than electricity on a per-dollar unit basis.

Total 18 - 24 Reduce cost of my energy bill 46% 🕇 34% 🖊 Improve energy efficiency 28% 34% Reduce household emissions 32% 24% Current gas appliance is old 24% 19% Easy to use 23% 🖊 37% Safety 21% 27% ٠ Cheaper to purchase and install 17% 26% Moving to a home without gas 13% 12% Gas appliance is broken or faulty 13% 13% Look and feel 10% 🖊 20% Renovation / no longer need the gas... 8% 11% Other - Solar Panels 1% 0% Other (specify) 1% 3%



The significant differences are to "reduce the cost of my energy bill", "easy to use" and "look and feel"

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B4. What are your key reasons causing you to switch to an electrical appliance? Base: Total n=664, 18-24 n=80

Statistically significant at 95% confidence interval





# **Proportional importance for initiatives**

ATCO customers were informed of the 5 key investment programs for the AA6 period. Following the Choice Model task, each customer was asked to rate how important each investment program is to them. While importance is high, there is little motivation for Residents to pay for the delivery of some programs (if it is a different service delivery than they currently receive) – see the Choice Model analysis in further pages.



These importance ratings were generated external to the Choice Model

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CH3. Based on the investment areas you just read, how important are each of them to you personally? Base: Total n=1,000





# **Proportional importance for initiatives**

There are very little differences between Metro and Regional customers besides Network Expansion. Given ATCO's business is predominately Greater Perth focussed, there could be an expectation *or desire* to move customers from gas bottles to gas mains.



These importance ratings were generated external to the Choice Model





CH3. Based on the investment areas you just read, how important are each of them to you personally? Base: Metro n=829, Regional n=171



### **Proportional importance for initiatives**



A further breakdown of the customer importance highlights the key difference between "gas from renewable sources" and the other program areas – the selection of "extremely important" (49%) is near twice the size of each of the other program areas.

#### This signals that customers are eager for "gas from renewable sources" as a service from ATCO.

There are very few "not at all important" selections for "gas mains replacement", "IT", gas meter replacement" and "network expansion" – each attribute trends in a positive direction.

These importance ratings were generated external to the Choice Model





CH3. Based on the investment areas you just read, how important are each of them to you personally? Base: Total n=1,000





Following the Choice Model task, customers were asked to rank each program area from highest (1) to lowest (5) priority to themselves **personally**...

#### ... over half of ATCO's customers rated "gas from renewables sources" as their #1 priority compared to the other areas

The other program areas such as "IT Infrastructure (12%)", "Network expansion (10%)" and "Gas meter replacement (8%)" were lower in rank #1 priority compared to "Gas mains replacement (54%)" and "gas from renewable sources (16%)".





RANK1. Based on the investment areas you just read, please rank the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synergies Base: Total n=1,000



A key reason for selecting "gas from renewable sources" from the customers that consider it the #1 priority are due to aspiration factors such as "better for the environment" (43%), "sustainability" (28%) and "combat climate change" (15%).



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RANK1. Based on the investment areas you just read, please rank the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you **personally**? Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you personally. Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you personally. Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you personally. Synce you be a set of the investment areas in order of highest (1) to lowest (5) priority to you personally. Synce you be a set of the investment areas in order of highest (1) to low you be a set of the investment areas in order of highest (1) to low you be a set of the investment areas in order of highest (1) to low you be a set of the investment areas in order of highest (1) to low you be a set of the investment areas in order of highest (1) to low y



A key reason for selecting "gas mains replacement" from the customers that consider it the #1 priority is to "reduce leaks and wastage" (28%), "for safety" (27%) and "needs updating if old/ prevent issues" (23%).



Highest #1 priority for ages 65+ (21%) and lower-income households \$1 - \$51,999 (20%)

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#### Reason for Ranking #1

Irrelevant

No / nothing

1%

1%





Priority ranking for each investment area

A key reason for selecting "IT infrastructure" from the customers that consider it the #1 priority is for "cyber security" reasons (25%), "prepared for the future/ network expansion" (18%) and is "important" (17%).



#### Reason for Ranking #1

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RANK1. Based on the investment areas you just read, please rank the investment areas in order of highest (1) to lowest (5) priority to you **personally** Synceric consulting 102 Base: Total n=1,000, Ranking Total n=104, 18-24 n=90



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A key reason for selecting "network expansion" from the customers that consider it the #1 priority is to allow "everyone to have access to natural gas/ even remote areas" (36%). Secondary to this is for gas to be "more affordable" (16%) suggesting customers understand the cost of the network is distributed across ATCO's customer base.



Priority ranking for each investment area



Reason for Ranking #1



21%

18%

15%

12%

12%

8%

7%

4%

2%

5%

12%

# **Preference ranking for outcomes**

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A key reason for selecting "gas meter replacement" from the customers that consider it the #1 priority is to "update with new technology – if old/ faulty" (21%), closely followed by "ensure accuracy of readings" (18%).



Priority ranking for each investment area

Reason for Ranking #1

Important / a priority

Don't know / not sure

Other

Irrelevant

RANK1. Based on the investment areas you just read, please rank the investment areas in order of highest (1) to lowest (5) priority to you personally Synergies 104 Base: Total n=1,000, Ranking Total n=76, Bunbury n=72

# 5.2.2 Choice Model





## **Quantitative online survey: Residents**

# Choice Model summary

- Customers are sensitive to bill increases. The results indicate that a 5% increase in the average customer bill would reduce the share of preferences for this alternative by 22% relative to the base case, all else being equal
- The impact of "bill increases and decreases" on preference share appears to be symmetrical over the range of bill changes tested (that is, the loss in customer utility – benefit/value - experienced by a 20% increase in bills is equal to the increase in utility experienced by a 20% decrease in bills). Kantar Public would expect bill increases to be perceived by customers as having more impact (pain) than the joy of an equivalent reduction in bills.
- Of the five non-price attributes tested, customers were willing-to-pay (WTP) most to introduce gas from renewable sources into the network (e.g., a 12% increase in average quarterly bills for a 15% renewable gas scenario). WTP for this attribute increased with progressively higher levels of renewable gas, but at a diminishing rate meaning that people were WTP more for the first increment (15% renewable gas) than the second increment (30%). And less again for moving to 50%.

- There is little appetite for paying more to move from ATCO's current level of IT infrastructure to a more advanced level (customers are WTP, on average, with less than a 1% increase in bills).
- There is even less willingness to see ATCO invest in measures supporting smart meters (on average, customers are WTP less than a 0.5% increase in their bill for this option).
- Gas mains replacement is the next most highly-valued attribute. Customers would be WTP on average 3% more on their quarterly bill to increase the rate of gas mains replacement from 60km/yr to 100km/yr.
- Reductions in the level of this attribute (below the current replacement rate) cause a greater impact on customers than improvements. That is, they are WTP on average 4% more to guard against a reduction from 60km/yr to 20km/yr. This demonstrates that customers are concerned about gas leaks.







#### **Choice Model base case**

	ATCO's current service offer
Change to customer bill size	Same as your average bill
Network expansion	Network gas is available across 90% of new dwellings/suburbs
	Eliminate the risks of cybersecurity attacks and system malfunction
IT Infrastructure	Maintain current operability of system
	Ongoing improvements to website and online services
Meter Replacement (Smart Meter focused)	Operational support for standard meters only
Malas Daulas and	60km PVC mains replaced per year
Mains Replacement	Results in 143 leaks per year on average (a 19% reduction)
Gas from renewable sources	0% gas from renewable sources






### Choice attributes and levels for the model

	Features						
	Level 1	Level 2	Level 3	Level 4	Level 5	Level 6	Level 7
Change to customer bill size	20% less than your current average bill	10% less than your current average bill	5% less than your current average bill	Same as your average bill	5% more than your current average bill	10% more than your current average bill	20% more than your current average bill
Network expansion	Network gas is available as an energy source in 0% of new dwellings/suburbs	Network gas is available as an energy source in 50% of new dwellings/suburbs	<ul> <li>Network gas is available</li> <li>as an energy source in</li> <li>80% of new</li> <li>dwellings/suburbs</li> </ul>	Network gas is available across 90% of new dwellings/suburbs	Network gas is available across 100% of new dwellings/suburbs	9	
IT Infrastructure	<b>Basic</b> Eliminate the risks of cybersecurity attacks and system malfunction Maintain current operability of system	Current Eliminate the risks of cybersecurity attacks and system malfunction Maintain current operability of system Ongoing improvements to website and online services	Advanced Eliminate the risks of cybersecurity attacks and system malfunction Significantly improved online services and functions for customers Faster processing of new connection requests				
Meter Replacement (Smart Meter focused)	Operational support for standard meters only	Operational support for standard meters and smart meters					
Mains Replacement	Current 60km PVC mains replaced per year Results in 143 leaks per year on average (a 19% reduction)	Lower level 20km PVC mains replaced per year Results in 165 leaks per year on average (a 6% reduction)	Upper level 100km PVC mains replaced per year Results in 121 leaks per year on average (a 31% reduction)			= A <sup>-</sup> offe	TCO's current service r (base case)
Gas from renewable sources	0% gas from renewable sources	15% gas from renewable sources	30% gas from renewable sources	50% gas from renewable sources			



Attributes







# Choice Model – influence as determined by ATCO customer post-model run

Influence *or sensitivity* is the proportional weight each customer has given to each attribute in the model. 1 in 5 ATCO customers consider "overall customer bill size" as the most important attribute compared to the others when making a decision. This means customers are very responsive to a smaller shift in % change compared to the other attributes.











### **Choice Modelling results – summary**

The Overall Customer Bill Size is the most important attribute influencing customer choice, with a symmetrical change in preference share depending on the size of the bill increase or decrease. Of the non-price attributes, Gas from Renewable Sources is the most influential, with a 40% increase in preference share for 15% renewable gas.









### Willingness to pay for renewable gas: worked example



- The blue line simply shows customer sensitivity to bill size, as the % of renewable gas is set to zero (the same as the base case).
- The orange line shows that preference for a new alternative that supplies 15% of gas from renewable sources while keeping bill size constant would shift preference share by 39.6% to the new alternative, relative to the base case. This reflects the higher utility that customers gain from this improvement in service.
- However, if ATCO were to charge more for delivering this service, the utility would reduce, as shown by the downward-sloping line. Maximum WTP for the 15% renewable gas scenario is given by the point at which the orange line crosses the x-axis (horizontal/ bottom line). That is, a 12% increase in average quarterly bills combined with a 15% renewable gas scenario will make customers (on average) indifferent between selecting the changing scenario and the base case.
- For a 30% renewable gas scenario (grey line), maximum willingness to pay equates to approximately a 17% increase in quarterly bills.
- And customers would be WTP, on average, a maximum bill increase of 20% for a 50% renewable gas scenarios







### Willingness to pay for the other attributes

Attribute	WTP (% change in quarterly average bill)	WTP (\$ change in quarterly average bill)	Interpretation	
Network expansion				
Increase from 90% to 100% of new suburbs	< 1% increase	\$0.60	Relatively low WTP for ensuring that all new suburbs and dwellings are serviced with gas network.	
Decrease from 90% to 80%	1% reduction	-\$0.70	Customer would be worse off by these amounts if not compensated with a bill reduction. Could also interpret as customers would be WTP these amounts to guard against the specified decrease in network servicing of new suburbs	
Decrease from 90% to 50%	3.5% reduction	\$-3.70		
Decrease from 90% to 0%	7% reduction	\$-9.40		
IT infrastructure				
Move from current to advanced	< 1% increase	\$1.00	Relatively low WTP for moving to an advanced level of IT infrastructure service	
Move from current to basic	1.5% reduction	-\$1.30	Customers would need a 1.5% reduction in quarterly bill to compensate for this reduction in service (ie. to keep the at the same level of utility as current)	
Smart meters	<< 1% increase	\$0.10	On average, customers are not WTP much at all for ACTO to invest in measures that would support smart meters	
Gas mains replacement				
<ul> <li>Increase from 60km/yr to 100km/yr (leaks reduce from 143/yr to 121/yr)</li> </ul>	3% increase	\$4.00	Customers would be WTP up to 3% more on their quarterly bill to achieve this level of improved service	
<ul> <li>Reduce from 60km/yr to 20km/yr (leaks increase from 143/yr to 165/yr)</li> </ul>	4% reduction	-\$3.60	Customers would need a 4% reduction in quarterly bill to compensate for this reduction in service	









#### Share of preference: Gas from Renewable Sources

Customers strongly prefer gas from renewable sources on average, especially at the 15% level. This is the largest and most preferred investment area for the AA6 program. There are diminishing returns for renewable sourced gas beyond 15% as seen by the small increase in preference. Preference is slightly higher among households with Solar PV for each level (43%, 50.1% and 52.8% respectively).







### Metro / Regional

### **Choice Modelling result: Gas from Renewable Sources**



Regarding gas from renewable sources, there is almost no difference between in the preference between Metro and Regional customers.









#### Share of preference: Gas Mains Replacement

Residents strongly prefer the "upper level" Mains replacement program compared to the current service offering; however, they are more sensitive towards a "lower level" service offering. Among the demographics, those aged 65+ have higher levels (-22% and 18.8%) and lower income \$1 - \$51,999 households (-20.3% and 17.1% respectively).



### **Choice Modelling result: Gas Mains Replacement**

Source: Choice Model task. Base: Metro n=829, Regional n=171



**Synergies** 

#### Share of preference: Gas Mains Replacement

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Metro Residents are more sensitive to "lower level" Mains replacement compared to Regional. Metro customers prefer the Mains replacement program.





#### Share of preference: Network Expansion

Programs to expand the gas network to **100%** of <u>new dwellings and suburbs</u> are not overly important to customers (3.5% preference). ATCO's current service offering of 90% of new dwellings and suburbs is considered an acceptable limit for customers. However, customers **do not** prefer ATCO to scale back its program to expand the network. *In essence, there is an expectation ATCO maintains 90%.* 











### **Choice Modelling results: Network Expansion**



#### Share of preference: Network Expansion

There is very little difference between Metro and Regional residents preference towards the network expansion program.









#### Share of preference: IT Infrastructure

Decreasing investment in IT infrastructure has a greater impact on customer preference than increasing investment to "advance". A decrease in IT infrastructure has a negative impact on preference. The highest preference share is among low-income \$1 - \$51,999 households (-8.6% and 5.2% respectively).

**Total** 



### **Choice Modelling results: IT Infrastructure**



Synergies

#### Share of preference: IT Infrastructure

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Very little difference between Metro and Regional customers, with the "advance" IT infrastructure service slightly more preferable.





### **Choice Modelling results: Meter Replacement (smart meter)**

Source: Choice Model task Base: Total n=1.000

#### Share of preference: Meter Replacement (smart meter focussed)

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Investment in upgrading the "operational support for smart meters" has no effect on preference. This could be due to customers extreme unfamiliarity with the concept of smart meters in the gas network (as there are no smart meters available in Australia). Preference share varies depending on the demographic, e.g., for ages 65+ there is 3.4% preference share for Operational support for Smart Meters, while it is -1.6% for Renters.





### **Choice Modelling results: Meter Replacement (smart meter)**

Share of preference: Meter Replacement (smart meter focussed)

There is a slight difference between Metro and Regional although highly unlikely to materialise any impact in preference to ATCO's total service offering.











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