INFORMATION

# Fact sheet: Research into the experiences of small consumers in energy retail markets

**The AEMC commissioned Newgate Research to conduct research into consumer experiences, opinions and expectations regarding the energy retail markets in five jurisdictions of the national electricity market (NEM).**

## Why did we undertake this research?

This research was undertaken to inform the AEMC's 2014 Retail Competition Review. The purpose of the review is to assess the state of competition in the small customer electricity and natural gas retail markets in the National Electricity Market (NEM).

## How was this research undertaken?

Newgate Research conducted consumer research in South East Queensland, New South Wales, the Australian Capital Territory, Victoria and South Australia.

Quantitative research was undertaken through a customer survey and qualitative research was conducted through a series of forums.

The participants represented a cross-section of the demographics of each region, and included both residential and small business consumers. They were recruited by a specialist recruiter, subject to a number of criteria. There were 162 participants in the forums and a further 2,213 respondents to the quantitative survey.

Research was not carried out in Tasmania or regional Queensland. This is because the vast majority of small electricity customers were not able to access market offers at the time the survey was undertaken and therefore had limited experiences of a competitive market.

## Key findings

The key findings identified through the research were that:

- most consumers surveyed were satisfied with their electricity and gas retailers;
- the main driver for consumers to switch retailer or energy plan was the potential to save money, while the main reasons consumers didn't switch were satisfaction with their current retailer, inertia, and disengagement;
- the proportion of participants who reported switching and being approached by retailers varied across jurisdictions; and
- many consumers wanted it to be easier for them to compare different energy offers, but had low awareness of existing independent price comparator websites.

AUSTRALIAN ENERGY MARKET COMMISSION LEVEL 6, 201 ELIZABETH STREET SYDNEY NSW 2000
T: 02 8296 7800 E: AEMC@AEMC.GOV.AU W: WWW.AEMC.GOV.AU

### There was a high level of interest in energy market issues

Half of the residential consumers (51%) and significantly more small business consumers (58%) surveyed across all NEM jurisdictions were quite interested in energy issues, giving a rating of 7 or more out of 10 (where 10 meant they were extremely interested).

### Most consumers were satisfied with their current electricity and gas retailer

**Satisfaction with the level of choice was mixed across customers surveyed in different jurisdictions.**

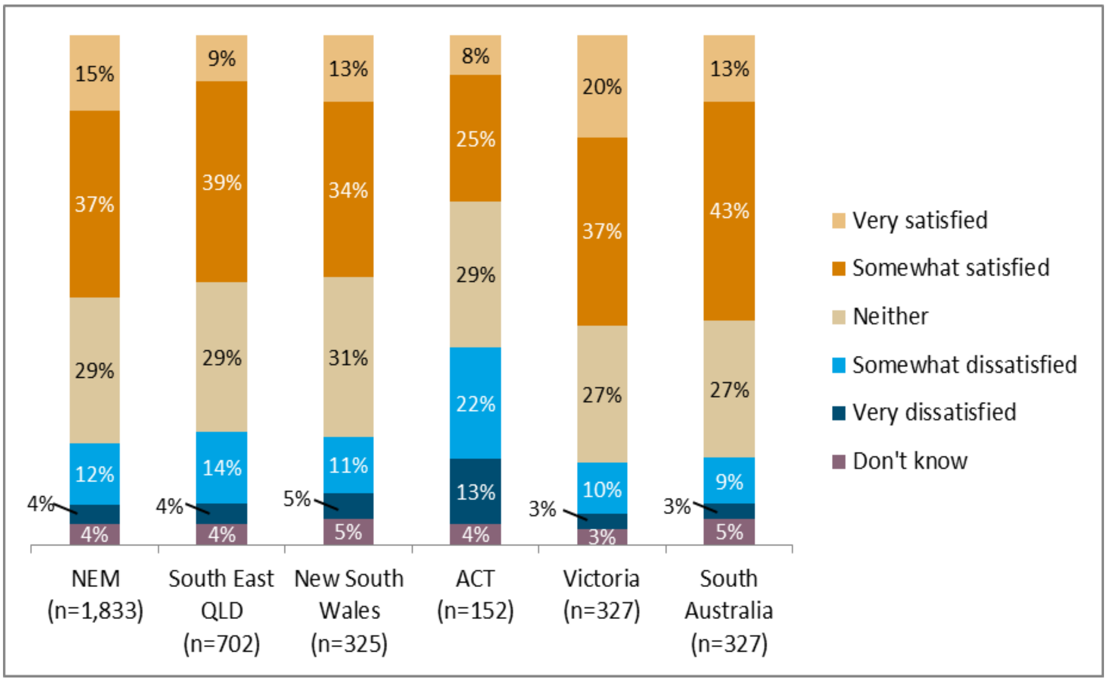
Two thirds of residential and small business consumers (66%) were satisfied with their electricity retailer.

Similarly for gas, consumers were generally satisfied with their current retailer (71% of residential and 68% of small business consumers).

### Most consumers were moderately satisfied with the level of choice available

In the quantitative survey satisfaction with the choices available was highest in Victoria (57% very or somewhat satisfied) and South Australia (56%). Satisfaction levels were moderate in South East Queensland (48%) and New South Wales (47%) and the lowest in the ACT (33%). This is shown in the chart below.

**Figure 1: Satisfaction with level of market choice (residential)**




### Levels of interest in looking for a better deal were high

Even though the research showed that most consumers were satisfied with their current electricity and gas retailer, around one in ten consumers were currently looking for a better deal, and around half were interested in switching but not currently looking.

The likelihood of switching energy provider or plan in the next 12 months varied between jurisdictions, with 24% in Victoria saying they were quite or very likely (7-10 on scale) compared to 19% in South East Queensland, 17% in the Australian Capital Territory, 15% in New South Wales and 12% in South Australia.

Consumers in the Australian Capital Territory were least likely to consider switching with 59% saying they were not likely to switch in the next 12 months.

### Saving money was the key driver behind customers switching retailer

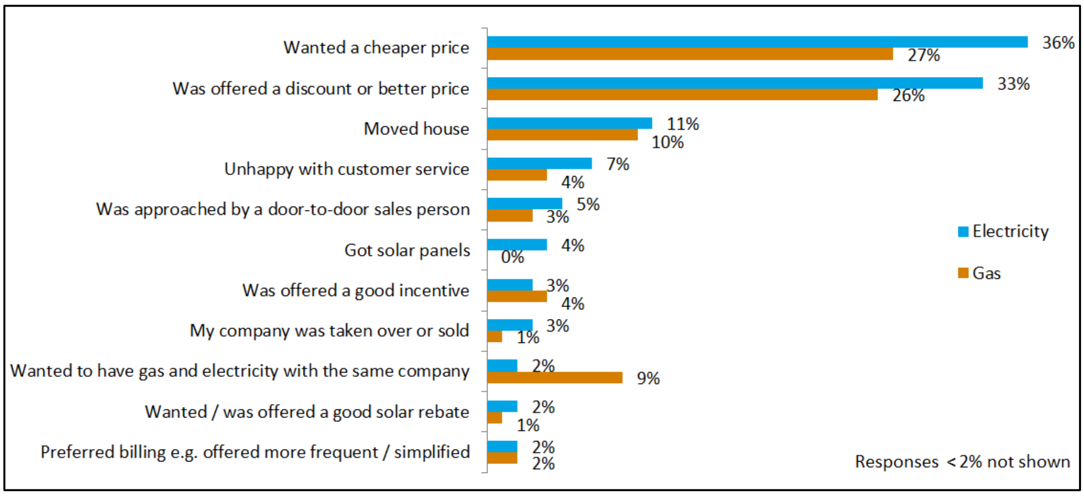
Around two thirds of consumers (63% residential, 66% businesses) who switched their electricity retailer or plan did so because they wanted a cheaper price or because they were offered a discount or better price. Around six in ten consumers (59% residential customers, 56% businesses) changed their gas retailer or plan for this same reason.

The main reason customers did not investigate their options or switch was because they were happy with their current energy plan. Other reasons for not switching relate to inertia and disengagement. Many consumers said that all energy retailers offer virtually the same price and that comparing options is too confusing or time consuming. The reasons were generally consistent for electricity and gas.

**Only 1% of customers surveyed could name a government comparator website without prompting.**

The below chart shows the reasons provided by consumers for switching gas and electricity retailer, averaged across jurisdictions.

**Figure 2: Main reason for switching company or plan (residential)**




### The majority of consumers were aware that they could choose their retailer

Around 91% of consumers were aware that they could choose their energy retailer and around 81% were aware that they could choose their energy plan. Awareness was considerably lower in the Australian Capital Territory (57% of residential customers were aware they could choose their electricity retailer or that there were different plans to choose from, 36% were aware they could choose their gas retailer).

The qualitative results suggested that levels of awareness and understanding of energy issues varied by jurisdiction and were higher in Victoria and South Australia. Most consumers were only able to name a handful of retailers that could sell them energy. Most were also unsure about the prices available. This confusion was also evident in the quantitative survey responses.

### Consumers want easier ways to compare offers, but many are unaware of the government price comparator websites available to them

Around 30% of both residential and business consumers used an online source to help them switch their electricity retailer or plan. Around 10% had looked at a price comparison website, retailer website or had telephoned their retailer.

Some also mentioned door-to-door sales people visiting their home and telephone calls from their retailer. Word of mouth from friends or a family member was also an important information source.

When it came to preferred information sources, the internet was the most widely used and the number one preference. Those who had switched electricity retailer or plan were most likely to have used Google or a general internet search, with around 20% of consumers specifically saying they would prefer to visit a comparison website when they are investigating offers they could potentially switch to. Of those that had been to comparison websites, many could not remember the name with around 1% typically naming their jurisdiction's independent comparison website unprompted. A greater proportion recognised the name of a comparison site when prompted, particularly the YourChoice website in Victoria (29%).

Most consumers surveyed were satisfied with their retailer, but half were interested in switching if they could get a better deal.

## Summary of general themes

The below diagram shows the general themes considered in the research and the overall rating for each jurisdiction surveyed.

**Figure 3: General themes**

| Key Measures | Victoria | South Australia | New South Wales | Southeast Queensland | Australian Capital Territory |
|---|---|---|---|---|---|
| Satisfaction with retailer | High | High | High | High | Very high |
| Awareness of choice of retailer | Very high | High | High | High | Low |
| Switched company or plan | High | Moderate | Moderate | Moderate | Low |
| Approached by a retailer | High | High | Moderate | Low | Very low |
| Proactively searched for offers | Moderate | Moderate | Moderate | Moderate | Low |
| Satisfaction with level of choice | Moderate | Moderate | Moderate | Moderate | Low |

The full Newgate Research report is available on the AEMC's website on the project page for the 2014 Retail Competition Review (project code: RPR0002).

For information contact:
AEMC Senior Director, **Chris Spangaro** (02) 8296 7800
AEMC Director, **Elisabeth Ross** (02) 8296 7800

Media: Communication Manager, Prudence Anderson 0404 821 935 or (02) 8296 7817

Date 22 August 2014