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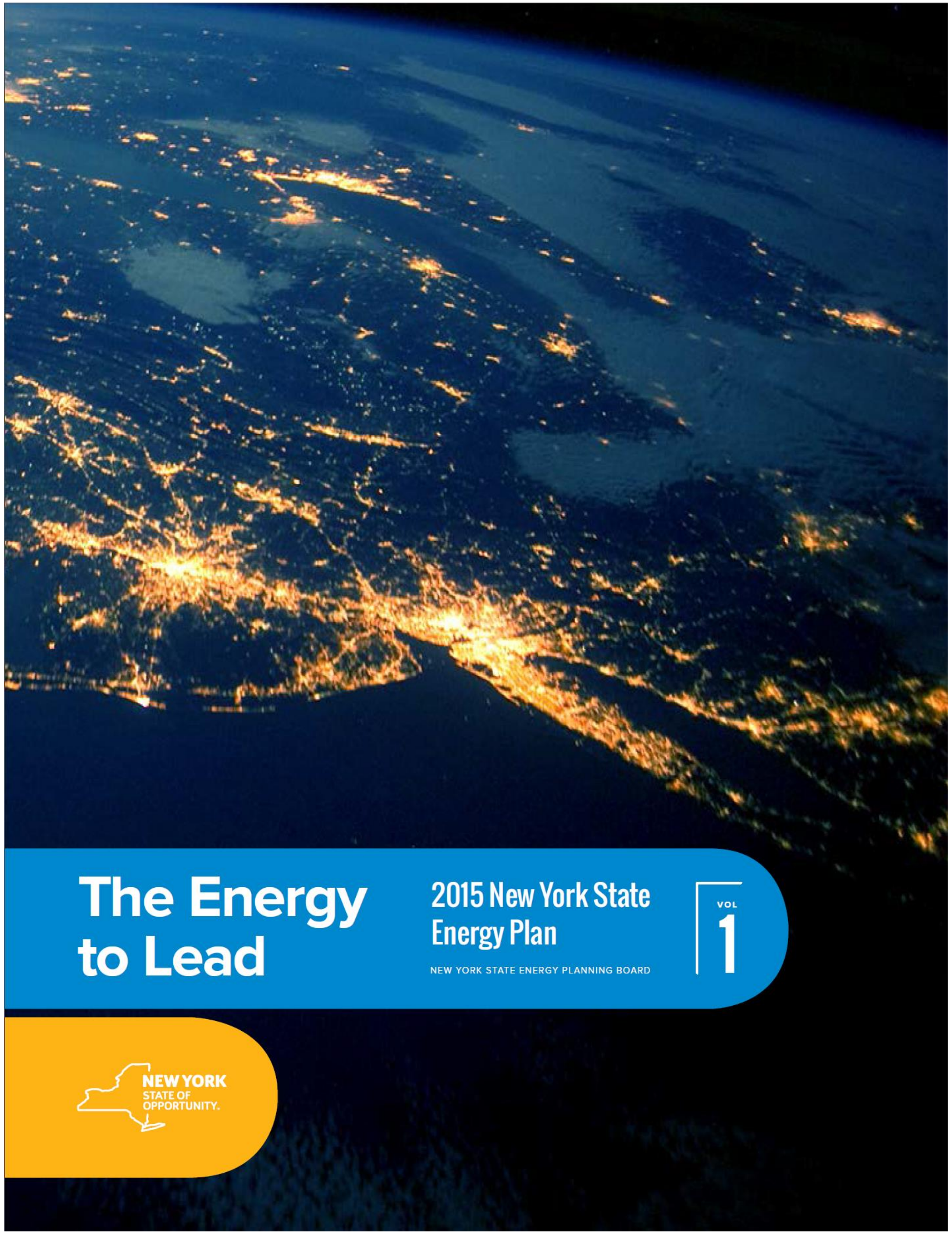
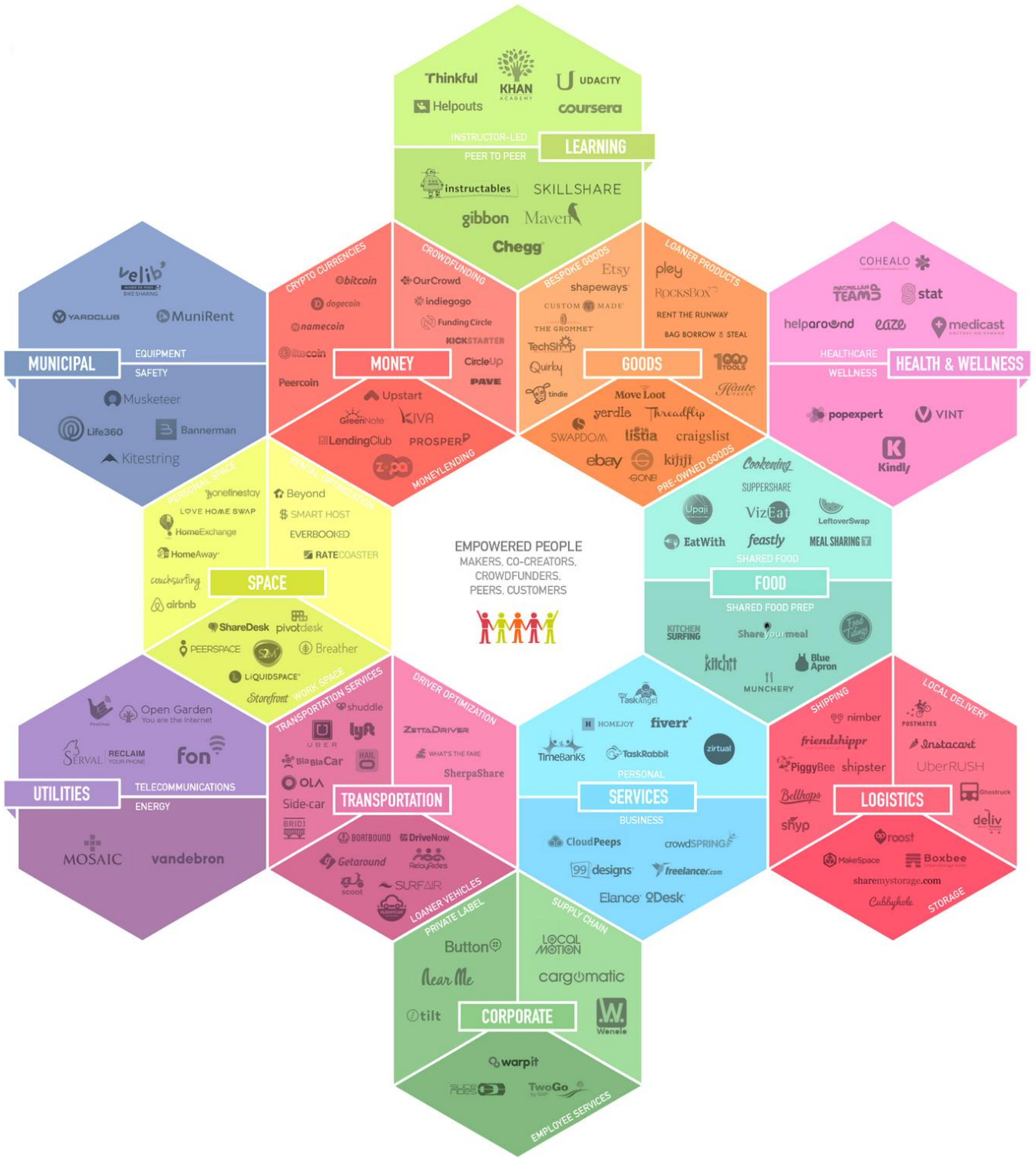
AN ECONOMY IN TRANSITION

Rapidly evolving technologies and business models are reshaping our global and local economies and personal lifestyles. Just as market trends in other sectors have transformed travel and leisure (online trip planning, room- and ride-sharing services, bike-share programs); entertainment (Netflix, Apple TV); and shopping and other consumer services (Amazon, Ebay, mobile banking, and bill payment services), the energy sector is part of a larger economic transition to a more distributed and shared society. The regulatory and programmatic reforms included in REV will enable the energy sector to catch up with and capitalize on these broader trends. This will unlock new value for individuals, businesses, and communities, while facilitating the State's evolution toward a cleaner and more distributed energy future.

THE ENERGY TO LEAD:
2015 NEW YORK STATE ENERGY PLAN



THE ENERGY TO LEAD:
2015 NEW YORK STATE ENERGY PLAN



By Jeremiah Owyang
jeremiah@CrowdCompanies.com
@jowyang. Dec 2014

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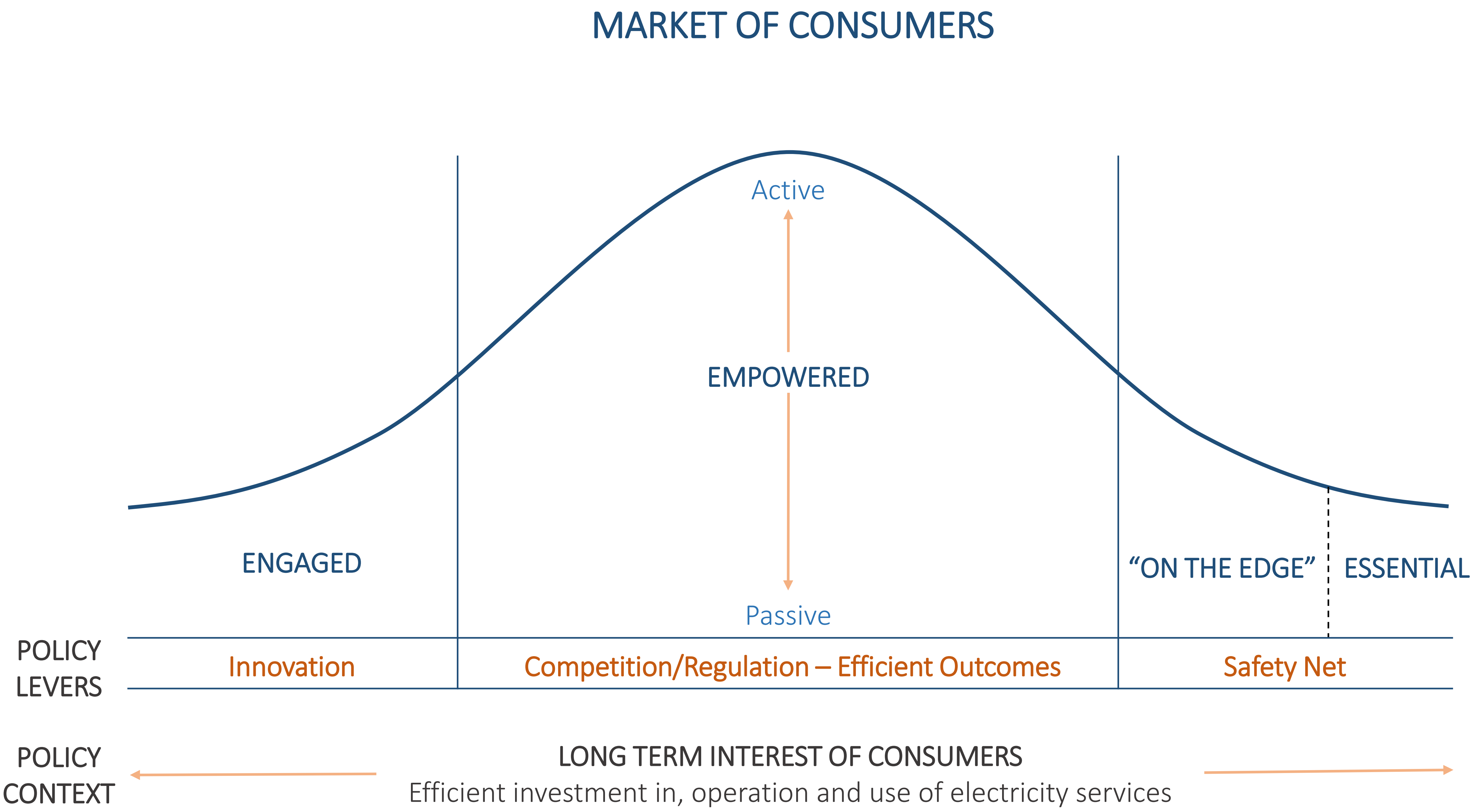
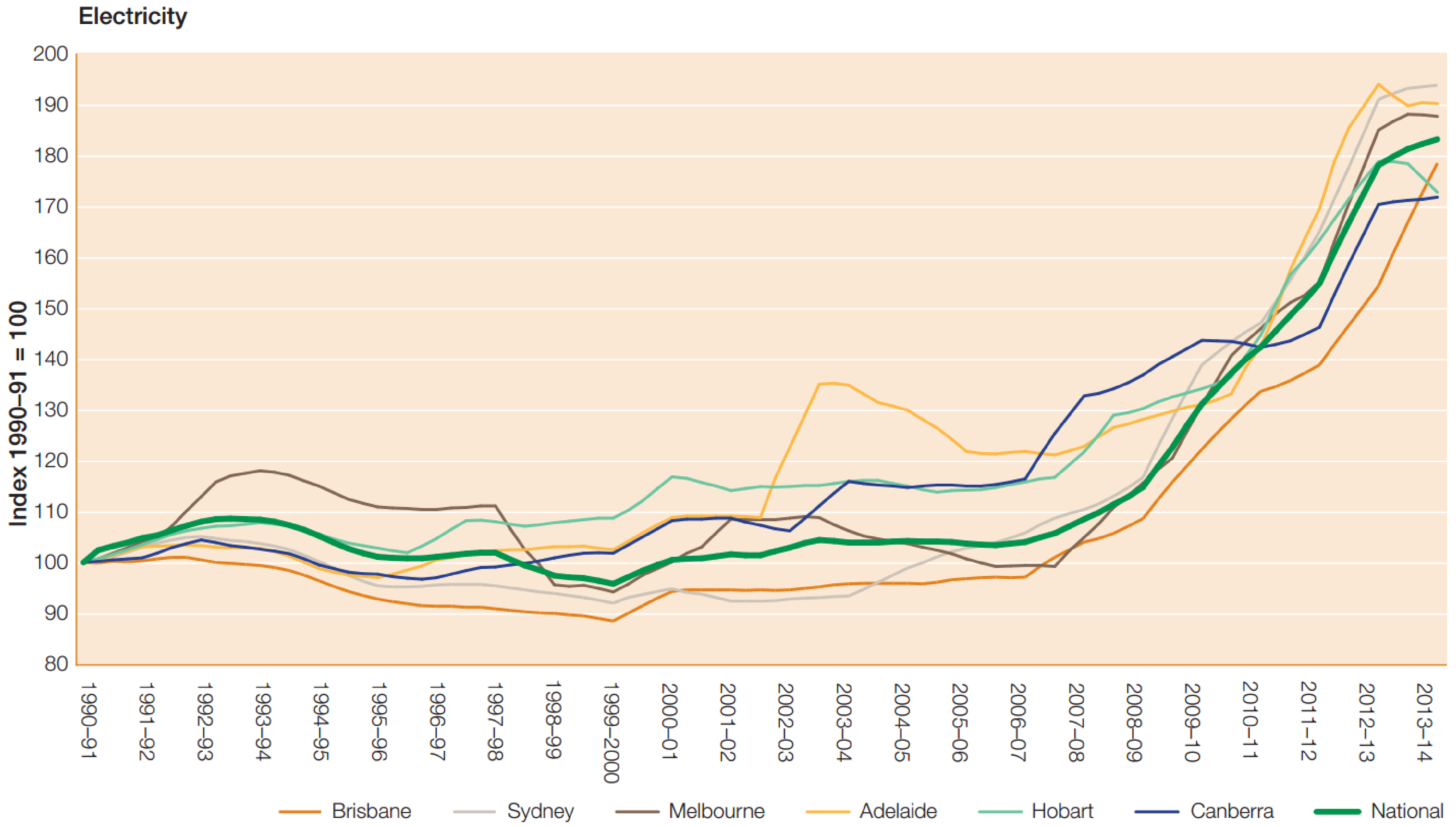
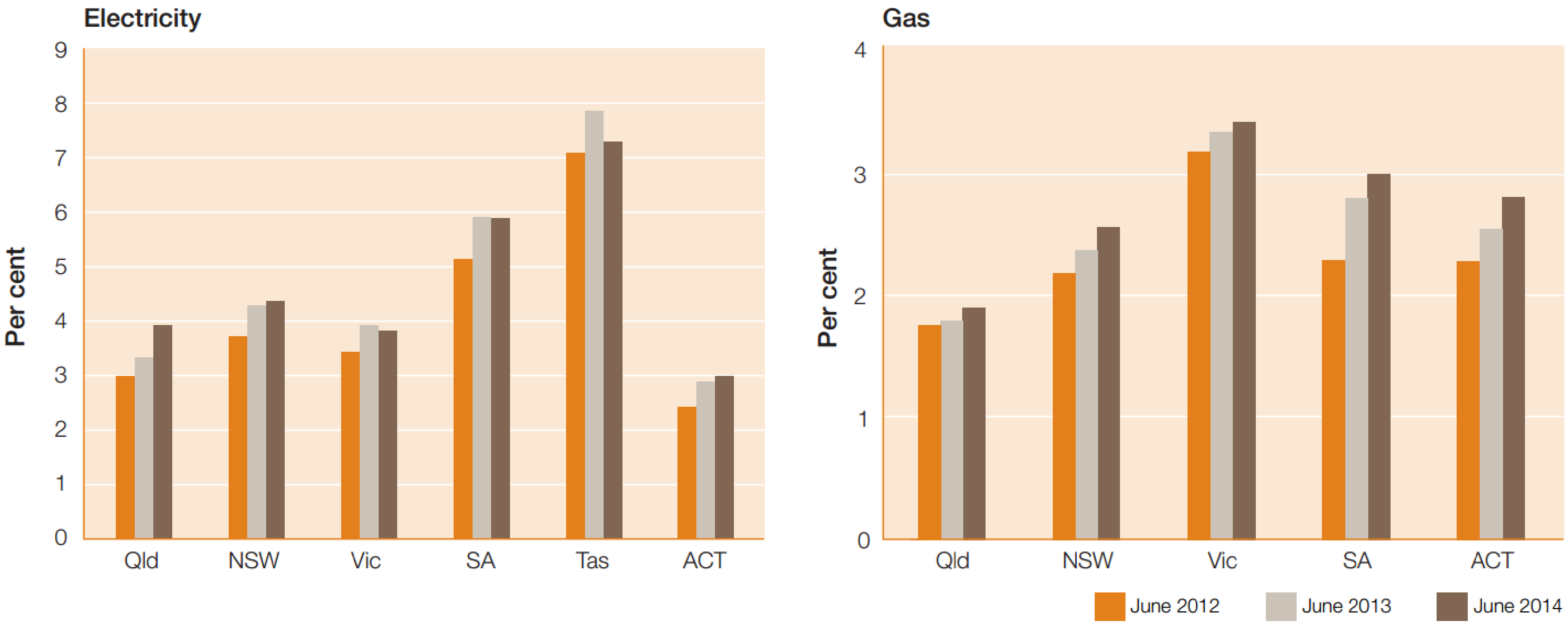
Are you listening to your customer?


MARKET OF CONSUMERS
Active
EMPOWERED
Passive
ENGAGED
"ON THE EDGE"
ESSENTIAL
POLICY LEVERS
Innovation
Competition/Regulation – Efficient Outcomes
Safety Net
POLICY CONTEXT
LONG TERM INTEREST OF CONSUMERS
Efficient investment in, operation and use of electricity services

Retail price index (inflation adjusted)—Australian capital cities



Annual energy costs as a percentage of disposable income for a low income household



Notes:

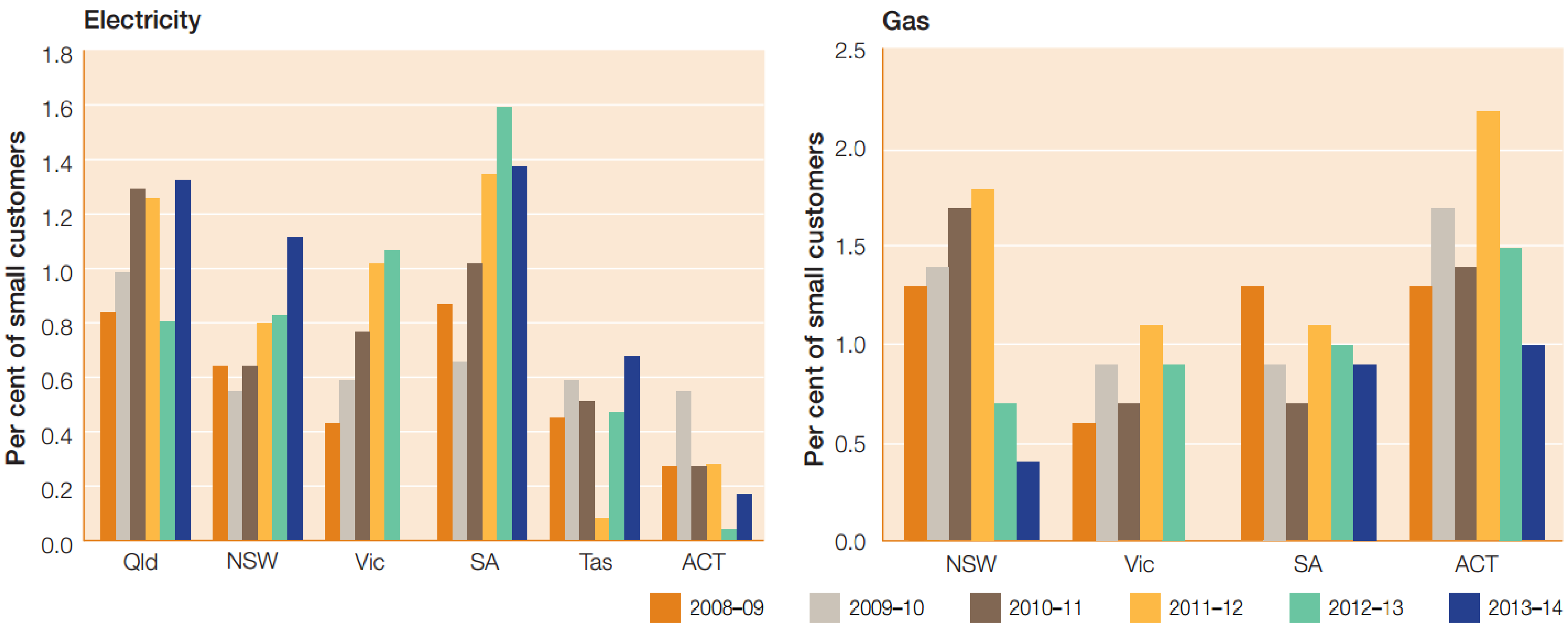
Energy consumption levels vary for each jurisdiction. Electricity consumption is the average for low income households. Gas consumption is the average for all households.

Energy charges are based on the median market offer. Charges are adjusted for concessions available to low income households.

Disposable income for a low income household is the average of the second and third income deciles.

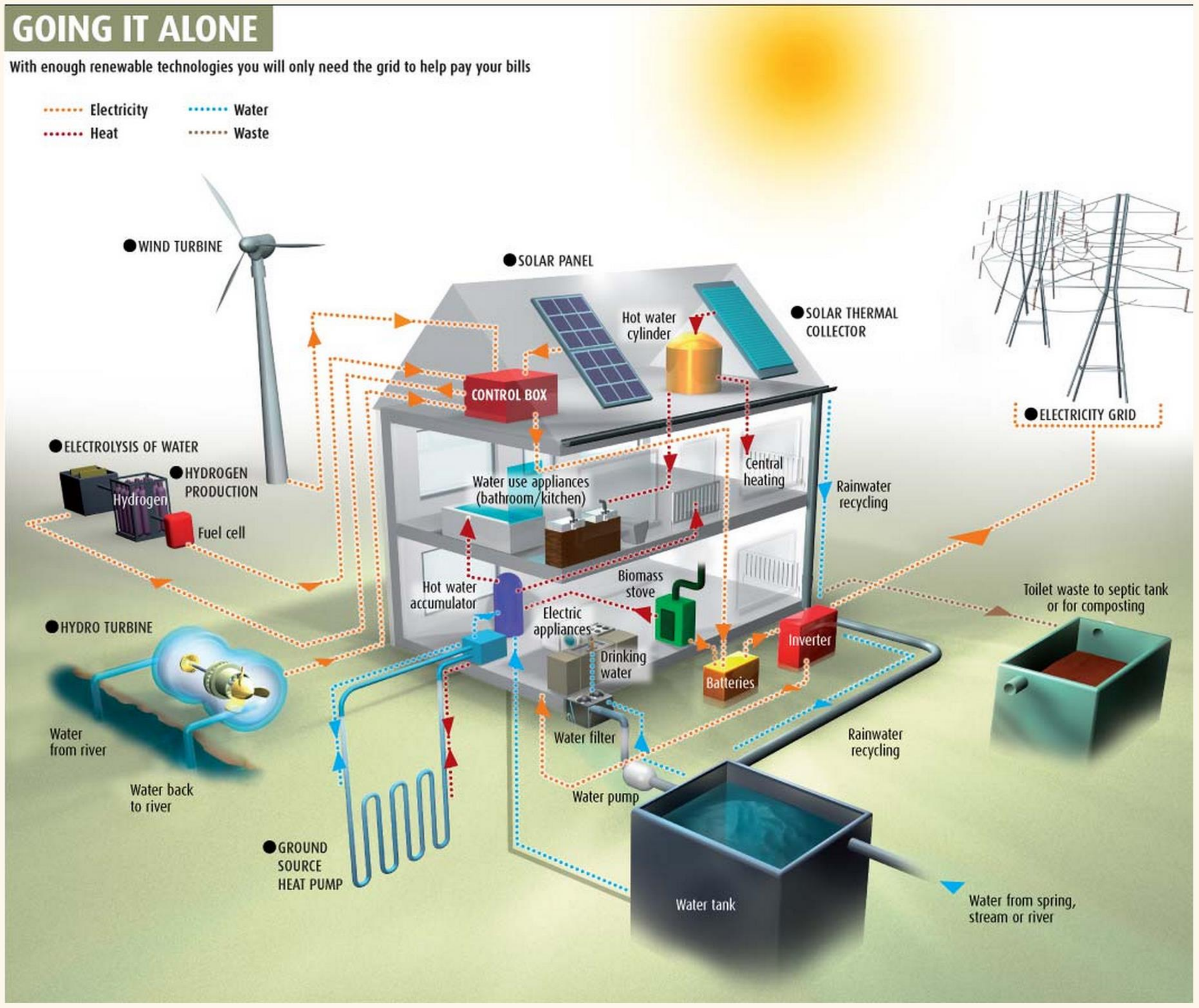
Sources: ABS; AER; Price comparator websites operated by jurisdictional regulators.

Residential disconnections for failure to pay amount due, as a percentage of customers

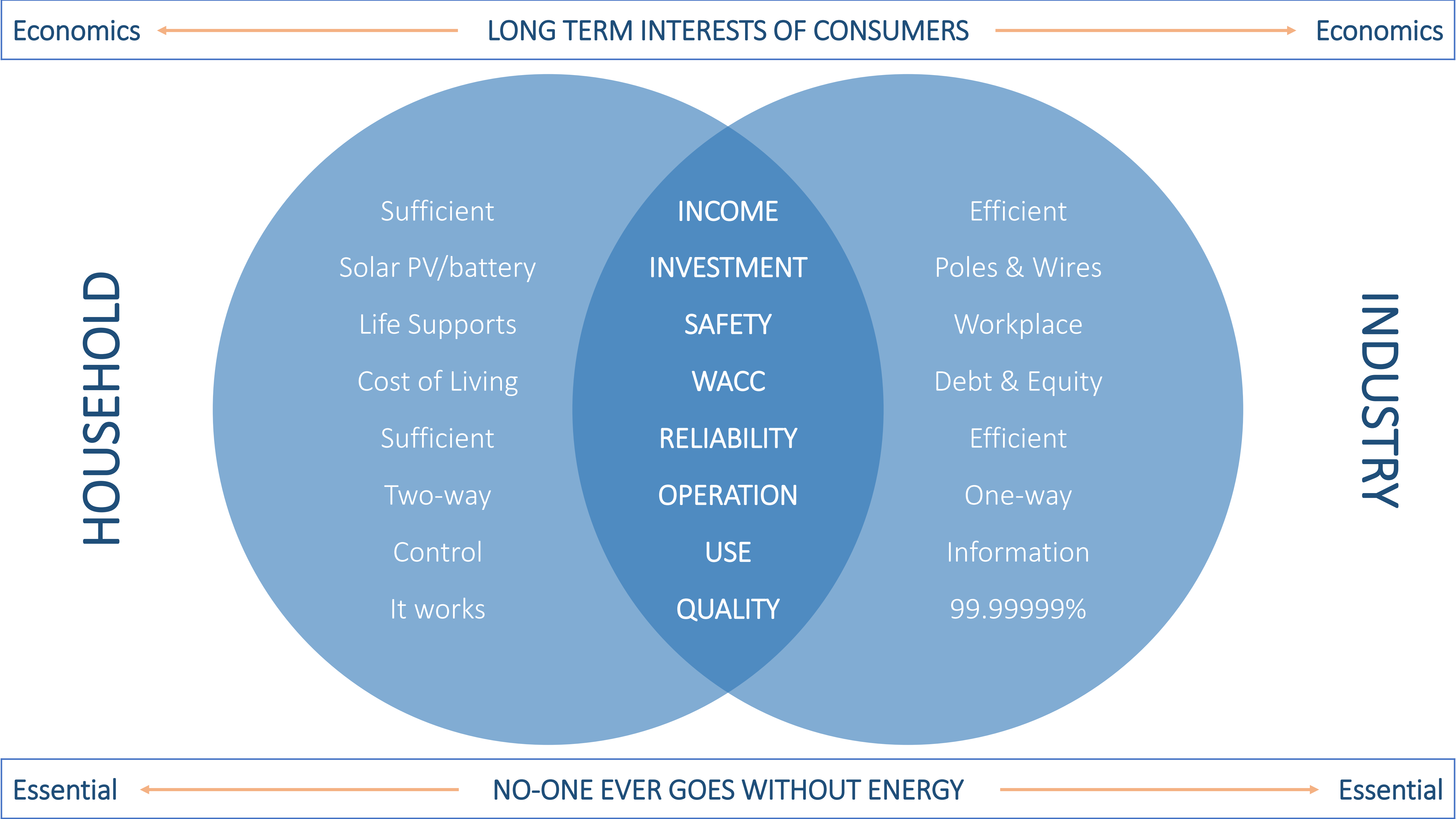


Note: 2013–14 disconnection data were not available for Victoria.

Sources: Retail performance reports by the AER, IPART (NSW), the ESC (Victoria), ESCOSA (South Australia), OTTER (Tasmania), the QCA (Queensland) and the ICRC (ACT).



http://www.freedompreppers.com/living-off-the-grid-infographic.htm


Economics
LONG TERM INTERESTS OF CONSUMERS
Economics
HOUSEHOLD
Sufficient
Solar PV/battery
Life Supports
Cost of Living
Sufficient
Two-way
Control
It works
INCOME
INVESTMENT
SAFETY
WACC
RELIABILITY
OPERATION
USE
QUALITY
Efficient
Poles & Wires
Workplace
Debt & Equity
Efficient
One-way
Information
99.99999%
INDUSTRY
Essential
NO-ONE EVER GOES WITHOUT ENERGY
Essential

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CONSUMER BIASES AND EFFECTS ON THE DECISION MAKING PROCESS

Bias	Limited Consumer Capacity	Status quo bias	Loss Aversion	Time Inconsistency
What does it mean?	Consumers have difficulties assessing many different options and large amount of information about them	Consumers prefer the current option	Consumers attach more weight to monetary losses than to monetary gains and avoid risk taking behaviour	A preference for immediate gains means that consumers place too much weight on costs incurred now compared to future savings
How does this affect the decision making process?	Consumers' awareness of the challenges they face means that they do not search at all.	Consumers do not search for alternative deals beyond their current package and/or provider.	Consumers search less when energy prices fall than when they rise.	Consumers do not search for new or alternative energy deals
	Consumers adopt filters or shortcuts to navigate the information (e.g. "rules of thumb", "reference points")	Consumers over-emphasise knowledge of existing package and/or provider.	Consumers give too much weight to possible losses relative to potential gains.	Consumers over emphasise short-term discounts.
	Consumers switch to an option that is "better" instead of the one that is the best for them.	Consumers do not switch away from current package and/or provider.	Consumers postpone making a decision.	Consumers do not make a decision.

GROWTH OF ONLINE SERVICES

GLOBALISATION

DISRUPTIVE TECHNOLOGIES

THE WAY CONSUMERS AND BUSINESSES INTERACT IS CHANGING

CONSUMERS ARE BECOMING MORE POWERFUL

COMPANIES ARE FINDING NEW WAYS TO BUILD THEIR COMPETITIVE ADVANTAGE

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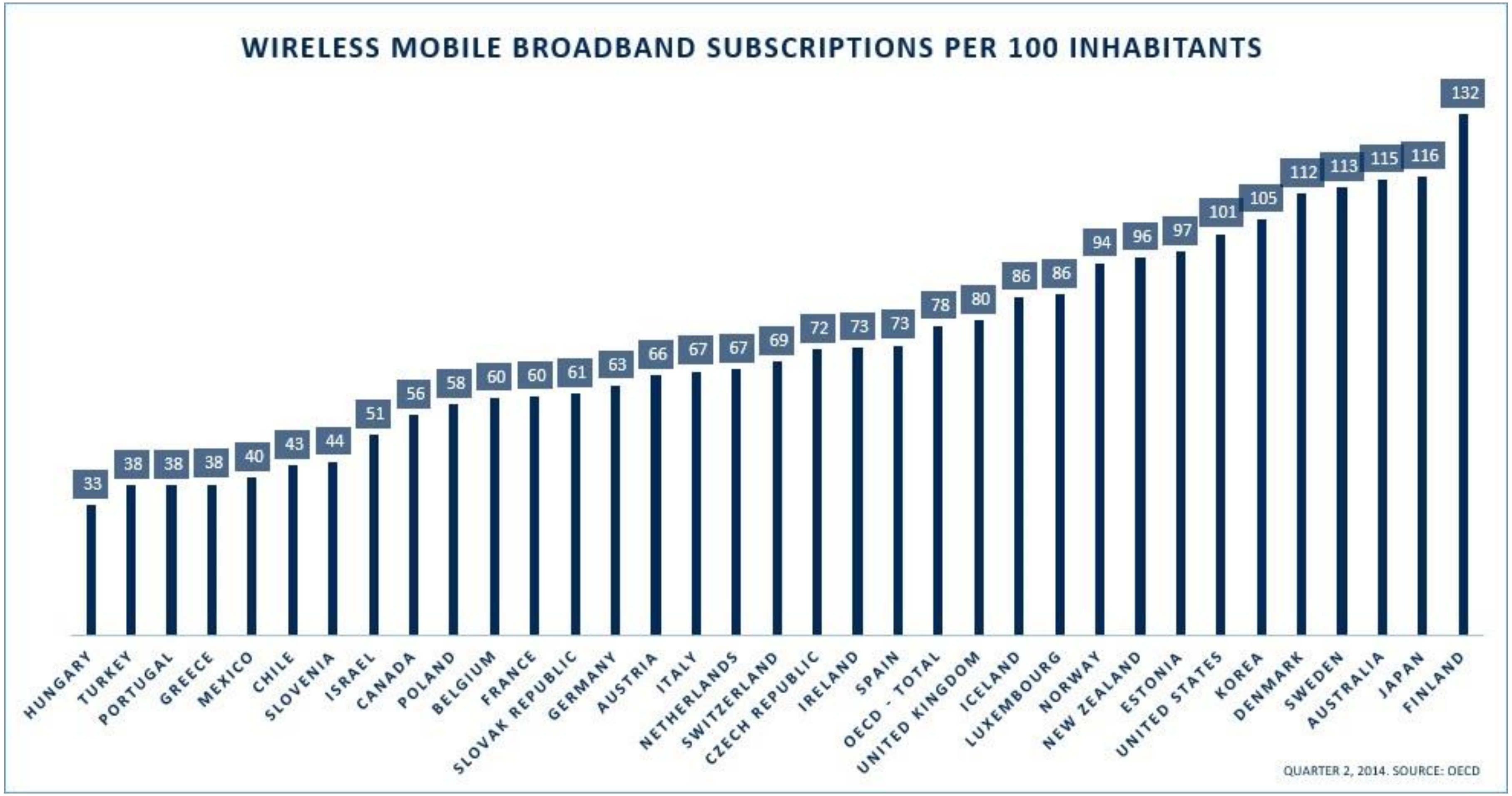

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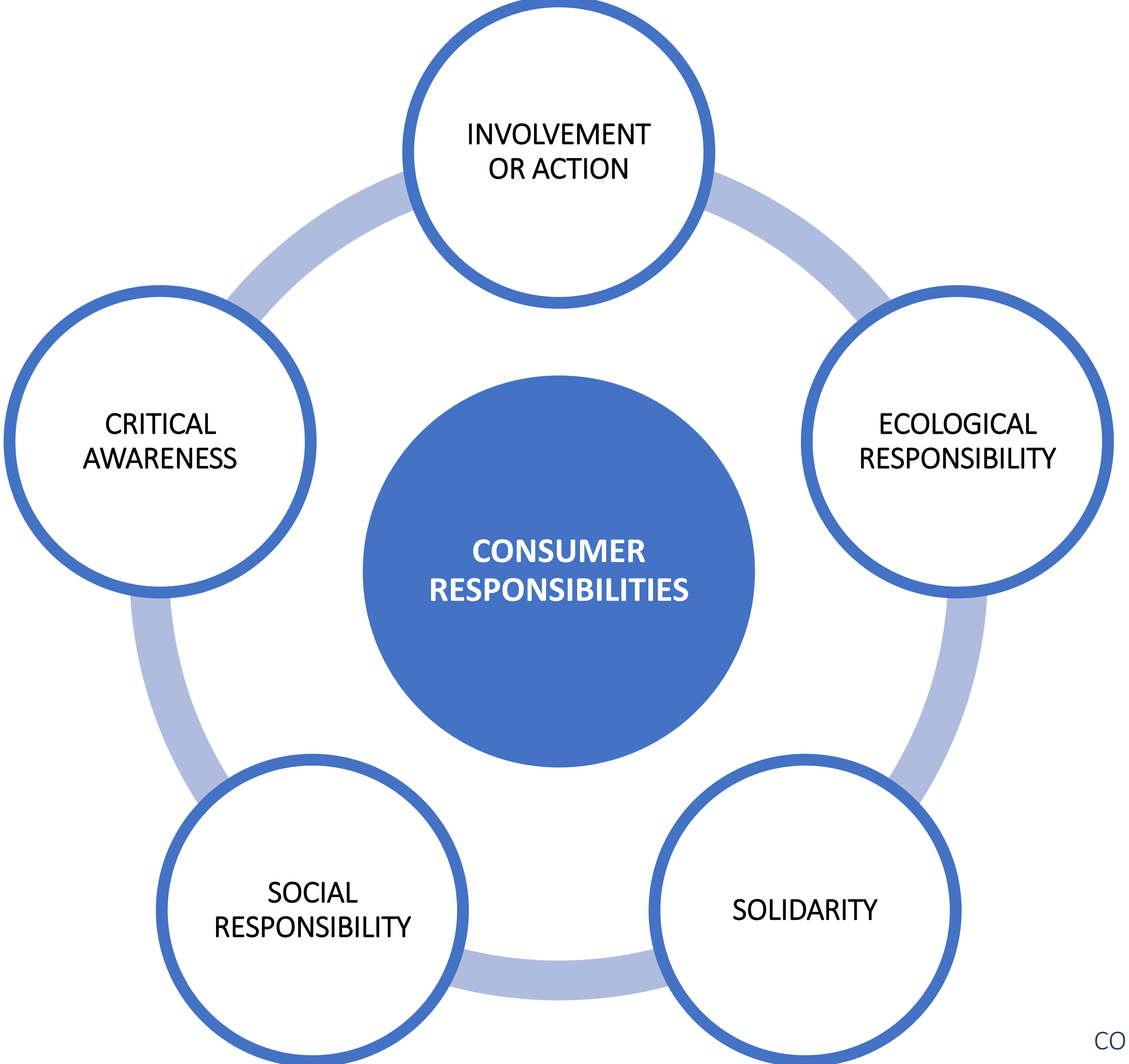
FIGURE 13: FIVE STAGE STAKEHOLDER ENGAGEMENT FRAMEWORK
REDRAWN FROM: KRICK ET AL. (2005, 11)

CONSUMER RIGHTS

- SATISFACTION OF BASIC NEEDS
- SAFETY
- INFORMATION
- CHOICE
- TO BE HEARD
- FAIR SETTLEMENT
- CONSUMER EDUCATION
- A HEALTHY ENVIRONMENT


INVOLVEMENT OR ACTION
CRITICAL AWARENESS
ECOLOGICAL RESPONSIBILITY
CONSUMER RESPONSIBILITIES
SOCIAL RESPONSIBILITY
SOLIDARITY

Consumer Engagement Strategy

- The strategy provides a framework for us to follow on consumer engagement
- It follows best practice guidelines from AER based on IAPP
- Signed off by Chief Operating Officer and endorsed by Executive Leadership Team
- Directs how we:
  - Provide information to customers, community and stakeholders
  - Consider feedback when making decisions
  - Report back on changes that have or have not been made.
    - 12 month engagement report

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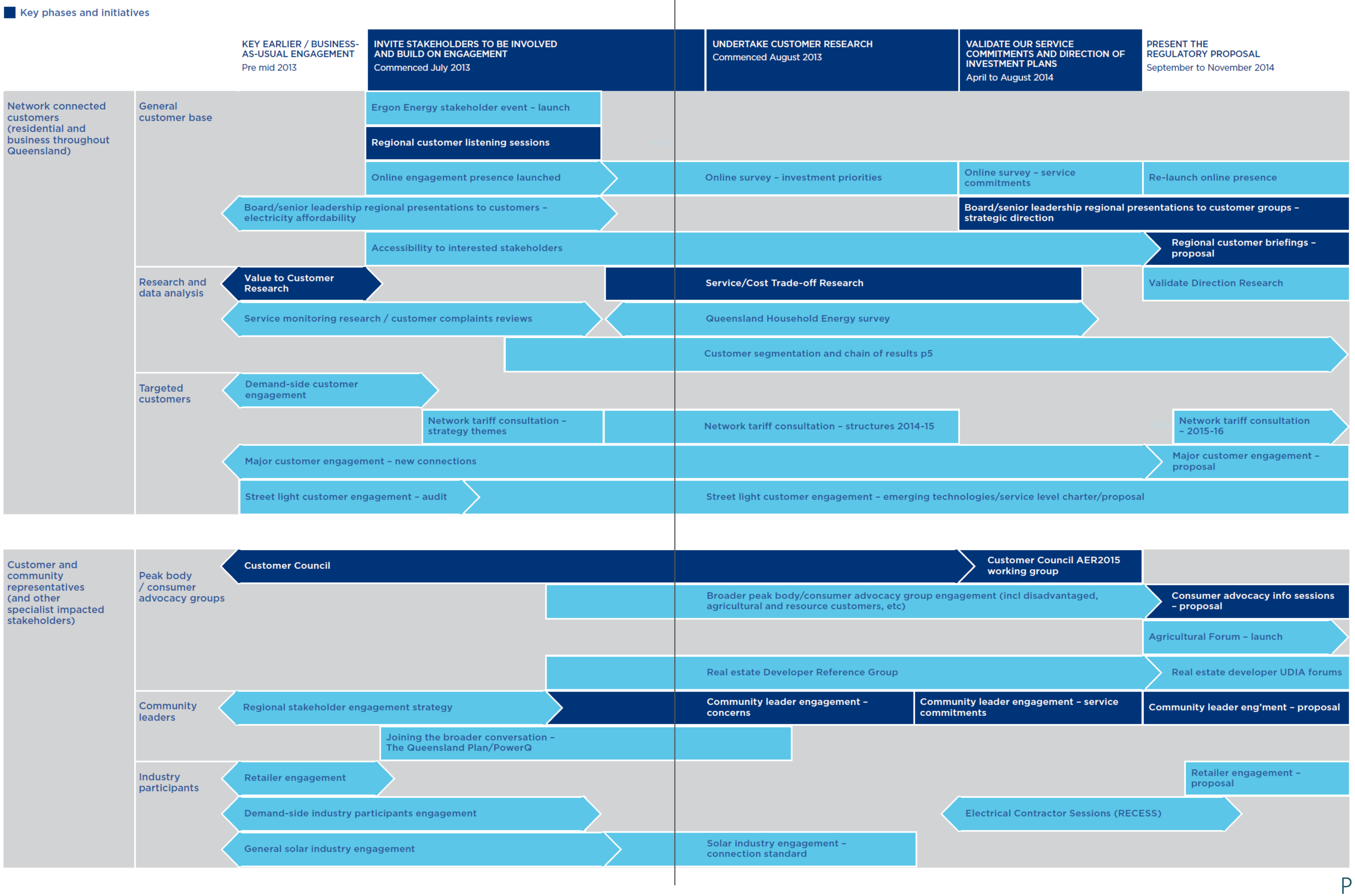
WHEN AND HOW WE ENGAGED – AN OVERVIEW



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ERGON ENERGY: INFORMING OUR PLANS, OUR ENGAGEMENT PROGRAM

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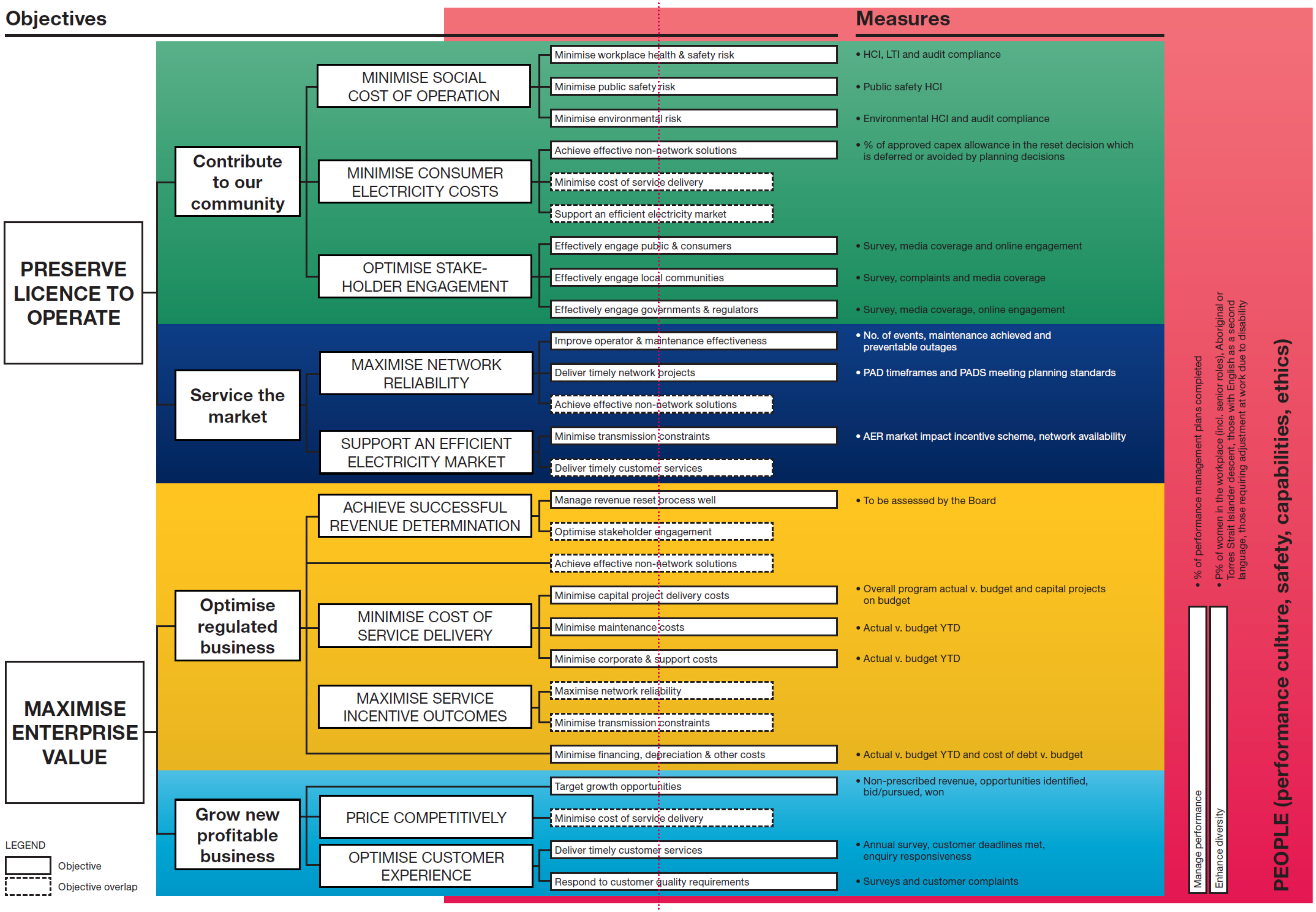

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"This really is an innovative approach, but I'm afraid we can't consider it. It's never been done before."

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CUSTOMER ENGAGEMENT PLAN

May 2013 – September 2013

Phase 1: Research
Understand customers' needs and preferences; engage customers in setting priorities

- Summarise existing feedback
- Qualitative customer workshops
- Quantitative customer survey
- Present to Customer Consultative Committee

September 2013 – November 2013

Phase 2: Education
Inform customers and provide support and channels to address knowledge gaps

- Key messages
- Fact sheet and videos
- Online polls
- Integrated digital media campaign
- Produce discussion guides and materials for consultation activities

November 2013 – February 2014

Phase 3: Consultation
Involve customers in developing network strategies and plans and regulatory submissions

- Develop and agree a process for considering feedback
- Letter to key stakeholders
- Program of moderated regional workshops
- Face-to-face meetings with consumer advocacy groups and opinion leaders
- New website "feedback" tab
- Stakeholder workshop to explain engagement processes and key interest areas

February 2014 – ongoing

Phase 4: Review and Report
Inform customers on progress and results periodically

- Plain English draft of regulatory submission
- Present to Customer Consultative Committee
- Retailer forum
- Street lighting forum
- Comprehensive review of feedback
- Report back on how input has influenced the regulatory submission
- Provide regular updates
- Embed engagement processes

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You said…	A snapshot of what we'll do
Pricing *"Anything Endeavour can do to keep costs down is welcome"* Customers want stable, affordable electricity with no steep increases.	Continue our productivity and efficiency programs which delivered a real decrease in network electricity charges for the first time in a decade in July 2013. Keep increases in our share of electricity bills to at or below CPI for the next five years.
Reliability and outages *"We're living in a first world country and paying for a service"* Most customers rate Endeavour Energy's level of reliability as very good and don't want to pay more for a better service. Nor are they prepared to pay less for poorer reliability. Customers also asked us to improve how we notify them about outages and improve content too.	Maintain our current level of reliability. Introduce a new mobile site to give customers live outage information. Investigate improved notifications using SMS and smart phone apps and review our written interruption notices.
Safety *"I expect safety to be a big priority for such an essential service…the minimum standards must be safe"* Customers don't want safety and reliability standards to be compromised, even for lower prices.	Improve our safety programs for our staff and contractors. Maintain our road side power pole 'black spot' relocation program; continue our public safety education program; and expand its reach via social media.
Energy efficiency and demand management *"I've already done a lot to reduce my energy bill and welcome information and tools to help manage my electricity use"* Customers appreciate advice on how to keep costs low but were generally unwilling to compromise their lifestyle.	Provide low cost, accessible tools on our new website. Promote our demand management programs for large customers. Maintain our efficiency programs to help keep increases in our share of customers' bill to at or below CPI.
Supporting vulnerable customers *" ..it's important, yes, but my priority is containing my bill"* Customers recognised the need to keep electricity affordable for the most vulnerable but did not think it was Endeavour Energy's role.	Continue our conversation with consumer groups to rethink the way we charge, so that those who can't afford it are not paying for those who can. Review our services for vulnerable customers, particularly life support customers.

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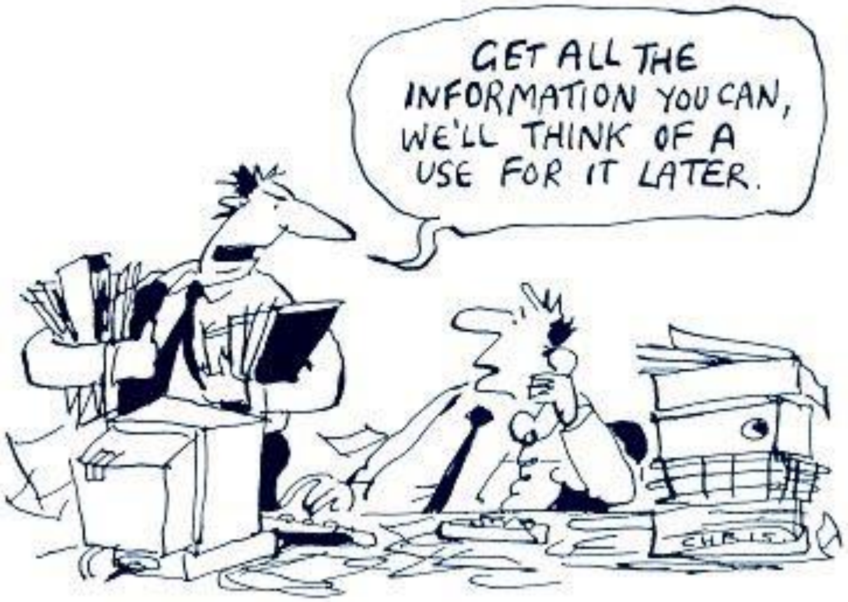
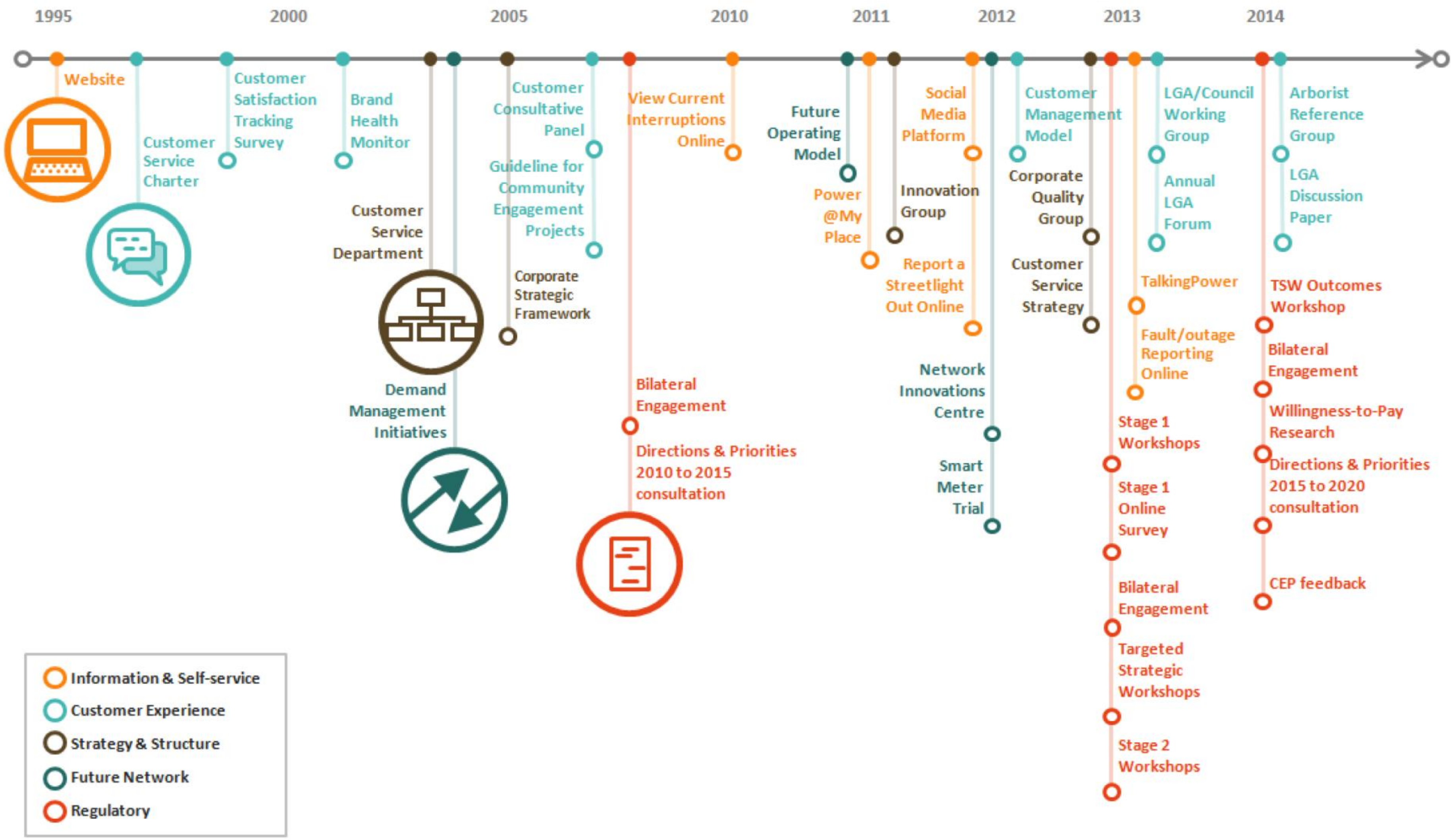


SA POWER NETWORKS' HISTORY OF CUSTOMER AND STAKEHOLDER ENGAGEMENT



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SHAREHOLDERS GAIN SOME GROUND.

CUSTOMER ENGAGEMENT PLAN

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BILL CONTROL

Customers said: *They want to understand their electricity usage patterns to better control their bills.*

We listened: You want to make informed energy choices.

Result: We'll invest in our *Energy Easy* customer portal to provide real-time usage and consumption data in 2016.

COMMUNICATION

Customers said: *They want to be informed of planned and unplanned interruptions.*

We listened: When the power goes out you want accurate information fast.

Result: We will invest in IT solutions to provide better outage information, online customer claims and tracking tools and a self-service portal for new connections to streamline the process for customers, electricians and developers.

VEGETATION MANAGEMENT

Customers said: *We are generally meeting their expectations of looking after the day-to-day issues of vegetation management, safety and aesthetics.*

We're listening and we're taking action

CONSUMPTION

Customers said: *They are willing to respond to incentives to reduce peak demand, although this can be more difficult for business consumers.*

We listened: You would pay closer attention to their usage patterns if it was easy to do.

Result: We will look for new ways to contain or reduce peak demand including the introduction of a new demand tariff, to potentially postpone or avoid costly infrastructure investment.

MARKET TRANSACTIONS

Retailers said: *They want us to improve the quality and reliability of our market transactions and data provision, including the reliability of transfer reads and re-energisation / de-energisation transactions.*

Result: We will continue to invest in our IT systems to improve the quality and reliability of market transactions. We will also take advantage of the remote capabilities of AMI meters for transfer and re-energisation / de-energisation reads.

PUBLIC LIGHTING

Councils said: *They want us to better manage the price/service offering for public lights.*

Result: The AER's Victorian Framework and Approach supported our proposal to split public lighting into two services: a regulated service applicable to services involving shared public lighting assets and a negotiated service which relates to dedicated public lighting assets. The negotiating framework is now in development.

SAFETY & THE ENVIRONMENT

Councils said: *They want us to find better solutions to manage vegetation.*

We listened: Councils want us to balance our safety requirements with local amenity.

Result: We are proposing $3 million for a three-year trial of dedicated vegetation management crews to work with councils in our network area.

INNOVATION

Customers said: *They would respond to incentives to reduce peak demand, although business consumers thought this would be more difficult for them.*

We listened: Councils and some customer groups want us to find alternatives to traditional network investment.

Result: We will continue to pursue non-network solutions including demand side initiatives and emerging technology.

RELIABILITY

Customers said: *They have no appetite to pay more for additional services or improved reliability and generally perceive their reliability to be better than what they actually experience.*

We listened: You want to pay less for the energy you consume.

Result: We will maintain current reliability and cut prices by approximately $70 in the 2016-20 period.

AWARENESS

Customers said: *A large portion of customers don't know who we are and/or what our role in energy supply is.*

We listened: Awareness of who we are is low.

Customers said: *They don't understand the cost breakdown of their retail bills.*

We listened: Electricity pricing is poorly understood and you want to know how much distribution is costing you.

Result: We will embed customer-centric engagement into every part of our business to improve understanding of the value we deliver in energy supply.

UNITED ENERGY: SHAPE OUR ENERGY FUTURE TOGETHER, REGULATORY PROPOSAL OVERVIEW

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"So, as you can see, customer satisfaction is up considerably since phasing out the complaint forms."

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CUSTOMER ENGAGEMENT PLAN

TasNetworks strategy on a page

Energy Consumers Australia

Vision

Trusted by our customers to deliver today and create a better tomorrow

Purpose

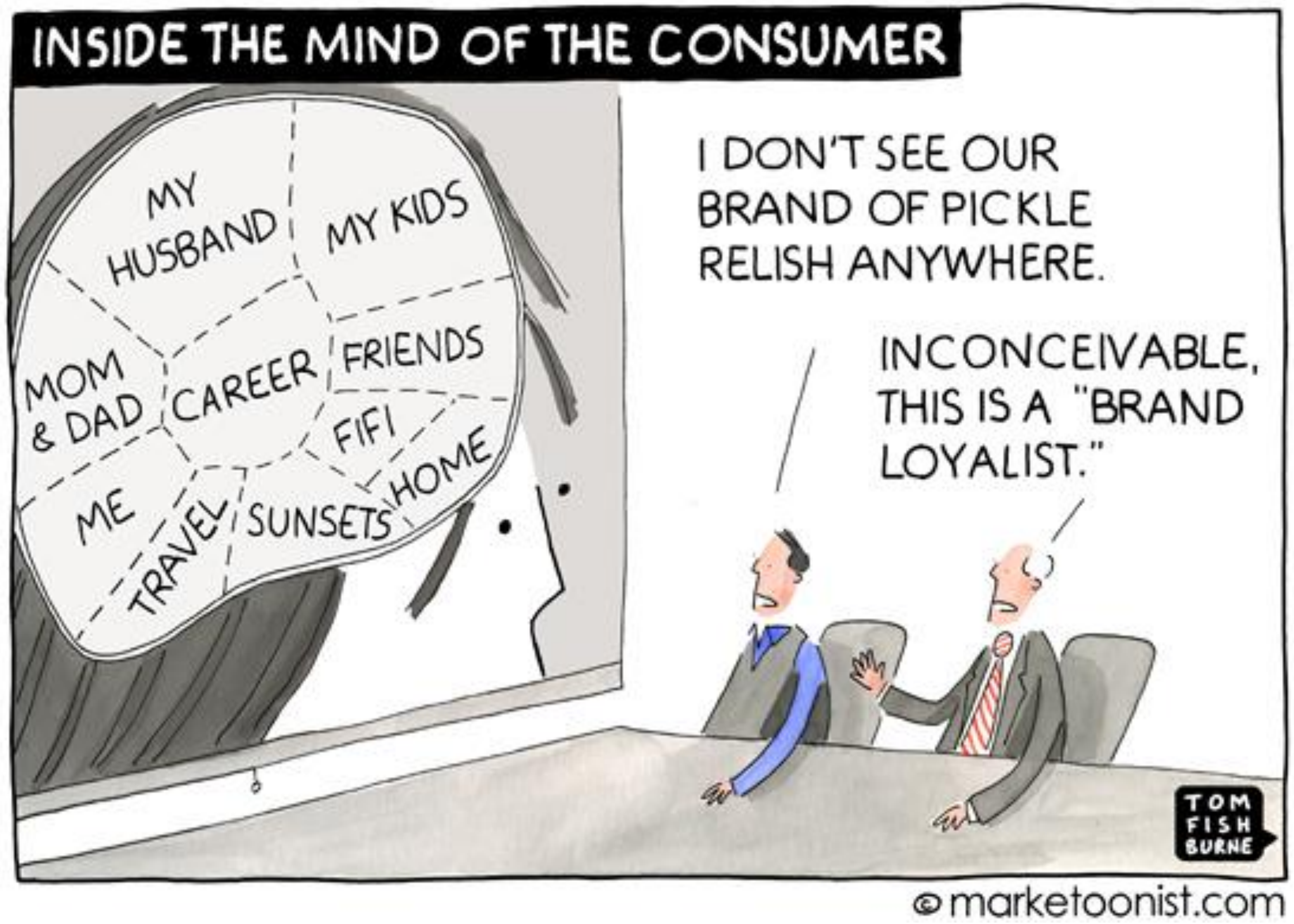
We deliver electricity and telecommunications network services, creating value for our customers, our owners and our community

		Customers	People	One business
Strategic goals	"What do we need to focus on to achieve our vision?"	**We understand our customers by making them central to all we do**	**We enable our people to deliver value**	**We care for our assets, delivering safe and reliable network services while transforming our business**
Strategic measures	"How do we know when we have achieved it?"	• Customer net promoter score • Lowest sustainable prices	• Culture score • Engagement score	• Zero harm • Network service performance maintained • Sustainable cost reduction
Initiatives	"What are the enterprise wide initiatives we need to focus on now?"	• 'Voice of the Customer' program • Framework for predictable & sustainable pricing	• Culture development through leadership • TasNetworks enterprise agreement	• Business excellence framework • TasNetworks integrated business solution

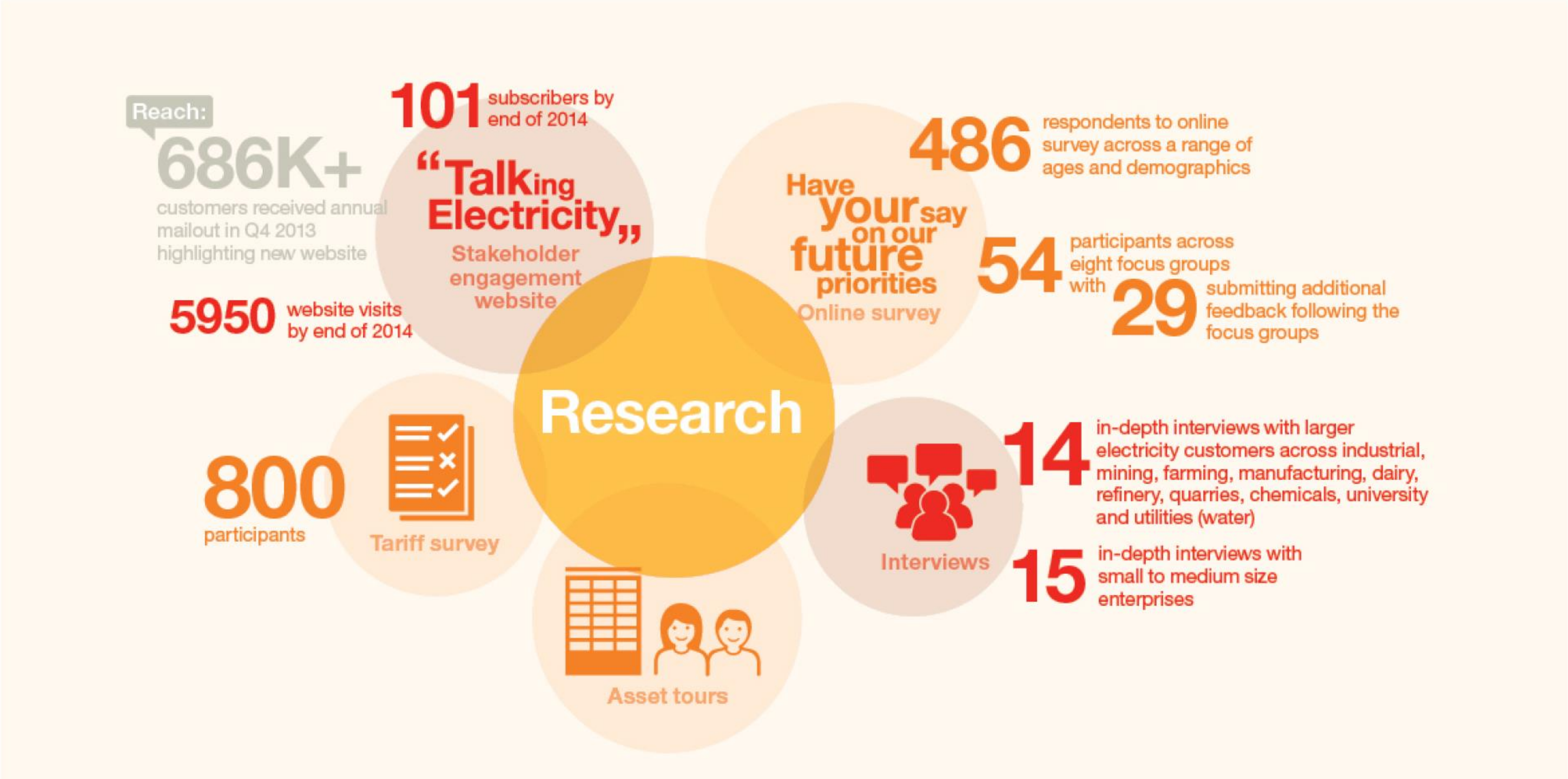
Sustainable shareholder outcomes:
- Returns on assets & equity
- Dividends
- Corporate reputation
- Robust balance sheet

How we work

- We care for our people and the community
- We collaborate to deliver real value to customers
- We innovate and are a fast follower
- We challenge the status quo
- We are fit for purpose
- We are one business


INSIDE THE MIND OF THE CONSUMER
MY HUSBAND
MY KIDS
MOM & DAD
CAREER
FRIENDS
FIFI
ME
TRAVEL
SUNSETS
HOME
I DON'T SEE OUR BRAND OF PICKLE RELISH ANYWHERE.
INCONCEIVABLE, THIS IS A "BRAND LOYALIST."
TOM FISHBURNE
© marketoonist.com

RESEARCH PHASE ACTIVITIES OVERVIEW



CONSULTATION PHASE ACTIVITIES OVERVIEW

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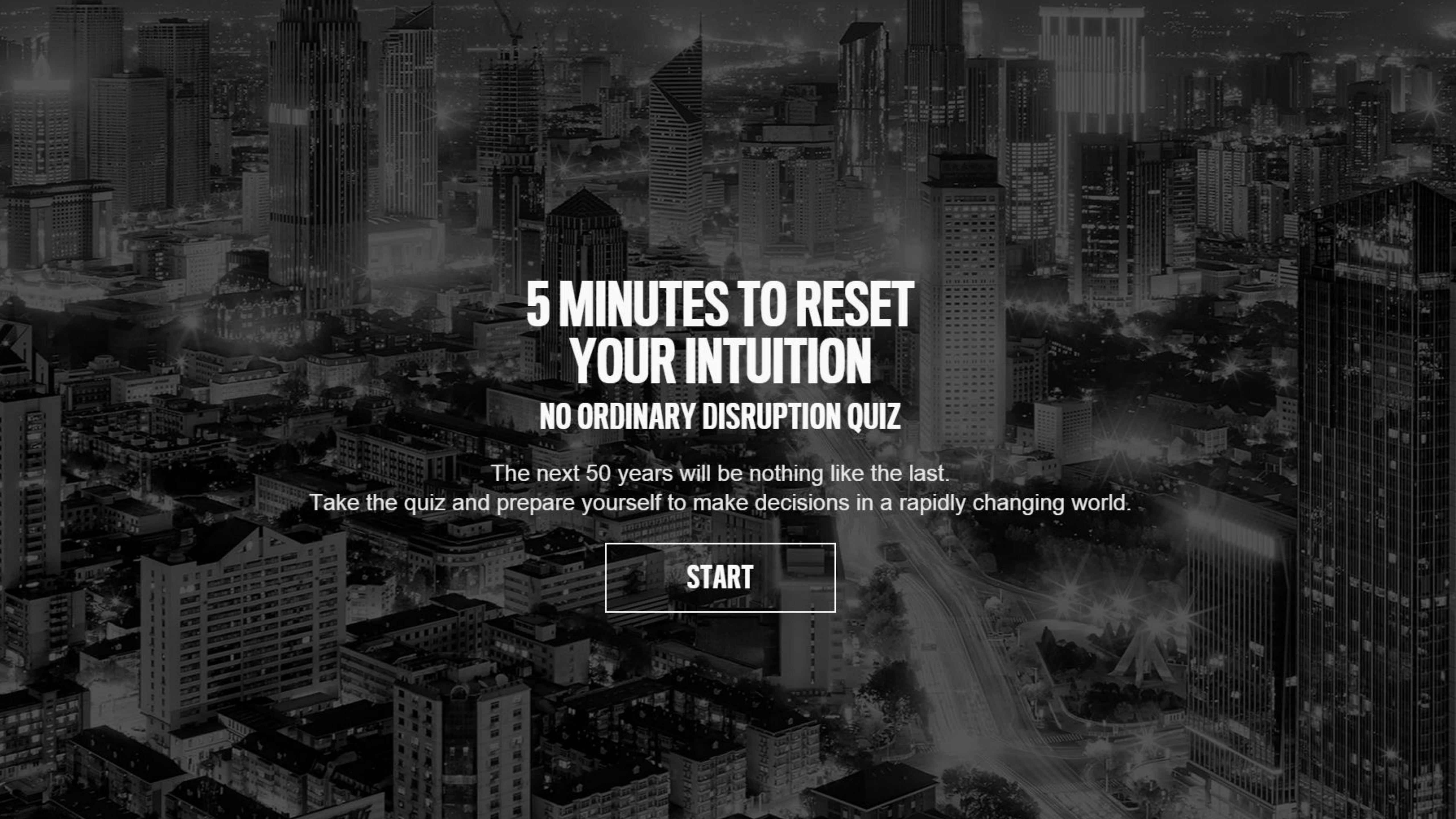
"Thank you for calling Customer Service.
If you're calm and rational, press 1.
If you're a whiner, press 2.
If you're a hot head, press 3...."

We must keep moving forward.

In 1882, Thomas Edison built the world's first commercial electrical power grid in his Pearl Street Station in Lower Manhattan. In 1961, we built the then largest hydropower facility in the Western world at Niagara Falls. New York State knows what innovation looks and feels like.

As Thomas Edison himself once said, "If we did all the things we are capable of, we would literally astound ourselves."

The eyes of the nation are looking to... US And we have the energy to lead.


5 MINUTES TO RESET
YOUR INTUITION
NO ORDINARY DISRUPTION QUIZ
The next 50 years will be nothing like the last.
Take the quiz and prepare yourself to make decisions in a rapidly changing world.
START
WESTIN

The city of Tianjin has China's sixth largest economy —
that's the size of Stockholm, the capital of Sweden.

HOW BIG WILL TIANJIN'S ECONOMY BE IN 2025?

STOCKHOLM

2 TIMES STOCKHOLM

SWEDEN

THE ECONOMIC MIGHT OF CITIES IN EMERGING MARKETS

By 2025, Tianjin's economy will be as large as Sweden's. Many cities in the emerging world will have economies as large as western countries.

SEE NEXT QUESTION

HOW MANY PEOPLE MOVE FROM RURAL AREAS TO CITIES WORLDWIDE EVERY YEAR?

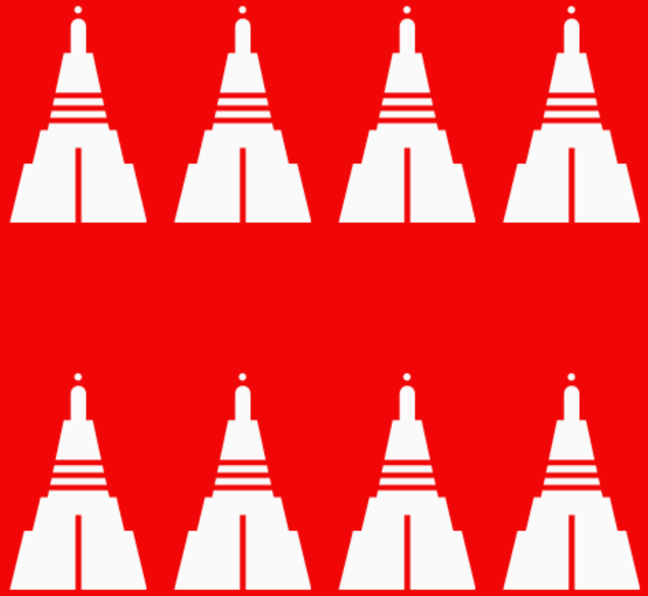
10 MILLION

35 MILLION

65 MILLION

THE AGE OF URBANIZATION

65 million people move from rural areas to cities every year — an unprecedented rate. That's equivalent to more than eight Bangkoks being built every year.



SEE NEXT QUESTION


On Cyber Monday, Americans spent $3 billion online in one day.
HOW MUCH DID CHINESE CONSUMERS SPEND ONLINE ON SINGLES' DAY?
$1 BILLION
$3 BILLION
$9 BILLION

THE NEW CONSUMER CLASS

Last year, Chinese consumers spent $9 billion online on Singles' Day. By 2020, China's e-commerce market could be as large as today's markets in the USA, Japan, the UK, Germany and France combined.

SEE NEXT QUESTION

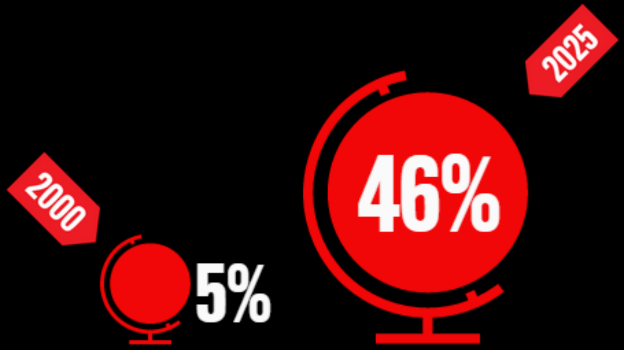
In 2000, 5% of companies in the Fortune 500 were from emerging economies.

WHAT WILL THIS PERCENTAGE BE IN 2025?

- 46%
- 21%
- 9%

THE RISE OF NEW COMPETITORS

By 2025, 46% of Fortune 500 companies will be from emerging economies. With access to digital platforms, new companies based anywhere in the world can go global and disrupt industries in the blink of an eye.



SHARE OF FORTUNE GLOBAL 500 FROM EMERGING MARKETS

SEE NEXT QUESTION

In the 1990's, it took 13 years and $3 billion to map the human genome.

WHAT DOES IT TAKE TODAY?

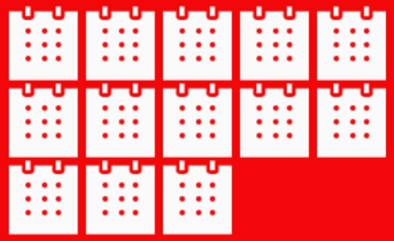
$1,000 IN A FEW HOURS

$10,000 IN A FEW DAYS

$100,000 IN A FEW WEEKS

TECHNOLOGICAL CHANGE IS ACCELERATING

It now takes $1,000 and three hours to map a genome, thanks to faster computers and better access to data.



1990

13 YEARS + $3BN

2015

3 HOURS + $1,000

SEE NEXT QUESTION


WHAT DOES CHINA HAVE IN COMMON WITH THE WORLD'S MOST DEVELOPED COUNTRIES?
HIGH UNEMPLOYMENT
AN AGING POPULATION
SLOW ECONOMIC GROWTH

THE WORLD IS AGING

China faces a rapidly aging population, like North America, most of Western Europe and Japan (among others). By 2040, 1 out of 4 people in China will be 65 years or older.

1 OUT OF 4

PEOPLE WILL BE
65 YEARS OLD OR OLDER

SEE NEXT QUESTION

In 1950, people took 25 million international trips.

HOW MANY INTERNATIONAL TRIPS OCCURRED IN 2013?

50 MILLION

300 MILLION

1 BILLION

INCREASING GLOBAL CONNECTIONS

People took 1 billion international trips in 2013. The world is more connected than ever before.

GO TO NEXT