

Domestic Gas Market: Review of Marketing Strategies

Final Report
December 2014



Study Purpose and Objectives

Purpose

Metrix Consulting was commissioned to conduct an independent quantitative survey of the Perth residential market, to:

- Establish an up-to-date benchmark of residential perceptions of gas, consideration of gas versus electricity, and ATCO Gas brand awareness.
- Evaluate responses and reactions to rebate strategies and marketing messages intended by ATCO Gas, to assess their likelihood of influencing behaviour toward gas.

Objectives

- Benchmark current consideration of gas across three scenarios:
 - For existing homes without a gas connection, to install a gas connection;
 - For existing homes with gas, to convert appliances to gas;
 - For new homes, to install a gas connection and gas appliances.
- After presenting marketing messages and rebate offers, test propensity to act (i.e. to connect to gas, to switch to gas appliances).
- Quantify perceptions of gas – including motivations and barriers to using gas or increasing use of gas.
- Benchmark top-of-mind and prompted awareness of ATCO Gas against other major brands in the sector.



Total Sample

- n=440 adults aged 21-74 years.
- Perth metro area, including Mandurah.
- Online data collection from 21-28 Nov 2014.

Screening used to select:

- **Home Owners** – who own or are buying their home – a combination of those with and without a current gas connection
- and
- **Prospective Builders** – currently building or planning to build a home in the next 2 years (Some respondents qualified as both an owner and a prospective builder)

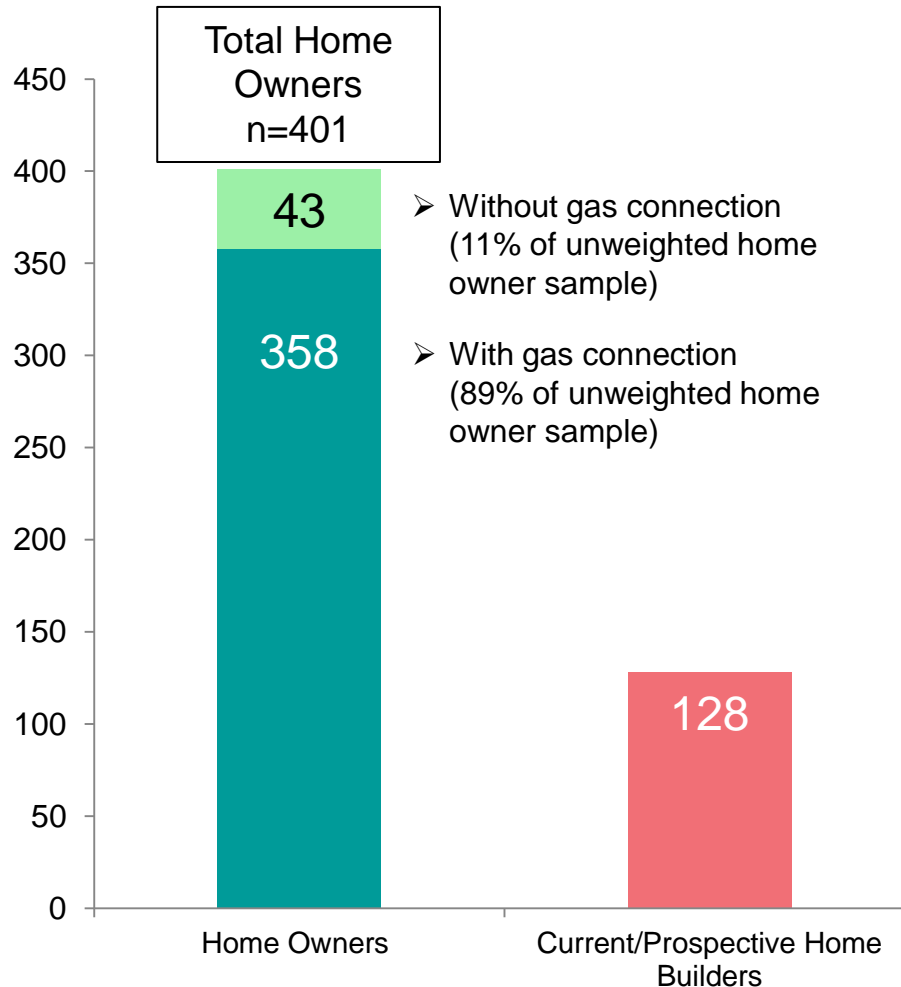
Sampling, Quotas and Weighting

- Sample sourced through SSI – an ISO accredited online panel.
- Quotas applied by age, gender and metro region to ensure a good cross-section of household types.
- Data weighted by postcode and home ownership to ABS 2011 Census data.

Unweighted Sample Composition

		No. of Interviews
	Total	440
Gender	Male	159
	Female	281
Age	21-34	83
	35-49	136
	50+	221
Geographical Region (Perth)	Inner Metro	29
	North East Metro	54
	North West Metro	121
	South East Metro	133
	South West Metro	103
Respondent Category	Home Owner – with gas	358
	Home Owner – without gas	43
	Prospective Builder (89 home owners, 39 renters)	128

Three Respondent Groups for Analysis



1. Home owners with gas connection

Base size n=358

Forecasting accuracy $\pm 5\%$

Objective – to increase gas usage by switching appliances to gas.

2. Home owners without gas connection

Base size n=43 *(see note)

Forecasting accuracy $\pm 15\%$

Objective – to increase network coverage by connecting to gas.

3. Current/prospective home builders

Base size n=128

Forecasting accuracy $\pm 8\%$

Objective – to increase network coverage through new home connections to gas.

* Note the sample size for home owners without gas is small (<50) and results from this base should be treated as indicative. All forecasting accuracies are based on the 95% confidence level.

Brand Benchmarks



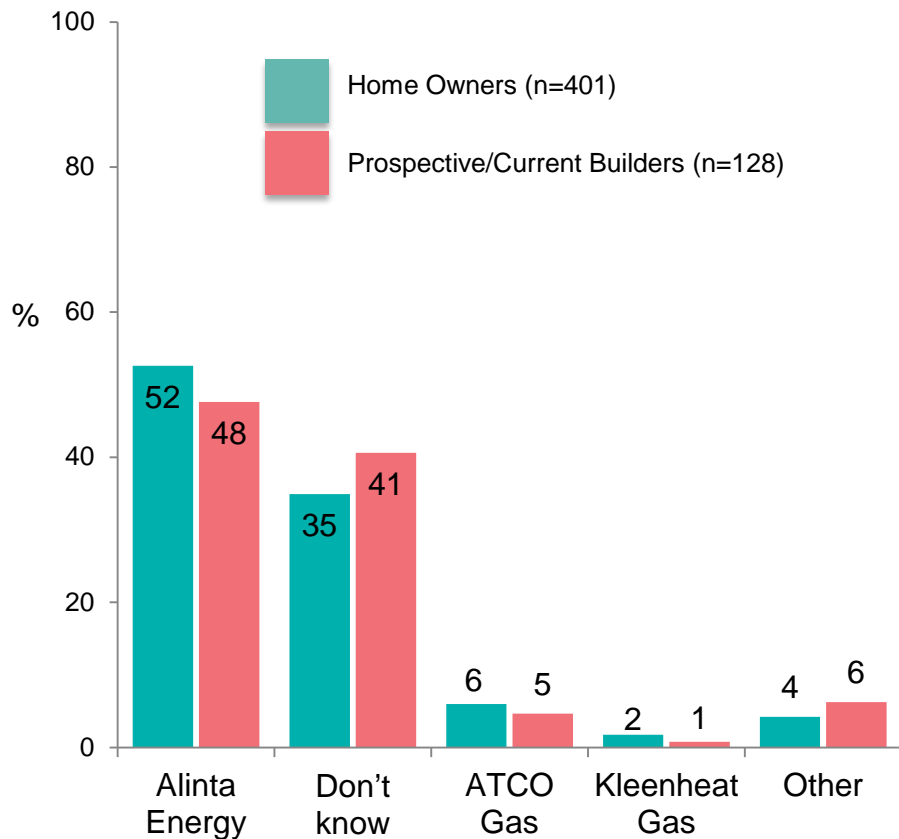
Brand Awareness – ATCO Gas



ATCO Gas has limited top-of-mind awareness (6%) and relatively low prompted brand awareness (16%).

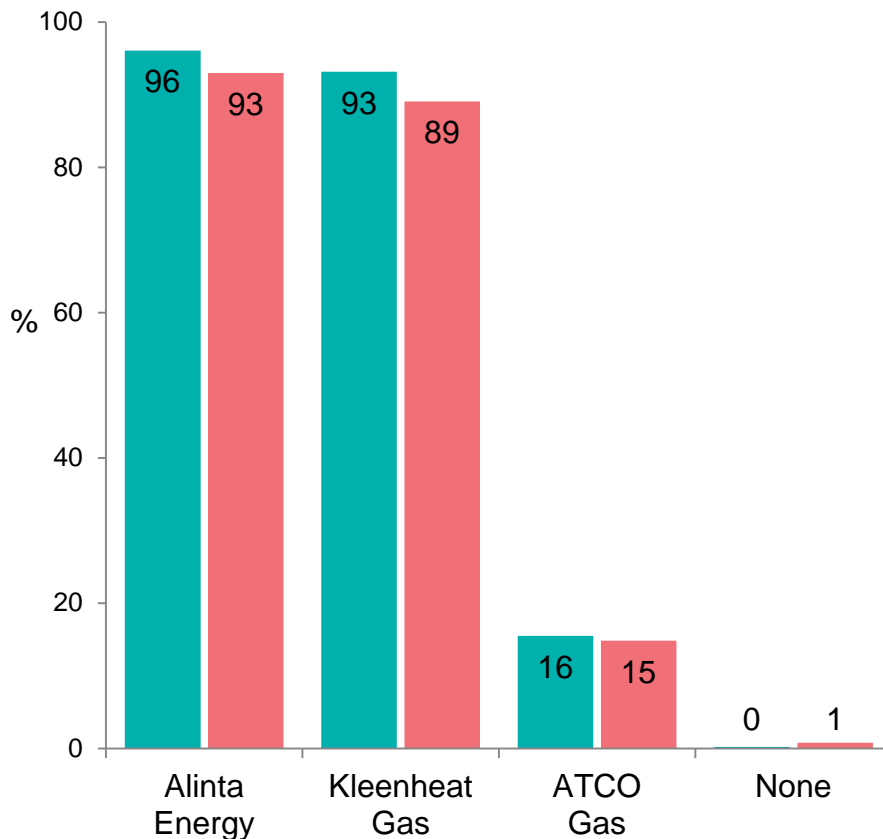
Unprompted Awareness

Which company owns and maintains the underground network of gas pipelines in Western Australia?



Prompted Awareness

Which of the following gas companies have you heard of before today?

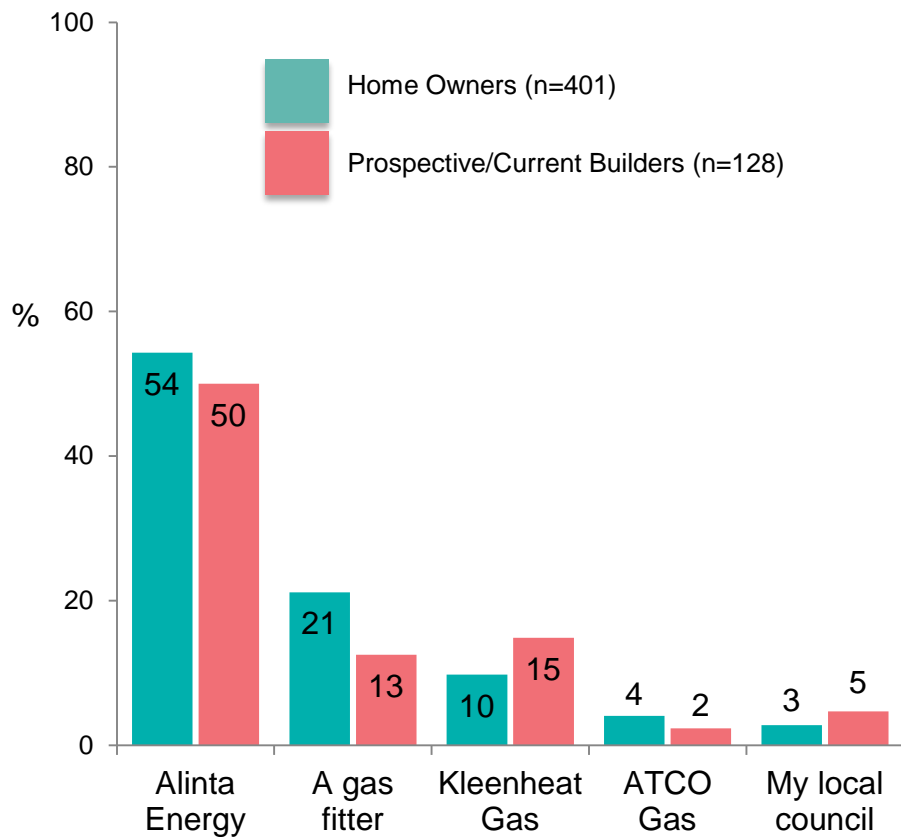


Awareness of Who to Contact

Even after mention of the ATCO Gas name, few households understand that ATCO Gas is the organisation to contact in these situations.

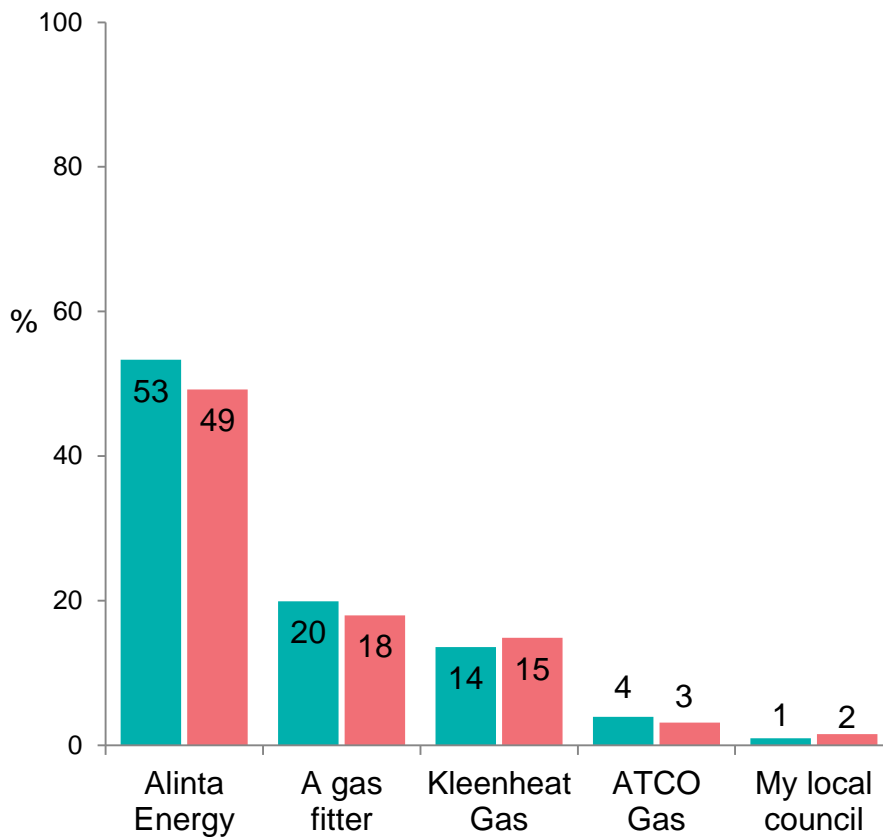
Prompted

Who would you be most likely to contact if there was a gas leak?



Prompted

Who would you be most likely to contact if you wanted a new gas connection?

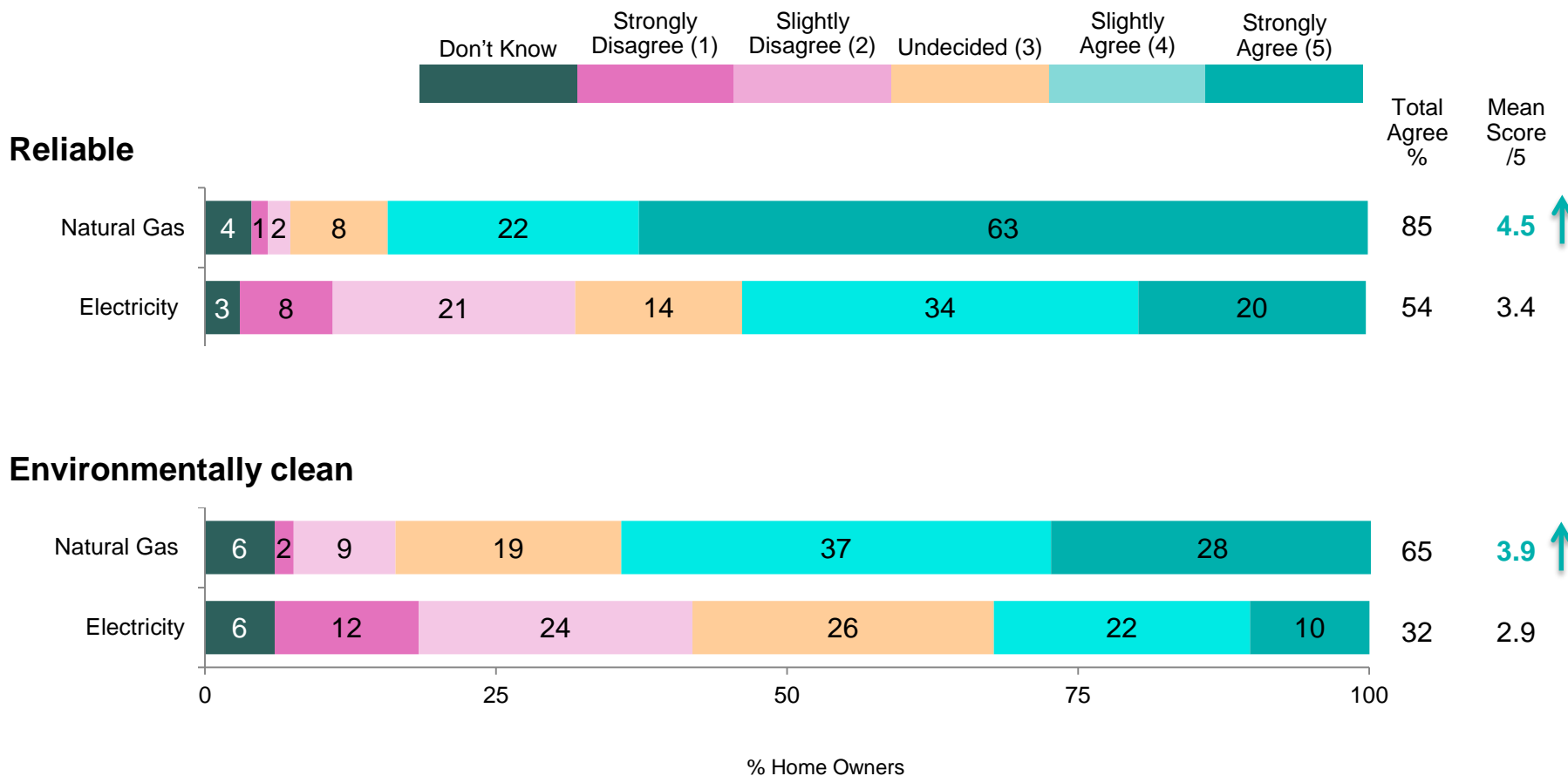


Underlying Perceptions of Gas



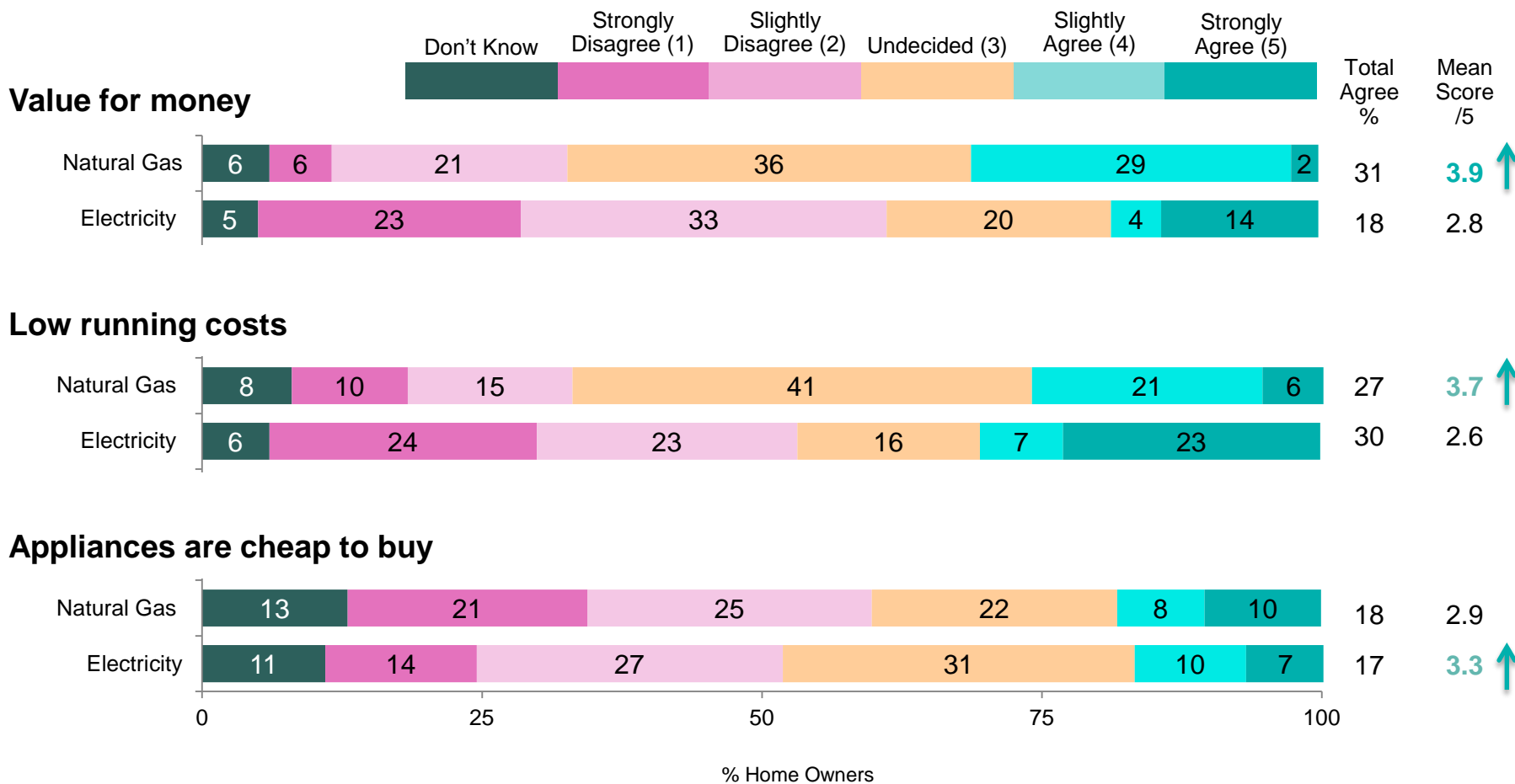
Perceptions of Gas versus Electricity

Gas is generally acknowledged by home owners as reliable and environmentally clean, considerably more so than electricity.



Perceptions of Gas versus Electricity (cont.)

Compared with electricity, gas is more positively associated with lower running costs and superior value for money. Even though gas is seen to have a relative cost advantage, the total proportion of households agreeing that gas has these features is only in the order of 30%, with a larger proportion undecided. By a small margin, electric appliances are considered cheaper to buy, though a considerable proportion is undecided.

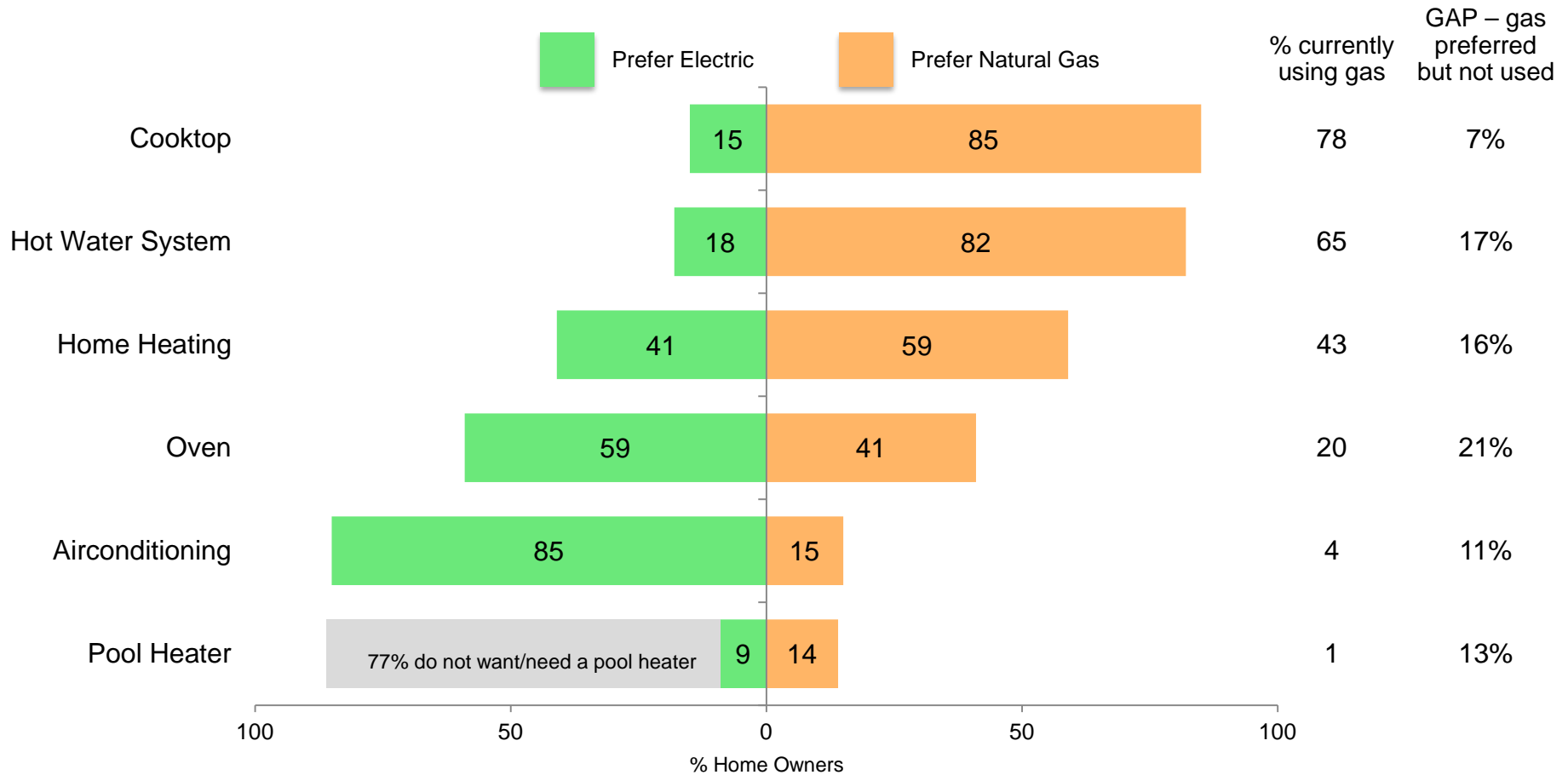


Preference for Gas or Electricity, by Appliance



Amongst home owners, energy preferences vary by appliance, with gas strongly preferred for cooktops and hot water, a more even split for home heating and ovens, and electricity preferred for air conditioning.

For all appliances there is a segment of households (between 7% and 21%) that would prefer gas but don't currently have it.



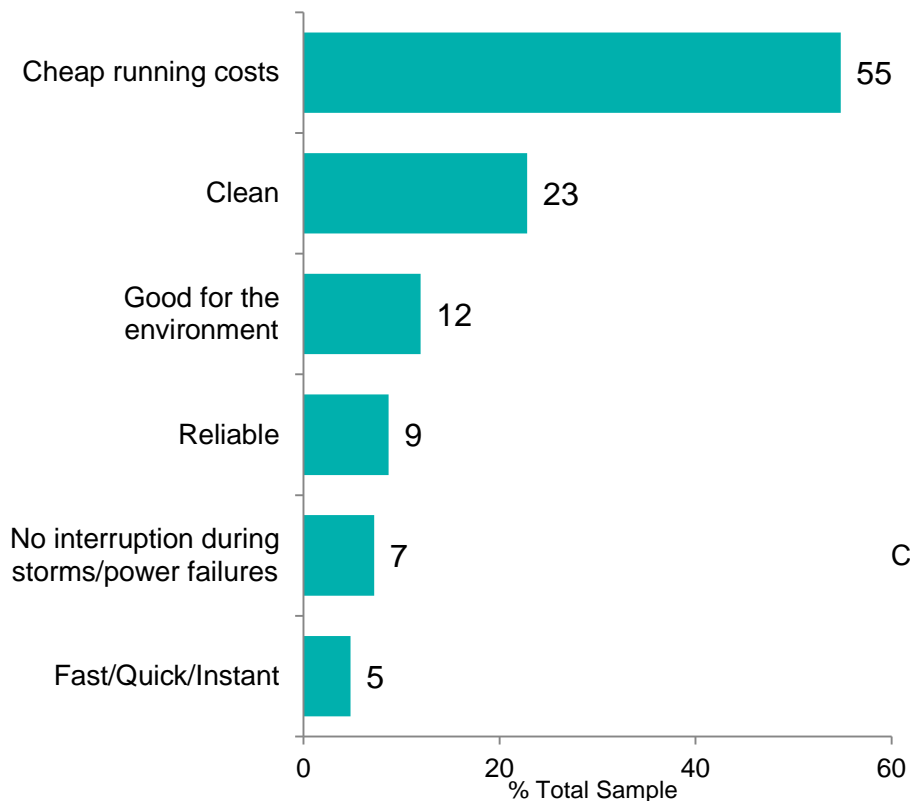
Base: (n=401)

Q2 For each of the following household needs, indicate the type of energy you would most prefer to have, if you could choose gas or electricity.

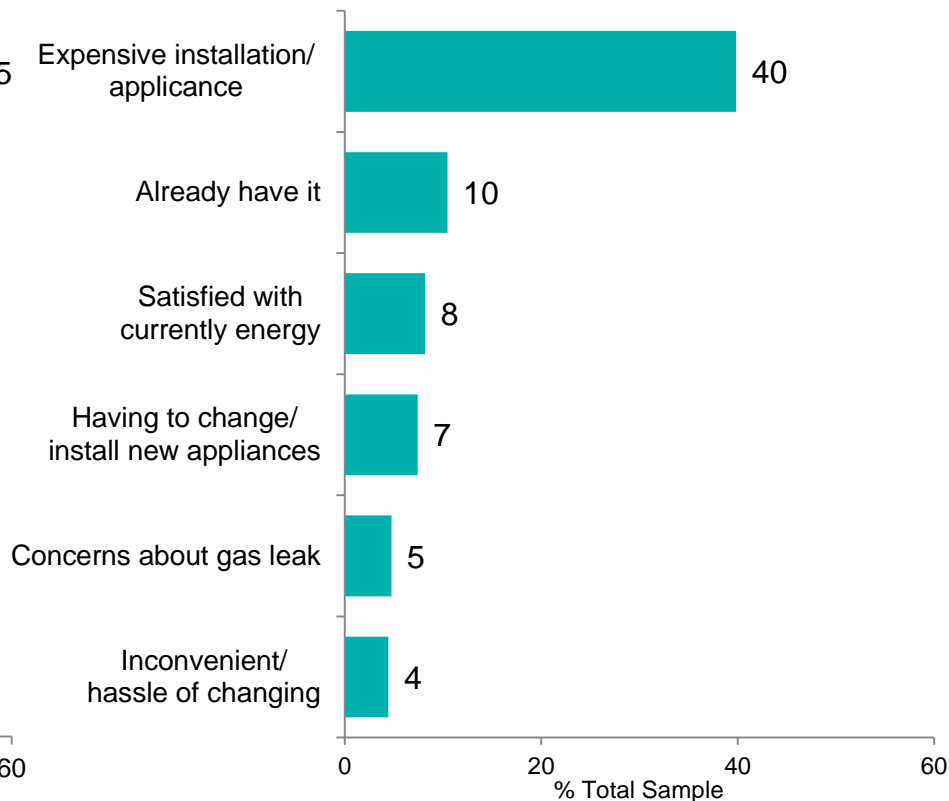
Overall Perceptions of Gas (open-ended)

Those in favour of gas are most attracted by cheaper running costs, followed by perceptions of it being a clean form of energy. However, those discouraged from installing or using natural gas see the cost of buying new appliances and/or arranging for connection as the greatest barrier.

Positive Features of Natural Gas



Factors Discouraging Installation/Use



Base: (n=401)

Q20 What do you think are the most positive features of natural gas as a source of energy for your home?

Q21 What factors discourage you from installing or choosing natural gas for your home?

Gas is cheaper to run, but outlay is a barrier

Amongst those people who perceive gas as offering cheaper running costs, the majority (59%) also noted the cost of switching to gas as a primary barrier. These barriers were associated with:

- The cost of replacing existing electric appliances
- The cost of installing a gas connection (where needed)
- The time needed to save up to make the change

The quotes below demonstrate the appeal of lower running costs but the barriers of an upfront outlay.

	Most positive features of natural gas	Discouraging the choice or installation of natural gas
Home owner 45-49 years H/H income \$75-\$105K	“Gas is cost efficient.”	“The cost of installation is too high.”
Home owner (mortgage) 40-44 years H/H income \$50-\$65K	“Gas is cheaper than electricity and slightly better for the environment.”	“I’m put off by the cost of replacing appliances.”
Home owner 60+ years H/H income \$105-\$155K	“Gas is less costly.”	“It’s too expensive to remodel to accommodate gas.”
Home owner (mortgage), considering building 30-34 years H/H income \$105-\$155K	“Gas is cheaper and reliable.”	“The cost of having a gas connection installed by a gas installer, they are expensive!”
Renter, considering building 40-44 years H/H income >\$32K	“Gas is a lot cheaper and cleaner.”	“Money is too tight at the moment.”

Current Demand for Gas and Responses to Marketing Messages

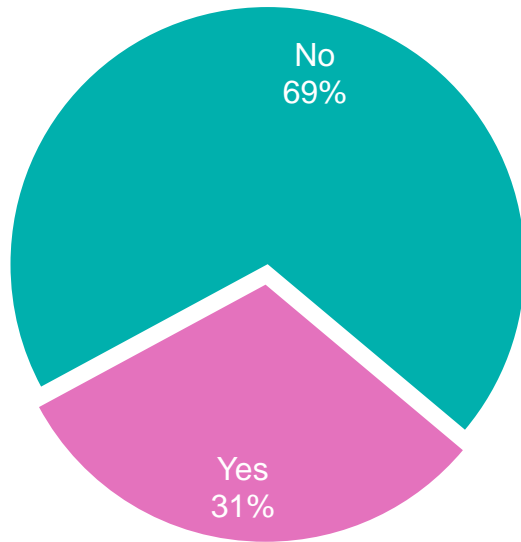


Underlying Consideration of Gas

At some time in the past, 31% of homes without gas have considered connecting, and 32% of homes with gas have considered switching one or more appliances to gas.

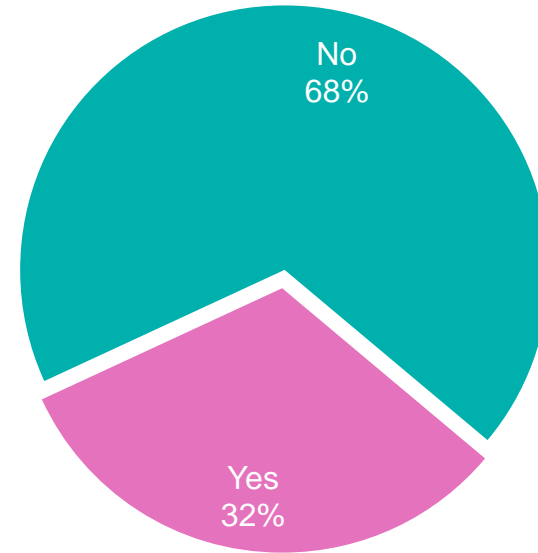
Therefore it can be estimated that 2 in 3 existing homeowners have never considered increasing the use of gas appliances in their current home.

Ever considered getting a new gas connection?



% Home Owners without gas connection

Ever considered switching appliances to gas?



% Home Owners with gas connection

Base: (n=43)

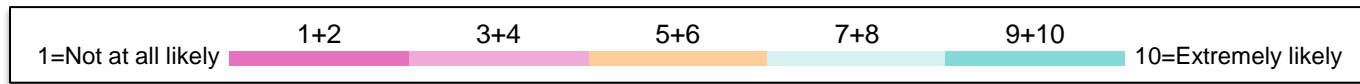
Q9 Have you ever considered arranging a gas connection for your current home so you can use gas appliances?

Base: (n=358)

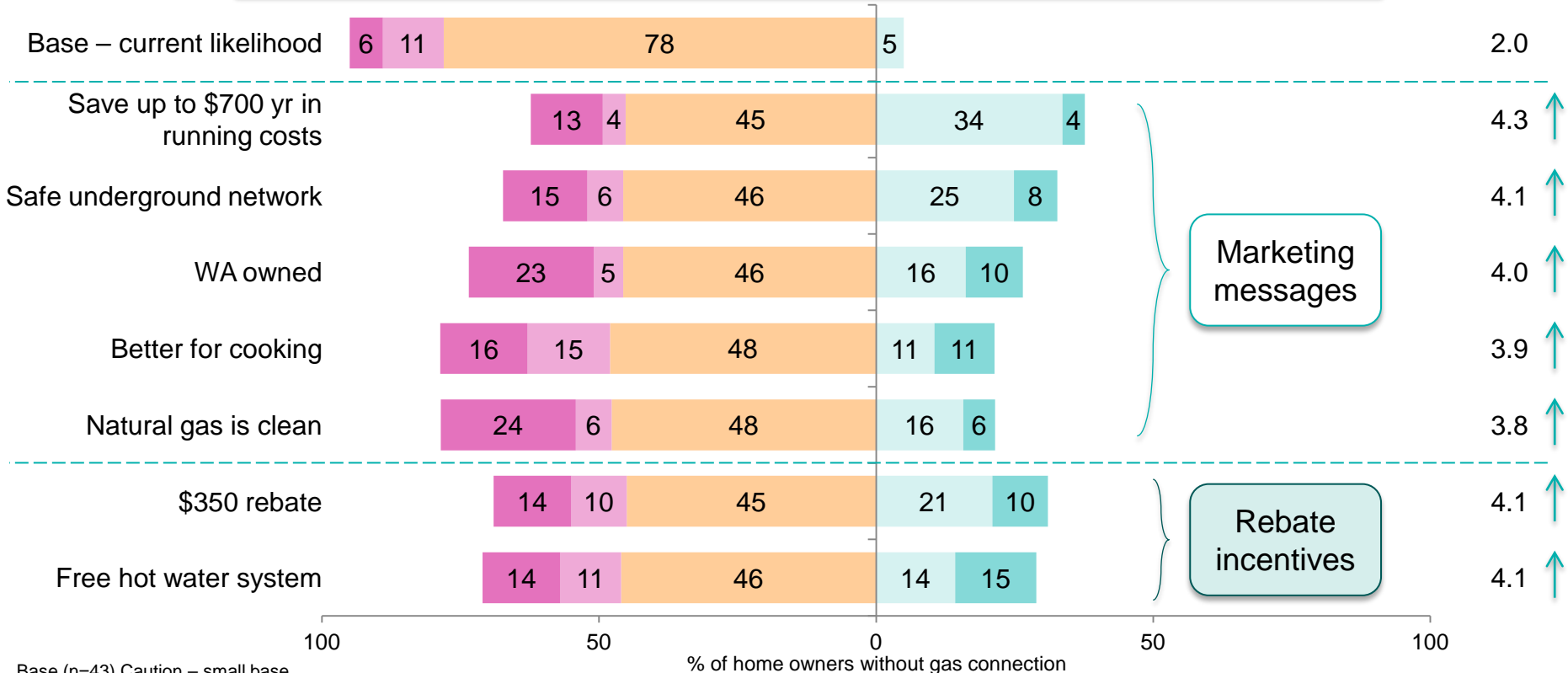
Q13 Have you ever considered switching any of your household appliances from electricity to natural gas?

Potential for New Gas Connections – homes without a gas connection

The strongest lift is seen for unconnected homes to connect to natural gas, as the underlying propensity to do so is low (only 5% giving a likelihood of 7/10 or higher). Of all the gas messages tested, 'reduced annual running costs' prompts the strongest lift in likelihood (up to 38% rating 7/10 or higher). The 'free hot water system' incentive offers even greater potential to influence behaviour, given the larger proportion of highly positive responses (i.e. 15% with a likelihood of 9 or 10/10). The messages and rebates tested in the research are shown in Appendix 1.



Mean Score /10



Base (n=43) Caution – small base

Q10 How likely are you to consider installing a gas connection in your current home in the next 12 months in order to use gas appliances?

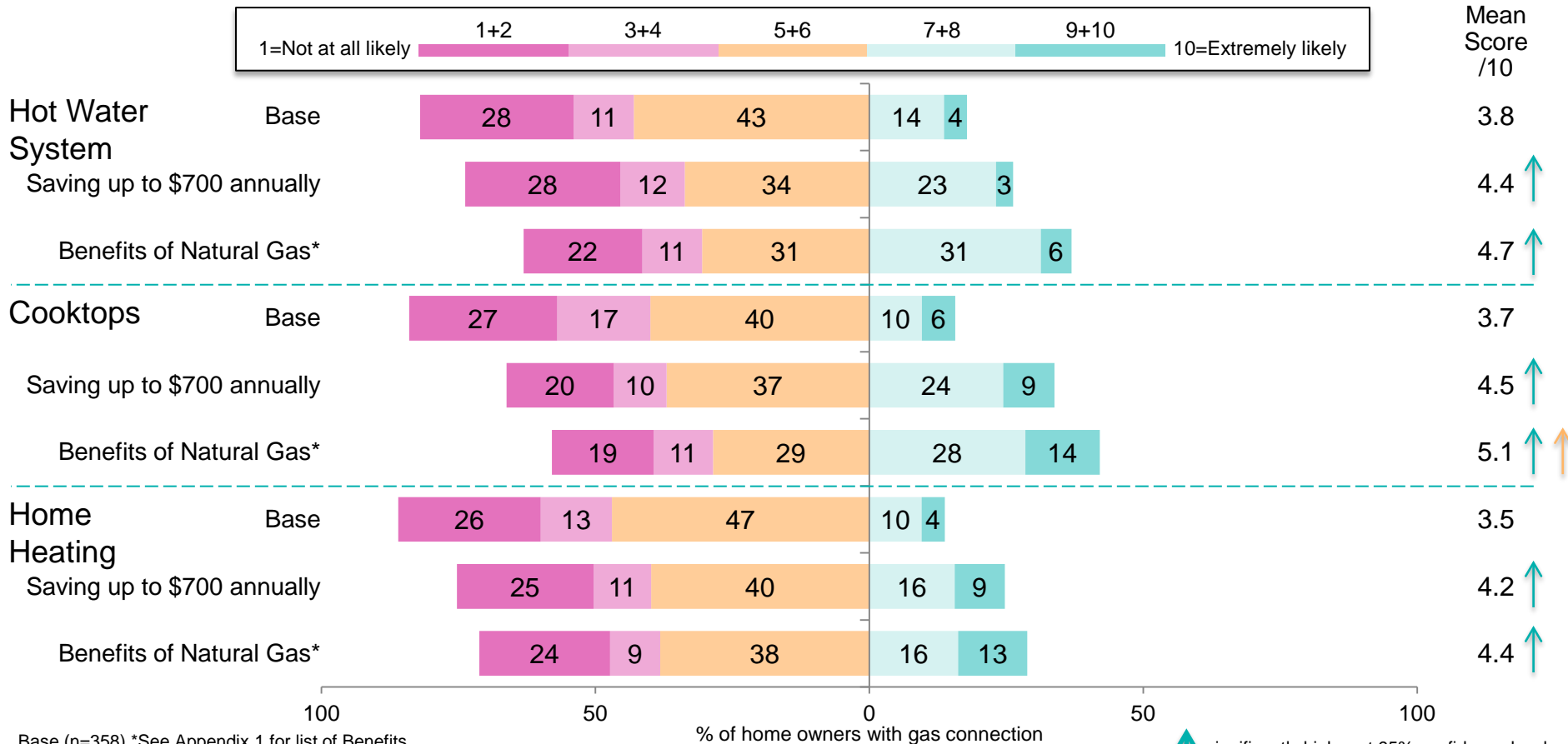
Q11 After reading each message, how likely are you to arrange a gas connection based on that information?

Q12 How likely you would be to arrange a gas connection based on these financial incentives?

↑ significantly higher at 95% confidence level than current likelihood

Potential to Switch to Gas Appliances – homes with gas

Baseline responses show between 10-18% of gas-connected homes have some likelihood (i.e. rating 7-10/10) to switch an appliance to gas at the next opportunity. The variation depends on the appliance. Marketing messages have the potential to positively impact this likelihood: 'Saving up to \$700 annually' has a positive impact on likelihood to switch for all appliances, while also communicating the other benefits of gas extends this impact further. The messages tested in the research are shown in Appendix 1.



Base (n=358) *See Appendix 1 for list of Benefits

Q14 How likely are you to consider changing the following appliances in your home in the next 12 months?

Q15 Based on these cost savings how likely are you to convert each of the following appliances to natural gas at the next opportunity?

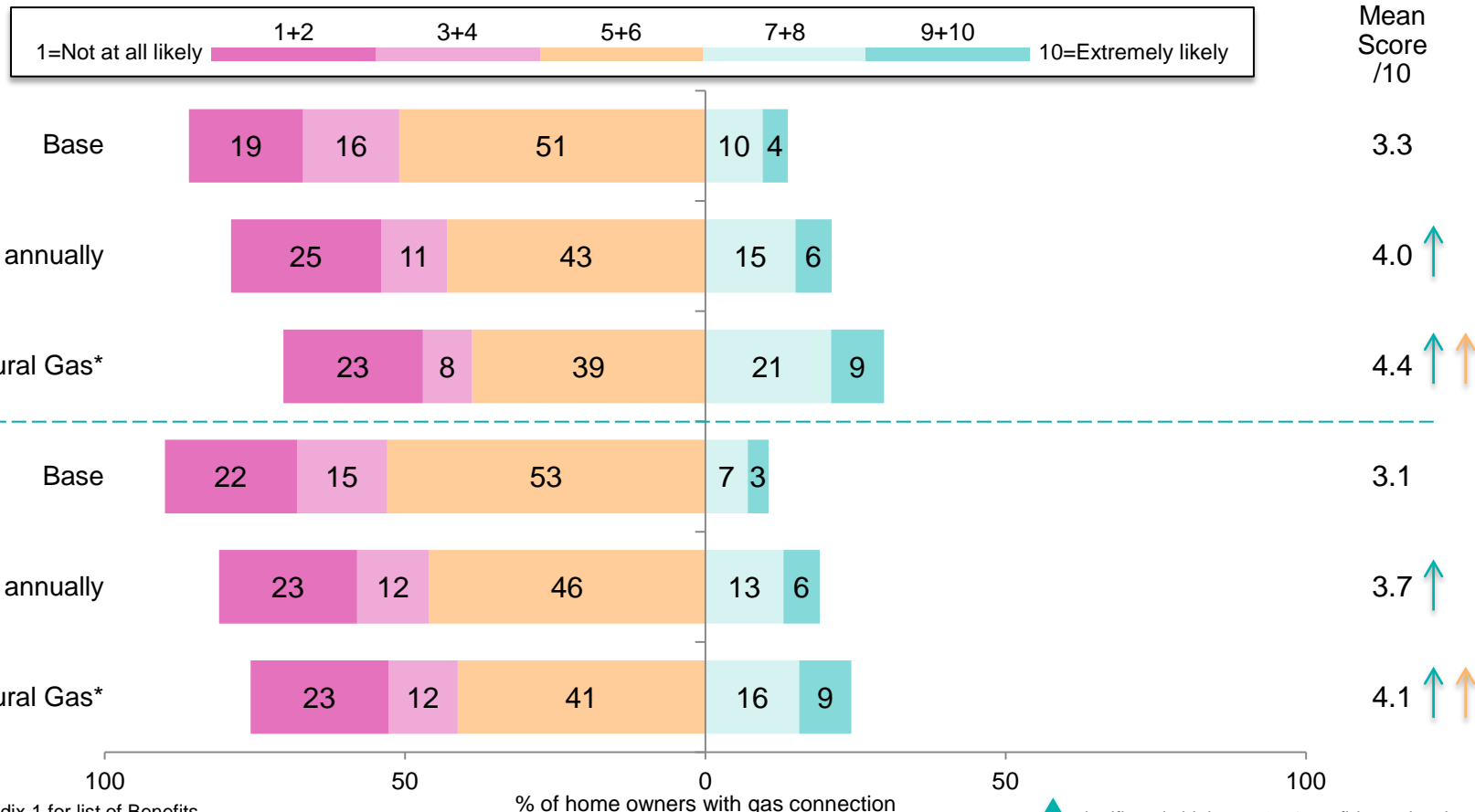
Q16 Based on these benefits, how likely are you to convert each of the following appliances to natural gas at the next opportunity?

↑ significantly higher at 95% confidence level than current likelihood
 ↑↑ significantly higher at 95% confidence level than 'with cost saving'

Potential to Switch to Gas Appliances – continued



For appliances used for cooking (cooktop, oven, BBQ), communicating the benefits of natural gas has a more significant additional impact on propensity to convert to gas, as a result of conveying that ‘gas is better for cooking’.



Base (n=358) *See Appendix 1 for list of Benefits

Q14 How likely are you to consider changing the following appliances in your home in the next 12 months?

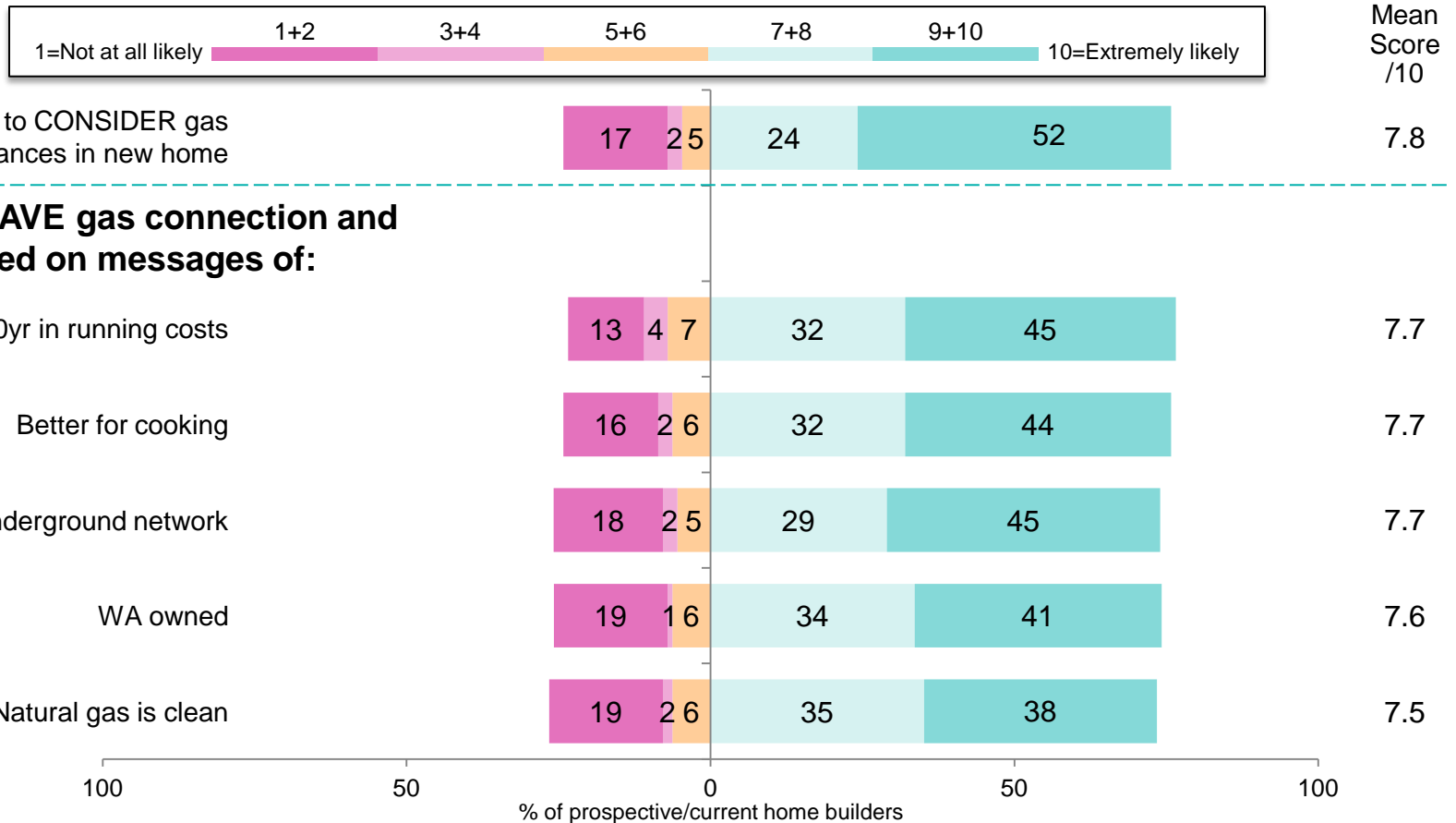
Q15 Based on these cost savings how likely are you to convert each of the following appliances to natural gas at the next opportunity?

Q16 Based on these benefits, how likely are you to convert each of the following appliances to natural gas at the next opportunity?

↑ significantly higher at 95% confidence level than current likelihood
 ↑↑ significantly higher at 95% confidence level than 'with cost saving'

Potential for New Home Connections – Prospective Builders

Prospective home builders have a high underlying willingness to consider connecting their new home to gas and to install gas appliances (76% rate likelihood at 7/10 or higher). In response to the marketing messages, the likelihood to have a gas connection and gas appliances shows a negligible change from the baseline consideration, indicating that the marketing messages have no identified propensity to increase likelihood to connect a new home to gas. While percentages varied slightly, there is no statistically significant difference between responses to any of the options presented.



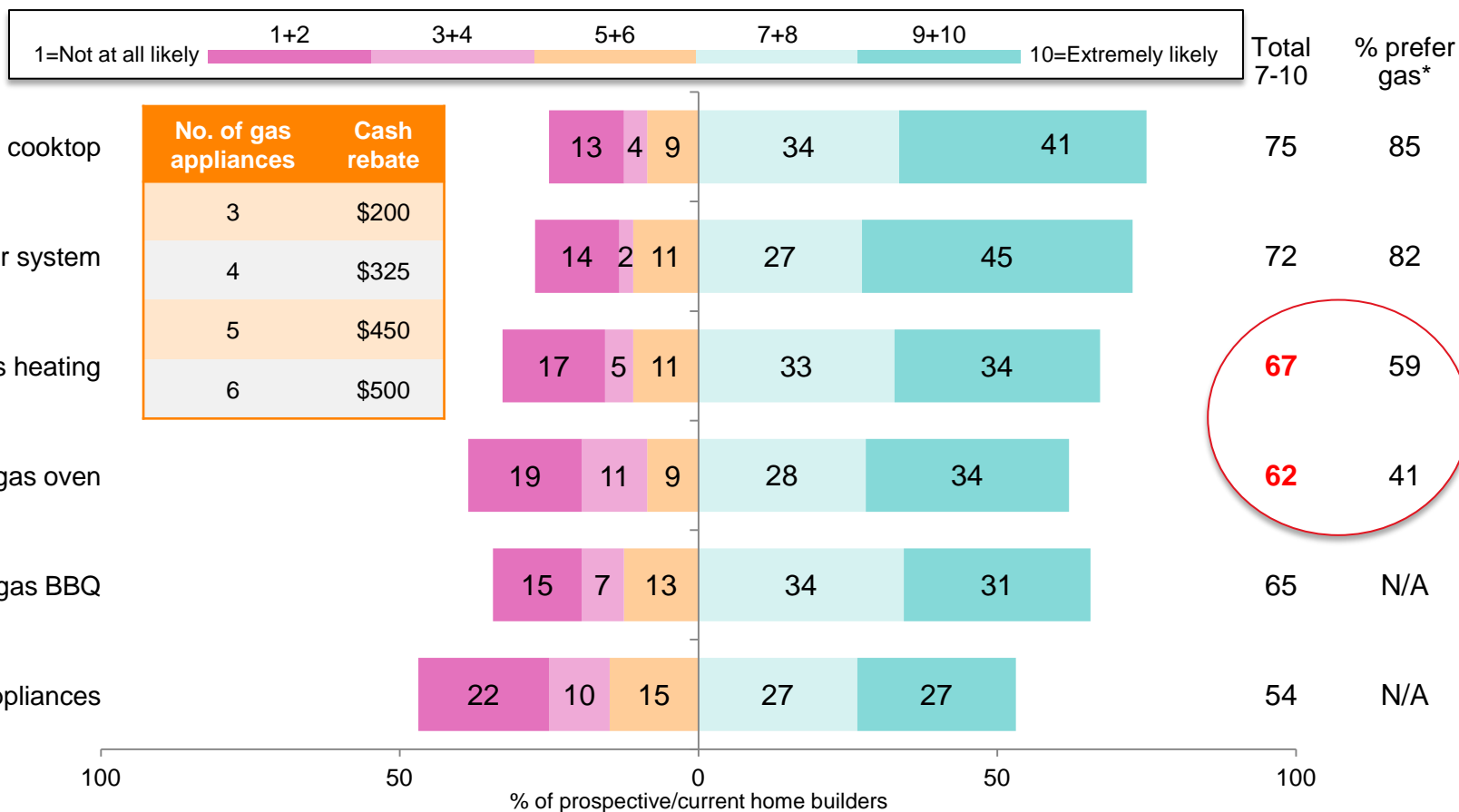
Base (n=128)

Q17 How likely are you to consider a gas connection and gas appliances in your new home?

Q18 After reading each message, how likely are you to have a gas connection and gas appliances in your new home?

Installing Gas Appliances in New Home – Prospective Builders

When informed of the cash rebate for multiple gas appliances, the strongest likelihood is for home builders to install a gas cooktop and hot water system – already popular gas appliances. Interest in gas home heating and ovens is higher in this scenario than underlying preferences for these appliances, suggesting the rebate could stimulate demand for these appliances in particular.



Base (n=128)

* Based on current home owners

Q19 Considering these rebates, how likely are you to install the following natural gas appliances in your new home?

Calculations of Potential Market Impacts



Potential Gas Connections – Homes without gas



To create an estimate of the potential impact of marketing messages, discounting was applied to responses of the likelihood to connect an existing home to natural gas. These weights were calibrated such that the baseline result approximated actual take-up (see Appendix 2). Based on these calculations:

- Messages communicating the rebates, reduced annual running costs, or that gas is better for cooking show the highest potential to stimulate take-up of a new gas connection. Calculations show that the maximum potential increase in connections ranges from an additional 11,000 to 14,000 households.
- Given the small base for this sub-group (n=47) and the resulting error margins, results for the top 4 messages in the table below should each be considered to have a similar potential to positively influence take-up.

Messages	Potential take-up (% homes without gas)	Equivalent number of <u>additional</u> homes connecting
Base (calibrated to current # homes connecting)	1.5%	1,329
Natural Gas is clean	8.0% (+6.5%)	+5,580
Natural Gas has a safe underground network	11.7% (+10.2%)	+8,780
Natural Gas belongs to you	14.9% (+13.3%)	+11,520
\$350 rebate offer (with all messages)	15.3% (+13.8%)	+11,900
\$700 annual saving on running costs	17.3% (+15.7%)	+13,580
Natural Gas is better for cooking	17.8% (+16.3%)	+14,070
Free Hot Water System offer (with all messages)	18.7% (+17.1%)	+14,760

Base (n=43) Existing home owners without gas
Caution – small base

Switching to Gas Appliances – Existing Homes

The same discounting weights were applied to responses for likelihood to switch appliances to gas 'at the next opportunity' (as shown in Appendix 2). Based on this, the potential market impacts are as follows:

- There is potential to increase switching to gas for all appliances, by varying amounts depending on the current penetration of the appliance and the underlying appeal of gas for that purpose.
- The impact would be greatest on propensity to switch to a gas oven, partly due to the lower incidence of gas ovens already, as well as the message that 'natural gas is much better for cooking'.
- The greatest opportunity arises from communicating up to \$700 in annual cost savings AND the superiority of gas for cooking.

Appliance	Baseline		Potential increase with 'up to \$700 annual savings'		Potential increase with 'up to \$700 annual saving plus other benefits of gas'	
	% take up	# appliances	Incremental take-up	# additional appliances	Incremental take-up	# additional appliances
Hot water system	2.1%	6,940	+0.5%	+1,780	+2.0%	+6,760
Cooktops	1.0%	3,430	+1.0%	+3,480	+1.9%	+6,720
Outdoor BBQ	4.4%	15,150	+1.4%	+4,730	+3.4%	+11,610
Home heating	3.4%	11,690	+2.5%	+8,750	+3.7%	+12,900
Oven	3.8%	12,700	+3.1%	+10,840	+5.4%	+18,660

Base (n=348)

Home owners with gas

Note: the above percentages represent the potential % of all Perth metro home owners, not just those that do not already have that gas appliance.

New Gas Connections – New Homes



The survey results showed no evidence that marketing messages have the potential to influence the likelihood of prospective home owners to connect their new home to natural gas.

The research also tested a cash rebate for installing 3 or more gas appliances. In response to this offer:

- 20% of prospective home owners show a high likelihood to install 3-5 appliances (i.e. rating 9 or 10/10)
- 19% showed a high likelihood to install 6 gas appliances in their new home.

Compared with actual baseline data provided by ATCO Gas, the research show a significant potential increase in the number of gas appliances installed in new homes, in response to the cash rebate offer. Data for new homes built in the last 6 months shows 19% connecting 3 or more gas appliances, while the survey indicates this could potentially increase to 39% of new homes installing 3 or more gas appliances.

Number of gas appliances to install	Cash rebate offered	Baseline % new connections installing gas appliances	% prospective home owners with very high likelihood (9 or 10/10)
0	na	8%	48%
1	\$0	12%	8%
2	\$0	60%	5%
3	\$200	16%	7%
4	\$325	3%	5%
5	\$450	0.4%	8%
6	\$500	0.1%	19%
		Source: ATCO Gas See Appendix 2	Base (n=128) Prospective new home owners

Base (n=128)
Prospective new home owners

Summary



THE ADVANTAGES OF GAS

Natural gas is acknowledged as superior to electricity in terms of reliability and environmental benefits.

Considerations around cost are more influential on consumer decision making, yet perceptions of the relative cost advantages of gas are less clear. Gas has some perceived advantage over electricity in terms of running costs and value for money, but only 30% of home owners actually perceive gas as superior on these points, while up to 40% are undecided.

Cost considerations include both running costs and purchase/installation costs. The majority (59%) of all current and prospective home owners consider low running costs to be the most positive feature of gas, yet 40% are discouraged from installing or choosing gas by the cost of installation and/or appliances. These are frequently the same people.

CONSIDERATION AND PREFERENCES FOR NATURAL GAS

An estimated 2 in 3 existing homeowners have not previously considered increasing the use of gas in their current home. Preferences for gas or electricity vary considerably by appliance. Gas is strongly preferred for cooktops and hot water systems, but preferences are more evenly split for home heating and ovens. (Electricity is widely preferred for air conditioning.) For all appliances there is a segment of households (between 7% and 21%) that would prefer gas but don't currently have it. Gas hot water, home heating and ovens provide the best opportunities for incentives to stimulate switching.

IMPLICATIONS

The promotion of natural gas should focus on building consumer understanding and appreciation of the superior value for money of gas, as well as reducing entry cost barriers wherever possible.

In addition, the message that 'gas is better for cooking' was found to have an incremental effect on the potential take-up of gas cooking appliances, and should be a supplementary marketing message for these appliances.

STIMULATING GAS CONNECTIONS

The proposed marketing messages have the strongest potential impact on likelihood to connect an existing property to gas, primarily because the underlying propensity to do this is very low.

The 'Free Hot Water System' offer along with promoting the benefits of natural gas has the greatest potential to increase existing home gas connections (with the potential to stimulate take-up of a new gas connection by 14-18% above the current base).

Prospective new home builders already have a high propensity to consider connecting their new home to gas, and the marketing messages show no ability to increase this propensity further. Offering a cash rebate based on the number of new gas appliances received positive feedback from prospective home builders. Data for new homes built in the last 6 months shows 19% connecting 3 or more gas appliances, while the survey indicates this could potentially increase to 39% of new homes installing 3 or more gas appliances.

SWITCHING APPLIANCES TO GAS

In encouraging existing households to switch to gas appliances, the message of 'annual cost savings up to \$700 per year' can have a positive impact, which varies by appliance. Combining this with other messages of the benefits of gas can add further, incremental gains. The potential to impact switching is greatest for gas ovens, partly due to the latent demand for gas ovens (21% of home owners do not have gas but would prefer it). Estimates show a maximum potential to stimulate switching to a gas oven in 18,410 homes, as a result of the marketing messages. Responses show potential for the messages to also stimulate switching for other appliances to varying degrees.

THE ATCO GAS BRAND

Current awareness of the ATCO Gas brand is low, as is the understanding of the role of ATCO Gas in relation to new connections or gas leaks. This research indicates that improving the market's perceptions of gas and its advantages over electricity will be more beneficial than increasing awareness of the ATCO Gas brand. Given the high brand awareness of existing gas distributors (>90% prompted awareness of Alinta Energy and Kleenheat Gas), it may not be necessary to invest in awareness of the ATCO Gas brand.

Summary of Potential Impacts

	Baseline	Maximum Potential impact of marketing*	Estimated Equivalent Units*
Existing homes <u>without</u> gas – likelihood to connect	1,329 homes connecting (Source ATCO Gas)	An additional 13-17% of homes connecting	Equivalent to between +11,900 and +14,760 additional connections
Existing homes <u>with</u> gas – likelihood to switch to gas appliances	Baseline % of households switching at next opportunity (as per research)	Additional % of households switching in response to “up to \$700 annual cost savings” plus other benefits of gas	Equivalent number of households switching for each appliance
Hot water system	2.1%	+2.0%	+6,760
Cooktops	1.0%	+1.9%	+6,720
Outdoor BBQ	4.4%	+3.4%	+11,610
Home heating	3.4%	+3.7%	+12,900
Oven	3.8%	+5.4%	+18,660
New homes to be built - Likelihood to connect new home to natural gas	Mean score 7.8/10	Mean score 7.7/10	No shift in propensity to connect gas to new home
Number of gas appliances to be installed in new home	19% installed 3+ gas appliances (Source ATCO Gas)	An additional 20% of new homes installing 3+ gas appliances (up to 39%)	Equivalent to 3+ appliances in +8,985 new homes over 12 months

*Note - These potential impacts are based on the marketing messages as communicated in the research (Appendix 1) and the assumptions of the research and associated calculations (Appendix 2)

Appendix 1

Marketing messages
shown in survey



Messages for homes without gas connection

ROTATE ORDER OF STATEMENTS a-e

- a) By switching from electricity to natural gas for your hot water, heating and cooking, you could save up to \$700 per year in running costs.
- b) Natural gas is much better for cooking – you can control the flame and adjust the heat up and down easily. And all the best chefs prefer to use natural gas.
- c) Natural gas is clean – it is one of the cleanest forms of non-renewable energy, delivered to your home with fewer CO2 emissions than electricity from coal-fired power stations.
- d) Natural gas uses an underground network, so gas is safe during storms – meaning no supply interruption and no risks of storm damage.
- e) Natural gas belongs to you – natural gas in Perth comes from WA's North West, where there are reserves for hundreds of years.

Rebates for homes without gas connection

OFFER 1 – \$350 REBATE

By connecting your home to natural gas, you receive an upfront **\$350 cash rebate** to offset installation and appliance costs. And you would save up to **\$700 every year** on running costs, based on the comparison costs shown below.

Average annual running costs comparison guide:

Water Heaters

APPLIANCE	NATURAL GAS	ELECTRIC
Instantaneous	\$675	\$1,097
Storage	\$685	\$1,276

Water heating is one of your biggest energy costs each year, and choosing natural gas water heaters can save you around \$590 per year.

Cooktops/Hobs

APPLIANCE	NATURAL GAS	ELECTRIC
Cooktop	\$74	\$95

Fast, easily controlled heat from natural gas is also the most affordable choice when compared to electricity.

Barbeques

APPLIANCE	NATURAL GAS	LPG
Barbeque	\$42	\$66

Converting your barbeque to natural gas means you'll never have to refill or exchange a gas bottle again. And you'll save money too!

Space Heaters

APPLIANCE	NATURAL GAS	ELECTRIC
Unflued	\$131	-
Flued	\$184	-
Radiant	-	\$420

Whether unflued or flued, gas heating is much more economical than electric radiant heaters.

Ovens

APPLIANCE	NATURAL GAS	ELECTRIC
Oven	\$81	\$80

Although not many people in WA have gas ovens, they cost about the same to run as electric ovens, and they're not affected by electricity outages.

TOTAL SAVINGS PER YEAR

For the overall running costs, convenience and continuity of supply, switching to natural gas is a bright idea.

Switch from electricity -
SAVE up to
\$700
per year in running costs.

Rebates for homes without gas connection



OFFER 2 – FREE HOT WATER SYSTEM

Under this offer you would receive a **free natural gas hot water system**, with a fixed \$500 installation fee. Over the lifetime of the hot water system you could save between **\$5,000 and \$6,500 on total running costs over 10-15 years**, as shown below.

OFFER: Free Natural Gas Hot Water System \$500 installation fee Plus savings on running costs over the life of the system			
Natural Gas Hot Water Storage System		Natural Gas Hot Water Continuous Flow System	
10 years x \$507pa = \$5,070 SAVING		15 years x \$439pa = \$6,585 SAVING	
*Estimated average appliance life = 10 years	Cost savings per year = \$507	*Estimated average appliance life = 15 years	Cost savings per year = \$439
*Savings based on average running cost of electric hot water system using 200 litres of hot water per day when compared to a five (5) Star rated gas hot water system			

Messages for homes with gas connection

Cost Savings up to \$700:

Average annual running costs comparison guide:

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Storage	\$685	\$1,276

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\$700

per year in running costs.

Benefits of Natural Gas:

Natural gas is much better for cooking – you can control the flame and adjust the heat up and down easily. And all the best chefs prefer to use natural gas.

Natural gas is clean – it is one of the cleanest forms on non-renewable energy, delivered to your home with fewer CO2 emissions than electricity from coal-fired power stations.

Natural gas is safe during storms – using an underground network means no supply interruptions or risks during a storm.

Natural gas belongs to you – natural gas in Perth comes from WA's North West, where there are reserves for hundreds of years.

Messages for new home builders

ROTATE ORDER OF STATEMENTS a-e

- a) By switching from electricity to natural gas for your hot water, heating and cooking, you could save up to \$700 per year in running costs.
- b) Natural gas is much better for cooking – you can control the flame and adjust the heat up and down easily. And all the best chefs prefer to use natural gas.
- c) Natural gas is clean – it is one of the cleanest forms of non-renewable energy, delivered to your home with fewer CO2 emissions than electricity from coal-fired power stations.
- d) Natural gas uses an underground network, so gas is safe during storms – meaning no supply interruption and no risks of storm damage.
- e) Natural gas belongs to you – natural gas in Perth comes from WA's North West, where there are reserves for hundreds of years.

Rebate for new home builders

In addition to the lower running costs of natural gas, what if you were offered a cash incentive to install natural gas appliances in your new home.

This could include a gas hot water system, cooktop, oven, home heating, BBQ, pool heater, spa heater, pizza oven and/or clothes dryer.

The amount of the cash rebate would be based on the number of natural gas appliances you install as follows:

Number of gas appliances in new home	Cash rebate
3	\$200
4	\$325
5	\$450
6	\$500

Appendix 2

Assumptions for market calculations



Assumptions for Calculations

1. Perfect awareness and access

Throughout this research, all data reporting the potential impact of marketing messages on behaviour assumes that the market has 100% awareness of the marketing messages and is not subject to any contractual arrangements or other factors that would inhibit them taking up any offer.

2. Weighting of responses to likelihood question

In calculating the potential impact of marketing messages for existing homes (i.e. the installation of a gas connection, or switching to gas appliances), the following weightings have been applied:

Likelihood to act was measured on a 10 point scale, ranging from 1 (not at all likely) to 10 (extremely likely).

To extrapolate this likelihood to an estimate of potential behaviour, a calibrated weighting was applied to these responses. The weights were calculated using the baseline question (propensity to connect a unconnected home to gas, without marketing messages) such that this response approximated the actual number of homes connecting to gas, as reported by ATCO Gas. The resulting weights were as follows:

Response	1	2	3	4	5	6	7	8	9	10
Weighting	0	0	0	0	0	0	0.125	0.5	0.7	0.9

Base for calibration of weightings:

On a rolling 12 month basis, as at November 2014, approximately 6.2% of AGA's total gross connections are for established residential homes (This is based on Perth Metro area).

Established: 1,329

New: 20,146

Gross Connections: 21,475

Source: ATCO Gas

Data for Calculations – Existing Homes

The following secondary data was used in development of the market calculations to estimate the potential number of existing homes taking up a gas connection or switching to a gas appliance.

Home Ownership Data – Number of Existing Homes		
	Number of dwellings	
	Owned	Mortgaged
Perth – Inner	19,708	18,029
Perth – North West	49,613	73,588
Perth – North East	21,252	32,366
Perth – South East	44,116	62,318
Total – South West	48,502	61,984
TOTAL	183,191	248,285
Source: ABS Census 2011	431,476	
Percent of Existing Households Connected to Gas		80%
Source: ATCO Gas		

Data for Calculations – New Homes

The following data was used in development of the market calculations to estimate the baseline number of new homes taking up a gas connection and installing between 1 and 6 gas appliances.

Recent Suburb Penetration - New Homes		
Suburb	Penetration of Gas	Date Established
TAPPING	96%	1990s
KINROSS	95%	1990s
ATWELL	94%	1990s
WINTHROP	94%	1980s
RIDGEWOOD	93%	1990s
WITHERS	93%	1980s
USHER	93%	1980s
SECRET HARBOUR	91%	1980s
CONNOLLY	91%	1980s
CURRAMBINE	91%	1990s
BUTLER	87%	2000s
AUBIN GROVE	86%	2000s
CARRAMAR	88%	1990s
AVERAGE PENETRATION (average of above)	92%	
% HOMES NOT CONNECTING TO GAS	8%	
Source: ATCO Gas		

Number of gas appliances installed in new homes		
No. of appliances installed	% of new homes connected to gas	% of all new homes
0		8%
1	13%	12%
2	65%	60%
3	18%	16%
4	3%	3%
5	0.4%	0.4%
6+	0.1%	0.1%
TOTAL	100%	100%
	Total new home connections	
	11,501	
Source: ATCO Gas		
For 6 months 14 June - 14 Dec 2014		

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