

AER Decision

AusNet Services' Customer Service Incentive
Scheme suspension for the 2024-25 and 2025-26
regulatory years

April 2025

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1 Purpose

On 10 December 2024, AusNet Services (AusNet) submitted an application to the AER to suspend its Customer Service Incentive Scheme (CSIS) for the 2024-25 and 2025-26 regulatory years.

This decision document sets out AusNet's proposal and our assessment. The AER's decision is to approve this application.

1.1 Background

CSIS

The CSIS is a flexible, 'principles-based' incentive scheme developed and published in July 2020.¹ It is designed to encourage distribution network service providers (DNSPs) to engage with their customers, identify (via consultation) the services customers want improved and then set targets and incentives to improve them.

The CSIS allows us to set targets for DNSPs' customer service performance and requires them to report on performance against those targets. Under the CSIS, DNSPs may be financially rewarded or penalised depending on how they perform against their customer service targets.²

DNSPs design their CSIS to reflect the required components which include:

- (a) Performance parameters – what customers want to be incentivised
- (b) Measurement methodology – how performance is measured
- (c) Assessment approach – how performance is rated; and
- (d) Financial component – how penalties and rewards are calculated and applied.

AusNet's CSIS

On 30 April 2021, the AER's distribution determination for AusNet applied the CSIS and approved its proposed incentive design for the 2021-26 period. The CSIS incentive design included 4 'performance parameters':

- Customer satisfaction with communication on unplanned outages
- Customer satisfaction with communication on planned outages
- Customer service for new connections (basic and standard); and
- Customer service in managing complaints.

To develop each parameter, AusNet commissioned Customer Service Benchmarking Australia (CSBA) to undertake monthly telephone surveys of its residential and business customers' satisfaction. Customers rate AusNet's customer service with a score between 0

¹ AER, [FINAL Customer Service Incentive Scheme](#), July 2020.

² AER, [Explanatory Statement: Customer Service Incentive Scheme](#), July 2020, p.4.

(extremely dissatisfied) and 10 (extremely satisfied). The ongoing survey results formed the basis of AusNet's CSIS measurement methodology.

We approved this methodology as part of the 2021-26 determination as it was quantified, external audits could be implemented to verify outcomes and the principles for approval (outlined in the scheme) were met.

2 The AER's Decision

2.1 Legal framework

Rule 6.6.4 of the National Electricity Rules (NER) permits us to develop and publish a 'small scale incentive scheme' to provide DNSPs with incentives to provide services in a manner that contributes to the achievement of the National Energy Objectives (NEO).

The CSIS has been applied to AusNet for the 2021-26 regulatory control period under AusNet's current (2021-26) distribution determination.³

Clause 4.3(1) of the CSIS provides that:

At any time during a regulatory control period in which an incentive design applies to a DNSP, the AER may suspend an incentive design or a given performance parameter for either the remainder of the regulatory control period or a portion of the regulatory control period.

Per clause 4.3(3) of the CSIS, a DNSP proposing that the incentive design or given performance parameter be suspended must provide in writing its reasons for proposing the suspension.

Clause 4.3(2) of the CSIS stipulates that in making a suspension decision under subclause 4.3(1), the AER must be satisfied that:

The AER will make a decision under 4.3(1) if it is satisfied that the incentive design, relevant performance parameter (or the measurement methodology, assessment approach or financial component applicable to the relevant performance parameter) are no longer compliant with the incentive design criteria.

Pursuant to clause 4.3(5), before making a decision to suspend a scheme, the AER must consult with the DNSP in question and any other such persons it considers may be affected by and/or have an interest in such a decision.

2.2 AER assessment

AusNet's proposal to suspend its CSIS

In October 2024, AusNet submitted a proposal to apply transitional arrangements to modify its CSIS measurement methodology for the final 2 years of the 2021-26 regulatory period (2024-25 and 2025-26).

AusNet explained that there has been a sustained declining trend in customers responding to telephone surveys, compromising the quality of its results.

To this end, AusNet's telephone survey provider (CSBA) indicated it was unwilling to provide a full online phone surveying service from January 2025.

³ AER, [Final Decision, AusNet Services Distribution Determination 2021-26, Attachment 12 Customer service incentive scheme](#), April 2021

AusNet shared it planned to change its surveying from the telephone survey to a more modern online survey in line with the preferences of its 2026-31 Electricity Distribution Price Review panel members and AusNet customers from 2 January 2025.

AusNet proposed that it use the 6 months of actual data for 2024-25 from the telephone surveys and extrapolate it out to 12 months to determine its performance against the CSIS. Further, it proposed that it suspend its CSIS for 2025-26 but apply a paper trial using the online survey to determine a baseline of data for setting CSIS targets for the 2026-31 regulatory period.

In November 2024, the AER decided not to accept AusNet's proposed transitional arrangements as appropriate under clause 4.2 of the CSIS. While the AER agreed that the telephone surveys were no longer adequate, it considered that the extrapolation of 6 months of data was not adequate to accurately determine performance for a 12-month period.

On this basis, the AER informed AusNet that the AER had not approved its proposed transitional arrangements under clause 4.2 of the CSIS, and encouraged AusNet to consider applying for a formal suspension of its CSIS and undertake a paper trial based on its new survey methodology for 2024-25 and 2025-26.

Following engagement with the AER, on 10 December 2024 AusNet formally submitted a proposal to suspend its CSIS for 2024-25 and 2025-26.

AusNet stated it was seeking a suspension of its CSIS for the 2024-25 and 2025-26 regulatory years under 4.3(1) of the CSIS, due to the inability to collect 12 months of data under the current methodology for these regulatory years. The measurement methodology and associated assessment approach for each performance parameter would be altered following the change, and different to the approved approach for its scheme in the 2021-26 regulatory years.

AusNet stated that the suspension was necessary for the long-term sustainability of its CSIS, as it would allow it to transition its methodology over at least 12 months of online surveying. This would then be used to set targets for an updated CSIS for 2026-31.

To hold itself to account during this change-over period, AusNet proposed to undertake a 'paper trial' as an added reputational incentive and committed to the annual publication of customer satisfaction results using the new methodology annually.

AusNet considered that the proposed arrangements were in the long-term interests of its customers, as:

- it was proposing a more fit-for-purpose and sustainable method of surveying that was aligned with customers' expectations, and would provide the required statistical and data robustness for the CSIS in the long term, and form a baseline for its proposed customer satisfaction-based metrics in the 2026-31 CSIS;
- the new methodology surveys customers directly after their interactions with the business (unlike the previous method, in which there was a lag between the customer's interaction and them receiving a follow-up phone call), allowing customers to provide immediate feedback; and

- despite not having a financial customer satisfaction incentive for the last 2 years of the 2021-26 regulatory period, reputational incentives would be maintained through reporting (to the AER) and the publishing of its 'paper trial' results under the new online methodology.

AER decision

The AER considers that AusNet's proposal meets the relevant criteria for the AER to suspend AusNet's CSIS for the 2024-25 and 2025-26 regulatory years.

AusNet's proposal to suspend its CSIS for the 2024-25 and 2025-26 regulatory years is based on the incentive design for performance parameters no longer being compliant with the incentive design criteria upon the change from telephone surveys to an online survey.

Clause 3.1(1)(b)(ii) of the CSIS notes that the incentive design must set out the measurement methodology, consisting of a description of how performance against the performance parameters will be measured and the assurance arrangements that will apply to the measurement. In moving from telephone surveys to online surveys (i.e. changing the measurement methodology), the incentive design will no longer be consistent with the incentive design criteria set out in AusNet's 2021-26 regulatory determination (and per criteria in 4.3(2) of the CSIS).

The AER engaged with AusNet from October 2024 to understand the full circumstances involved with the change in measurement methodology, and requested additional supporting evidence of its customers' support for the changes.

AusNet provided the AER with a summary of the various ways it received feedback indicating the change to the online methodology is in line with customer preferences. This included feedback from the Research & Engagement panel. The panel members expressed support for the proposed changes, noting that they would be more accessible for customers and help AusNet better understand customers and make improvements, which would outweigh the downside of changing.

The AER considers that AusNet's reasons for changing its survey methodology are valid and in-line with the long-term interests of good consumer outcomes and a well-functioning CSIS.

However, the methodology change means AusNet's CSIS will no longer be in line with the CSIS incentive design set out in AusNet's 2021-26 regulatory determination, and therefore meets the criteria for suspension under clause 4.3(2) of the CSIS.

We consider that the proposed paper trial will provide a reputational incentive during the period of suspension, and allows AusNet to gather enough data for its 2026-31 CSIS baseline and targets.

Per 4.3(5) of the CSIS, we consulted with AusNet prior to making this decision, and sought assurance that its customers were engaged with and supported the methodology changes leading to the suspension.

Conclusion

In accordance with clause 4.3(1) of the CSIS, our decision is to suspend AusNet's CSIS for the 2024-25 and 2025-26 regulatory years.