

Draft decision

AusNet Services electricity distribution determination

1 July 2026 – 30 June 2031

Attachment 9 – Customer service incentive scheme

September 2025

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Email: aerinquiry@aer.gov.au
Tel: 1300 585 165

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9 Customer service incentive scheme

The Customer Service Incentive Scheme (CSIS) is designed to encourage electricity Distribution Network Service Providers (DNSPs) to engage with their customers and provide customer service in accordance with their preferences.¹ The CSIS allows us to set targets for DNSP customer service performance and to require DNSPs 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.

A DNSP's performance parameters must be an aspect of the customer experience component of the DNSP's standard control services that customers particularly value and want improved, as evidenced by genuine engagement with, and support from, the DNSP's customers.² Further details on how the performance targets, weightings, and revenue at risk should be formed are set out in section 3.2 of the CSIS.

The CSIS is based in principles that must be met by DNSPs for the scheme to be applied. These principles are targeted at improving the customer experience. DNSPs can identify, in consultation with their customers, incentive designs that would meet those principles. This allows us to apply different parameters to different DNSPs. Importantly, we will not apply an incentive design unless a DNSP can demonstrate that its customers support the incentive design through genuine engagement.

9.1 Draft decision

Our draft decision is to not accept AusNet Services (AusNet) proposed CSIS and instead apply the customer service (telephone answering and new connections) parameters of the STPIS Version 2.0.

AusNet's proposed CSIS is not compliant with the requirements of the scheme. Specific issues with AusNet's proposed CSIS are:

- the lack of baseline data and targets
- the proposal to apply a +/-1% revenue at risk, and
- the potential risk of interrelationship with the STPIS.

This means that the CSIS proposal does not meet scheme requirements and we are unable to accept it, and that the STPIS will be applied.³

The assessment relating to our requirement for AusNet to apply the customer service (new connections) component of the STPIS is ongoing and subject to consultation as part of the revised proposal process. Further detail on our reasons for this requirement is detailed in 12.4.4.1 below.

¹ AER, Final Customer Service Incentive Scheme, July 2020.

² CSIS cl 3.2(1) and 3.2(2).

³ AER, Final Framework and Approach - Victorian electricity distribution determinations for 2026-31, July 2024, p.18. In the Framework and Approach, we stated that if Victorian businesses' proposed CSIS' included "a similar performance measure [to telephone answering], the telephone answering parameter of the STPIS would not be applied."

9.2 Overview of proposal

AusNet's CSIS design for 2026-31 is substantially similar to its 2021-26 CSIS, and focuses on 4 customer service parameters:

- 1) Customer satisfaction with unplanned outages
- 2) Customer satisfaction with planned outages
- 3) Customer satisfaction with new connections
- 4) First call resolution (FCR)

AusNet has proposed a +/-1% revenue at risk, weighted evenly across each parameter. AusNet has not yet proposed any targets as it is in the process of implementing changes to its measurement methodology. Additionally, AusNet does not currently have a baseline of historical performance for FCR to base CSIS parameter performance targets on (as this is a new measure).⁴

The main differences between AusNet's previous CSIS and its proposed 2026-31 CSIS are:

- the removal of the customer satisfaction with claims and complaints parameter
- the addition of the FCR parameter, and
- the change in proposed revenue at risk from +/-0.5% to +/-1%.

9.3 Assessment approach

We will apply a DNSP's proposed incentive design to a distribution determination under the CSIS if we consider that it:

- will achieve the CSIS objectives, and
- meets the incentive design criteria, which includes the principles of the CSIS.

9.4 Reasons for draft decision

9.4.1 Performance targets and baseline data

3.3(1)(b)(vi) of the CSIS requires that DNSPs' CSIS proposals must include "proposed performance targets and the data used to calculate these proposed performance targets".

We note that AusNet was the first DNSP to implement a CSIS, and that the scheme itself was developed as a result of AusNet's participation in the 2018-2021 'New Reg' trial (a joint initiative between the AER, AusNet, Energy Consumers Australia, and Energy Networks Australia focused on testing innovative customer engagement methods.) Although AusNet's original 2021-26 CSIS functioned as intended in the initial years of the regulatory period, an update to AusNet's customer satisfaction survey (CSAT) methodology resulted in a suspension of its 2021-2026 CSIS for the 2024-25 and 2025-26 regulatory years.

The process of implementing changes to CSAT methodology has impacted historical performance and target setting. As a result, AusNet did not provide performance targets for

⁴ AusNet, Electricity Distribution Price Review 2026-31 Regulatory Proposal, January 2025, p.307-308.

the parameters relating to customer satisfaction with unplanned outages, planned outages, and new connections in its 2026-31 CSIS proposal.

The lack of performance targets and baseline targets has also meant that AusNet customers did not have an opportunity to establish with AusNet the value they attribute to service improvements or degradations facilitated by the scheme, as required by clause 3.2(5)(e) CSIS.

In addition, AusNet does not currently have a baseline of historical performance for FCR, so these targets were also not included. As a result, we cannot accept AusNet’s proposal because it does not meet CSIS incentive design proposal requirements.

Over the course of engagement prior to submission we were made aware that AusNet’s 2026-31 proposal would not include baseline data or any targets, and that these would be included in the revised proposal. However, during the process of making our draft decision on the CSIS proposal we sought assurances that AusNet would engage widely on its 2026-31 CSIS performance targets at the revised proposal stage, to ensure that targets were sufficiently challenging and reflected the value customers placed on the different parameters.

The proposed plans for engagement provided by AusNet in response to our request for information to supplement its 2026-31 proposal were narrower than we expected, given the centrality of customer engagement to the CSIS. The limited consultation approach also did not align with the Better Resets Handbook, which highlights the importance of ongoing engagement with consumers about outcomes that matter to them so that customers are able to ‘set the agenda’ as active participants in the development of proposals.⁵

9.4.2 Interrelationship with the STPIS

Clause 3.2(2)(b) of the CSIS requires that DNSPs’ proposed CSIS parameters be areas “for which the DNSP does not already have an incentive under another incentive scheme or jurisdictional arrangement.”⁶

AusNet acknowledges that its proposed CSIS has limited interactions with the STPIS. However, AusNet considers that these are not impediments to implementing the CSIS.⁷

AusNet’s CSIS contains a parameter relating to ‘customer satisfaction with unplanned outage’. This parameter is measured via a CSAT question seeking customers’ experience of the length of the outages. This gives rise to concerns that despite intentions to the contrary, there is a risk of overlap with the STPIS and a potential ‘double dipping’ of rewards.

When queried, AusNet clarified that its metric for “customer satisfaction with unplanned outages” is primarily measured by the CSAT question “How well did AusNet manage your recent unplanned outage?” and that the question relating to duration is supplementary. Notwithstanding, we consider that overall, a more refined question would meet scheme requirements to ensure that the parameter truly only captures customer service elements and avoid the risk of duplicating incentives payments relating to unplanned outages.

⁵ AER, Better Resets Handbook, July 2024, p.12.

⁶ CSIS cl. 3.2(2)(b).

⁷ AusNet, Electricity Distribution Price Review 2026-31 Regulatory Proposal, January 2025, p.305.

9.4.3 Revenue at risk

AusNet proposed a +/-1% revenue at risk, stating that it did so with customer support and the intention to drive ambitious improvement targets. AusNet cited pages 7-8 of the Export service incentive scheme's (ESIS) explanatory statement to support its proposal that the revenue at risk "can be increased to 1% for a CSIS where a DNSP consents and the ESIS is not proposed."⁸

We consider that the final ESIS would maintain a maximum revenue at risk of +/-0.5%, whether or not both the ESIS and CSIS were applied or only the ESIS.⁹ This is detailed within the ESIS explanatory statement.

Clause 3.1(1)(f) of the CSIS requires that "the incentive design must place a valid amount of revenue at risk. The revenue at risk will be valid if, by default, the maximum revenue increment or decrement (the revenue at risk) for each performance parameter in aggregate for each regulatory year within the regulatory control period is 0.5% of the DNSP's annual revenue requirement or less."

We do not accept AusNet's revenue at risk submission as it does not meet scheme requirements.

9.4.4 STPIS customer service parameters and new connections

Our draft decision is to apply the customer service (telephone answering) parameter of version 2.0 of the STPIS.

In our July 2024 Framework and Approach paper (F&A) we stated that if Victorian businesses' proposed CSIS included "a similar performance measure [to telephone answering], the telephone answering parameter of the STPIS would not be applied."¹⁰ We have not accepted AusNet's CSIS proposal and therefore apply the customer service (telephone answering) component of the STPIS.

We have previously commented on the ongoing relevance of the telephone answering component of the STPIS. Most recently, the importance of customer communications was evident following the February 2024 outage in Victoria caused by damaging winds in the AusNet distribution zone. In that instance, the efficiency of the telephone answering of fault calls was critical for customers to gain information about their outage, as other communications channels failed.

9.4.4.1 STPIS new connections parameter

Our draft decision is to also apply for the first time the customer service (new connections) parameter of version 2.0 of the STPIS. This component of our assessment remains ongoing and subject to feedback as part of the revised proposal process.

In determining whether we would require AusNet to apply the new connection parameters referred to in clauses 5.1(a)(3) of the STPIS for the 2026-31 regulatory control period, we

⁸ AusNet, Electricity Distribution Price Review 2026-31 Regulatory Proposal, 31 January 2025, p.305.

⁹ AER, Export service incentive [incentive] scheme Explanatory Statement, June 2023, pp.7-8, p.11.

¹⁰ AER, 'Framework and approach: AusNetServices, CitiPower, Jemena, Powercor and United Energy 2026–31', July 2024, p.18.

must consider whether this would satisfy the objectives of the STPIS described in clause 1.5 of the scheme. These objectives include consistency with the National Electricity Objective (NEO) and factors such as the need to ensure benefits are likely to result from the application and the willingness of the customer to pay for the improved services.¹¹

The CSIS was introduced as a platform for distributors to flexibly respond to variable customer service needs in different geographic locations, and as a framework to help accommodate evolving customer preferences and technological advances.

After 5 years of scheme operation, we have observed that performance parameters proposed by DNSPs across different geographic areas are coalescing around similar parameters, trending towards those utilised in existing approved schemes. We have also observed that DNSPs have proposed only modest changes to their CSIS parameters from the previous regulatory period, and that the development of these parameters has been informed by limited customer engagement, resulting in concerns that DNSPs may not be investing heavily in customer co-design and that proposals therefore may not genuinely reflect customer preferences. Recently, CSIS proposals have tended to lack completeness and have been limited in scope and stakeholders and consumer groups have raised questions as to whether DNSPs performance targets are appropriately challenging.¹²

We have also responded to instances of scheme non-compliance and have identified data and survey integrity issues more often compared to the STPIS.

Moreover, we have previously received feedback questioning the need to have two separate service incentive schemes, with suggestions that one scheme would reduce administrative and reporting costs for both DNSPs and the AER and would simplify assessment for stakeholders.¹³

The recent scheme history, the limited nature of the Victorian CSIS proposals, and the need to continually review the effectiveness and costs of the regulatory systems that we oversee have led us to consider the potential benefits of streamlining customer service incentives, penalties and reporting under the STPIS.

We consider that as customer service incentive schemes are becoming increasingly homogenised, static, and informed by diminished customer engagement, formalising customer service incentive parameters under the STPIS could be a better outcome for consumers. As a result, distributors could be incentivised to deliver better quality customer service performance at a lower cost and reduced administrative burden. Unifying customer service incentives and penalties under the STPIS may also lead to more stable data collection process and avoid the scheme integrity issues that have been impacted the CSIS.

In the current decision, we consider that applying the customer service (new connections) parameter of version 2.0 of the STPIS to AusNet may address some of the issues identified

¹¹ AER, Service Target Performance Incentive Scheme v 2.0, December 2018, p.2.

¹² AER Consumer Challenge Panel (CCP) Sub-Panel CCP30 Advice to the AER regarding the SA Power Networks' regulatory proposal 2025-30, May 2024, p.19; Kieran Donoghue, United Energy Regulatory Reset 2026-2031; Submission to AER Issues Paper, June 2025, p.1.

¹³ Energy and Water Ombudsman SA, Submission to the Australian Energy Regulator's Issues Paper: SA Power Networks Electricity Distribution Determination 2025-30, May 2024, p.3.

in this draft proposal that are impacting AusNet current CSIS or issues that may impact an Ausnet CSIS in the future. Overall, applying both customers service parameters of the STPIS would provide benefits to AusNet's customers given the accountability and comparability associated with uniform Victorian DNSP customer service reporting.

Our observation is that customers continue to be willing to pay for improved performance in the delivery of services and support DNSP penalties where service delivery has degraded. We note that AusNet's customer experience panel supported considerations to increase the CSIS revenue at risk to 1.0% (up from 0.5%). Additionally, new connections parameters feature prominently in a number of CSIS proposals reflecting inherent support for new connections benchmarks. A connections parameter in the STPIS aligns with our focus on ensuring that network service providers comply with their obligations to provide timely and transparent connections to the electricity grid to support cost reflective prices.

Our F&A only referenced the customer service (telephone answering) component of STPIS. However, for the reasons described in this paragraph we consider that requiring AusNet to apply the new connections parameter referred to in clause 5.1(a)(3) of the STPIS satisfies the objectives of the scheme as this is aligned with the long term interests of consumers under the NEO, benefits will ensue from the new parameter, and customers are willing to pay for the improved services relating to new connections.

The maximum revenue increment or decrement (the revenue at risk) for both customer service parameters in aggregate for each regulatory year of the regulatory control period shall be 1% (the maximum revenue increment or decrement for telephone answering shall be 0.5% and for new connections shall be 0.5%).

The incentive rates for each parameter shall be in accordance with clause 5.3.2 of the STPIS.

We welcome feedback on AusNet's CSIS and the application of the customer service (new connections) parameter of version 2.0 of the STPIS for the first time. Specifically, as part of the revised proposal process on we encourage stakeholder feedback and AusNet's submission regarding:

- the amount of revenue at risk
- the benefits of an additional benchmark standard on new connections to AusNet's customers
- any interrelationship with jurisdictional schemes and the customer service parameters of the STPIS
- views on the new connections parameter and the STPIS scheme objectives, and
- the availability of sufficient historical data to determine AusNet's current service performance.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
CSAT	customer satisfaction survey
CSIS	customer service incentive scheme
DNSP	distribution network service provider
F&A	framework and approach
ESIS	export service incentive scheme
NEO	national electricity objective
STPIS	service target performance incentive scheme