

# Draft decision

**Jemena electricity distribution determination**

**1 July 2026 – 30 June 2031**

**Attachment 9 – Customer service incentive scheme**

**September 2025**

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### **Amendment record**

Version	Date	Pages
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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.<sup>1</sup> 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.<sup>2</sup> 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 Jemena's proposed CSIS and instead apply the customer service (telephone answering and new connections) parameters of the Service Target Performance Incentive Scheme (STPIS) Version 2.0.

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

- insufficient evidence that customers strongly support the adoption of the scheme or attribute value to the service improvements proposed, and
- Jemena's limited application of its expert panel's feedback on additional CSIS parameters.

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.<sup>3</sup>

The assessment relating to our requirement for Jemena 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 9.4.4.1 below.

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<sup>1</sup> AER, Final Customer Service Incentive Scheme, July 2020.

<sup>2</sup> CSIS clauses 3.2(1) and 3.2(2).

<sup>3</sup> 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

This is the first regulatory period in which Jemena has proposed a CSIS. Jemena’s proposed targets are detailed in the table below.

**Table 9.1 Jemena’s proposed CSIS targets**

Parameter	Metric	Target	Weighting
Fault-line telephone answering	Percentage of calls answered within 30 seconds.	64.24%	25%
SMS unplanned outage notification	Number of minutes between the start of an unplanned outage and the customer receiving an SMS message advising them of the outage.	13.7 minutes	25%
Planned outages	Average customer satisfaction score with the planned outage experience.	8.39	25%
New connections	Average customer satisfaction score with the connection journey.	7.75	25%

Source: Jemena, 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 07-03 – Customer Service Incentive Scheme, 31 January 2025, p.7.

Jemena proposes placing 0.5% of revenue at risk.

## 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,
- meets the incentive design criteria, which includes the principles of the CSIS, and
- is accompanied by a proposal that meets the incentive design proposal requirements.

## 9.4 Reasons for draft decision

### 9.4.1 Customer support for the adoption of the scheme and value attributed to service improvements

CSIS provisions require that customers must strongly support the application of the proposed incentive design.<sup>45</sup> This incentive design must reflect customer preferences, as evidenced by genuine engagement.<sup>6</sup> In addition, CSIS scheme element principles 3.2(e)(i) and (ii) specify that the value that customers attribute to CSIS service improvements or degradations must

<sup>4</sup> Jemena, 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 07-03 – Customer Service Incentive Scheme, 31 January 2025, p.iv.

<sup>5</sup> CSIS incentive design criteria 3.1(d).

<sup>6</sup> Scheme objective 1.4(3) requires that the scheme reflect customer preferences. Scheme element principle 3.3(2) specifies that customer support for incentivised improvements must be evidenced by genuine engagement with, and support from, the DNSP’s customers.

be established using a reasonable process that is transparent and involves genuine consultation with customers.

Our Better Resets Handbook also sets expectations that networks will engage directly with customers as well as with customer representatives. We expect that DNSPs will equip customers with adequate information to meaningfully participate in the development of proposals.<sup>7</sup>

Jemena did not apply a CSIS in the current regulatory period. Jemena advised that this is because customer feedback at the proposal development stage of the 2021-26 determination revealed that customers did not support the application of the scheme. Specifically, customers felt that customer service should be “matter of fact” and not financially incentivised.<sup>8</sup> The STPIS was viewed as an adequate existing incentive.<sup>9</sup>

Jemena’s 2026-31 proposal states that it has now “secured support” from customers for the implementation of a CSIS.<sup>10</sup> However, there is insufficient evidence that customers strongly support the application of the scheme. Specifically:

- Jemena sought initial feedback on general customer service priorities, standards and performance measurement mechanisms from their customer forums without specifically informing customers that these measures would be delivered through the CSIS, without equipping them to understand that CSIS incentives involved costs to consumers, and without directly seeking to understand whether customers supported the scheme
- Jemena developed CSIS parameters and weightings based on this general engagement without direct customer support or co-design, accepting scheme development feedback exclusively through its expert panel
- customers were not engaged to provide views on whether Jemena’s proposed parameters reflected their preferences during the development of the scheme, nor did Jemena seek to establish that its proposed weightings and incentive design reflected the value customers attributed to service degradations or improvements prior to the publication of the draft proposal, and
- customers were only given an opportunity to comment on the proposed CSIS when it was fully formed and presented as part of broader consultation on Jemena’s Draft Plan. Although customer feedback was generally positive or neutral, we note that customers were asked to comment on the incentive design but were not asked whether they supported the adoption of the scheme itself.

This absence of direct engagement with customers during scheme development does not align with either CSIS provisions or good engagement practices more generally.<sup>11</sup>

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<sup>7</sup> AER, Better Resets Handbook - Towards Consumer Centric Network Proposals, July 2024, p.12, p.14.

<sup>8</sup> Jemena, 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 07-03 – Customer Service Incentive Scheme, 31 January 2025, p.1.

<sup>9</sup> Ibid.

<sup>10</sup> Ibid.

<sup>11</sup> As per CSIS 3.1(d), 1.4(3), 3.3(2) and 3.2(e)(i) and (ii).

We note also the view of CCP32, who submitted that it had not seen evidence that Jemena’s People’s Panel “either recommended or supported introduction of a CSIS, or that their views differed from the previous People’s Panel in relation to the desirability of an incentive scheme for customer service.”<sup>12</sup>

For these reasons, we cannot accept Jemena’s CSIS proposal, as it does not fulfil the provisions of the scheme.

#### **9.4.2 Expert panel feedback on CSIS parameters**

In addition to a lack of evidence for direct customer support for a scheme, we consider that inadequate engagement also extended to the consultation undertaken with Jemena’s Energy Reference Group (ERG).

The ERG’s submission to the AER’s Issues Paper on Jemena’s 2026-31 draft proposal reiterates recommendations made in the ERG report on Jemena’s draft plan provided to Jemena in December 2024. This report emphasised that while the ERG generally supported the proposed CSIS and proposed weightings, it did so with the consideration that “adjustments may be needed” to ensure parameter weightings reflect customer preferences for digital communication, and that proposed weightings for the unplanned outage parameter may be relatively high given uncontrollable factors like vegetation levels and weather conditions.<sup>13</sup>

The ERG’s report also suggested several additional CSIS parameters relating to customer satisfaction with services such as complaints handling, response times for outages, new connections, digital communication channels, a parameter specifically measuring the effectiveness of communication during outages, as well as a parameter evaluating consumer sentiment and trust in Jemena.<sup>14</sup>

The ERG described some of these parameters as “essential to monitor.”<sup>15</sup> The ERG also stated, “while keeping the CSIS simple is important, as reflected in the current proposal, incorporating these additional metrics will provide a more comprehensive understanding of customer satisfaction.”<sup>16</sup>

In response to these recommendations, Jemena removed a proposed unplanned outages parameter altogether and adopted the fault-line telephone answering and new connections parameters. Jemena retained the proposed even split of weightings.

However, because the ERG recommended that weightings for unplanned outage satisfaction be adjusted rather than advocating for the removal of the parameter, and because the ERG proposed that parameters should be weighted to reflect customer preferences for digital

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<sup>12</sup> CCP32, submission to AER Issues Paper on Jemena 2026-31 Electricity Distribution Price Review Regulatory Proposal, May 2024, p.24.

<sup>13</sup> Jemena Energy Reference Group, submission to AER Issues Paper on Jemena 2026-31 Electricity Distribution Price Review Regulatory Proposal, p.15.

<sup>14</sup> Ibid, p.16.

<sup>15</sup> Ibid, p.15.

<sup>16</sup> Ibid.

communication, it appears difficult to argue that these actions fully align with the ERG's advice.

Jemena did not acknowledge the ERG's recommendations for additional parameters in their CSIS proposal or address why this explicit feedback was not incorporated. Responses to our queries on this issue did not alter our initial assessment.

In the development of CSIS parameters and incentive designs an asymmetry of information exists in favour of the DNSP. As a result, genuine engagement with customers and expert panels is very important to ensure that parameters, incentives and incentive rates authentically reflect customer preferences and to ensure that the development process is not shaped instead to reflect the priorities of the network.

Jemena's lack of engagement with the feedback of its expert panel further supports our assessment that the proposed CSIS does not fulfil provisions relating to genuine consultation establishing customer preferences and support for the scheme.<sup>17</sup>

### 9.4.3 Other concerns raised by CCP32

CCP32's submission to the AER's Issues Paper on Jemena's 2026-31 draft proposal prompted further investigation of Jemena's CSIS proposal (including interrogation of evidence that Jemena's customers strongly support the adoption of the scheme, as outlined in 9.4.1) as well as raising questions in regard to:

- whether Jemena's proposed opex 'Customer communications and education step change' delivering enhanced solar and EV connections processes might intersect with the CSIS new connections satisfaction parameter,<sup>18</sup> and
- whether the singular targets based on historical performance presented in Jemena's CSIS proposal without accompanying maximum or minimum targets would reward BAU performance, making incentive payment structure based on stretch targets more appropriate to incentivise genuine improvement.<sup>19</sup>

Jemena clarified that the proposed new connections parameter covers only new standard connections and does not include embedded generation connections and connection upgrades or alterations required to install an EV charger.

Jemena also clarified that their proposed CSIS does not include cap and floor performance targets or deadbands because it intends rewards and penalties to be symmetrical and scalable relative to percentage improvements on each baseline target by applying the h-factors formula in a similar way to the STPIS. We note that this approach aligns with scheme requirements for incentive designs.

We are satisfied with Jemena's responses to these queries.

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<sup>17</sup> Specified in CSIS 3.1(d), 1.4(3), and 3.3(2).

<sup>18</sup> CCP32, submission to AER Issues Paper on Jemena 2026-31 Electricity Distribution Price Review Regulatory Proposal, May 2024, p.17.

<sup>19</sup> Ibid, p.25.



#### **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 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."<sup>20</sup> We have not accepted Jemena'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.

We note that Jemena's proposed 2026-31 CSIS includes a fault call answering parameter modelled off the telephone answering parameter of the STPIS.

##### **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 Jemena 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 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.<sup>21</sup>

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, which has raised similar questions from stakeholders and

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<sup>20</sup> AER, Framework and approach: AusNetServices, CitiPower, Jemena, Powercor and United Energy 2026–31, July 2024, p.18.

<sup>21</sup> AER, Service Target Performance Incentive Scheme v 2.0, December 2018, p.2.

consumer groups as to whether DNSPs are sufficiently investing in incentive design development to ensure that performance targets are appropriately challenging.<sup>22</sup>

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.<sup>23</sup>

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 Jemena may address some of the issues identified in this draft proposal that are impacting Jemena's current CSIS or issues that may impact a Jemena CSIS in the future. Overall, applying both customer service parameters of the STPIS would provide benefits to Jemena'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 penalties on DNSPs where service delivery has degraded.

New connections parameters feature prominently in a number of CSIS proposals reflecting inherent support for new connections benchmarks. These include Jemena's 2026-31 CSIS. 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 Jemena 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

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<sup>22</sup> Kieran Donoghue, United Energy Regulatory Reset 2026-2031: Submission to AER Issues Paper, June 2025, p.1.; 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.

<sup>23</sup> 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.

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 any aspect of Jemena'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 Jemena's submission regarding:

- any interrelationship with jurisdictional schemes and the customer service parameters of the STPIS, and
- views on the new connections parameter and the STPIS scheme objectives.

the availability of sufficient historical data to determine Jemena's current service performance for new connections.

## Shortened forms

Term	Definition
AER	Australian Energy Regulator
CCP32	Consumer Challenge Panel, sub-panel 32
CSIS	customer service incentive scheme
DNSP	distribution network service provider
ERG	Energy Reference Group
F&A	framework and approach
NEO	national electricity objective
opex	operating expenditure
STPIS	service target performance incentive scheme