Draft decision

Powercor electricity distribution determination

1 July 2026 – 30 June 2031

Attachment 9 – Customer service incentive scheme

September 2025

AUSTRALIAN ENERGY REGULATOR

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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Version	Date	Pages
1	30 September 2025	12

Contents

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 Powercor'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.

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

- inadequate consultation on scheme design
- merging performance targets for general and fault calls within the grade service parameter into a single target which does not incentivise genuine improvement, and
- targets which do not incentivise genuine improvement or be commensurate with service improvements or degradations.

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 Powercor to apply the customer service (new connections) component of the STPIS is ongoing and subject to consultation as part of the

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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."

revised proposal process. Further detail on our reasons for this requirement is detailed in 9.4.4.1 below.

9.2 Overview of proposal

Powercor's CSIS design for 2026-31 is substantially similar to its 2021-26 CSIS, with some variations. Powercor's proposed 2026-3 CSIS parameters, performance targets and weightings are contained in Table 9.1 below.

Table 9.1 Powercor's proposed CSIS targets

Parameter	Metric	Max penalty	Target	Max incentive	Weighting
Grade of service	Percentage of fault and general calls answered within 30 seconds.	65.6%	71.9%	78.1%	0.25%
Planned outages	Minutes off supply for a given planned outage (SAIDI) and number of sustained interruptions (SAIFI) per customer	SAIDI: 61.23 SAIFI: 0.295	SAIDI: 58.81 SAIFI: 0.278	SAIDI: 56.41 SAIFI: 0.26	0.15%
SMS delivery	Percentage of SMS delivered within 6 minutes of an unplanned outage.	73.4%	75.9%	78.4%	0.10%

Source: Powercor, 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 10.01 – Customer Service Incentive Scheme, 31 January 2025, pp.11-17.

Powercor has proposed an overall +/-0.5% revenue at risk, with grade of service weighted at +/-0.25%, SMS delivery weighted at +/-0.1%, and planned outages at +/-0.15%.[4]

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

- expansion of the grade of service parameter to cover both general and fault calls
- adjustments to targets and weightings, and
- an update of the SAIDI target methodology to measure the average minutes off supply for a given outage, rather than total minutes off supply caused by planned outages within a given year.[5]

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

[4] Powercor, 2026-31 Electricity Distribution Price Review Regulatory Proposal, Attachment 10.01 – Customer Service Incentive Scheme, 31 January 2025, pp.11-17.

[5] Ibid p.12. The changes to the SAIDI target were made to ensure that Powercor was not disincentivised to conduct network upgrades, which was a risk under the previous SAIDI calculation.

- is accompanied by a proposal that meets the incentive design proposal requirements.

9.4 Reasons for draft decision

9.4.1 Inadequate consultation on scheme design

CSIS provisions require that customers must strongly support the application of the proposed incentive design.[6] This incentive design must reflect customer preferences, as evidenced by genuine engagement.[7] 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 be established using a reasonable process that is transparent and involves genuine consultation with customers.

In its 2026-31 proposal Powercor did not engage directly with customers on scheme design. Instead, CSIS parameters were developed using the results of a 2023 15-minute online survey asking customers to rank general customer service priorities. The priorities were derived from older research and on-going tracking studies on customer experience and brand identity.

This survey did not explicitly refer to the CSIS and customers were not equipped to understand that their responses would be used to develop CSIS parameters. While customers were asked to identify new areas for customer service improvement, no information about the CSIS accompanied this survey question.

The planned "Phase 2" of the survey, during which CSIS metrics derived from the survey would be validated with customers to "ensure they agree for CitiPower Powercor and United Energy to be rewarded / penalised based on their performance" did not take place and did not form part of the CSIS proposal.[8]

Powercor advised that this was because Powercor and its expert panel concluded, based on survey results, that the 2021-26 scheme remained reflective of customer preferences and required only minor adjustments to weightings and parameters. However, there is insufficient evidence to support this statement because:

- customers were not invited to provide feedback to update or improve the original 2021-26 CSIS
- Powercor developed amendments to weightings and parameters exclusively with its expert panel and did not undertake dedicated engagement with customers to confirm their support for these changes (the absent "Phase 2" of consultation)[9]

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6 CSIS incentive design criteria 3.1(d).

7 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 DSNP's customers.

8 Powercor 2026-31 regulatory proposal att.10.02, Forethought – CSIS customer engagement - 'Identifying a Customer Service Incentive Scheme Metric'- January 2025.

9 We note that CCP32's submission in response to the *AER Issues Paper on Powercor's 2026-31 Electricity Distribution Price Review Regulatory Proposal* flags multiple discussion with Powercor's expert panel to re-weight CSIS parameters and notes that Powercor is working to develop parameters to measure outage duration as a proposed parameter in the next regulatory period, but does not refer to direct consultation with customers (p.26).

- customers received the opportunity to provide feedback on the proposed CSIS only when the scheme was fully developed, as part of broader consultation on the draft proposal
- approximately one third of the priorities customers were asked to rank were unsuitable to incentivise using a CSIS (for example, power quality or emissions reductions.)

In addition, Powercor did not comprehensively investigate surveyed preferences as potential CSIS parameters.

Powercor considered only the top 10 preferences ranked by customers, regardless of whether these were suitable to action using a CSIS. If non-suitable priorities are removed, this top 10 list would feature potential parameters such as 'ease of new connections process' and 'quality of complaint resolution', areas of customer service observed by the AER as being valuable to consumers and worthy of consideration.

AER also asked Powercor to provide clarified and expanded reasoning behind the exclusion of certain top 10 customer preferences from consideration as parameters in the scheme. Responses to our queries on this issue did not alter our initial assessment.

For these reasons, we cannot accept Powercor's CSIS proposal, as the proposed scheme does not meet requirements for transparent and genuine consultation to ensure parameters and weighting reflect customer preferences, and requirements that customers strongly support the application of the incentive design.[10]

9.4.2 Merging performance targets

Provisions 3.2(a) and 3.2(4)(b)(i) of the scheme require that scheme metrics accurately measure performance parameters and incentivise genuine improvement in line with the value identified by customers.

Powercor's 2021-26 grade of service parameter proposes expanding this measure to include both fault calls and general calls. Powercor proposes to merge the targets for these separate call types into a single target applicable to both based on the past three years' historical average timeframe to answer both types of calls.

A combined target does not meet scheme requirements, as the new targets for the combined measure are significantly lower than the previous targets for fault calls and will result in a significant drop in standards of performance for fault calls.[11]

Powercor indicated to us that it elected to merge call types because its call management system prioritises fault calls as calls which must be answered first, before general calls are answered. Powercor claims that a combined measure would incentivise performance across both call types.

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[10] As per CSIS cl 3.1(d), 1.4(3), 3.3(2) and 3.2(e)(i) and (ii).

[11] CSIS objective 1.4(2)(b) and (c) specify that rewards and penalties incurred by the scheme should be warranted and commensurate with efficiency gains and losses. 3.2(a) and 3.2(4)(b)(i) require that scheme metrics accurately measure performance parameters and incentivise genuine improvement with the value identified by customers.

However, measuring these call types separately would not be onerous and would allow Powercor to track precise improvement against each type, which would incentivise genuine improvement for both fault and general calls.

Our assessment is that this aspect of Powercor's CSIS proposal also does not meet scheme provisions.

9.4.3 Targets which do not incentivise genuine improvement

Clause 3.2(4)(b)(i) of the CSIS requires that DNSPs' performance targets should incentivise genuine improvement in line with the value of the identified service improvement to the DNSP's customers. 3.2(5)(b) of the CSIS also requires that the incentive design of a DNSP's CSIS should provide rewards or penalties that are commensurate with the service improvements or degradations observed in respect of the DNSP's distribution system.

A stakeholder submission from Kieran Donoghue (a United Energy residential retail customer) raised concerns regarding United Energy's performance targets.[12]

Mr Donoghue noted that "targets for the current period appear relatively easy to meet" and emphasised that "the CSIS should be based on 'stretch' targets rather than business-as-usual targets."[13] This stakeholder considered that United Energy "appears to have earned close to the maximum CSIS reward in the current period, and this suggests the targets were not challenging enough", stating in addition that many of his points were generic and in principle applied to all Victorian DNSPs.[14]

An analysis of Powercor's 2021-26 performance of against its CSIS targets has revealed a trend of significant performance and rewards against the grade of service and SMS notification parameters in the first regulatory year of the scheme, followed by either marginal improvements, plateaus, or decreases in performance in subsequent years.

In addition, we note that while Powercor's proposed maximum incentive reward target for its 2026-31 grade of service parameter is a relatively robust improvement on historical performance (8.63%), targets for SMS notification and planned outages targets deliver maximum rewards for more modest improvements (3.29% for SMS delivery, and 4.08% SAIDI and 6.47% SAIFI, respectively.)

The maximum incentive/reward being an approximately 2-7% higher (depending on the parameter) than the baseline target follows the trend of CPU's previous regulatory period's CSIS. However, the scheme is now more established and with the availability of a comprehensive data set and more symmetrical CSIS information, it is now apparent that the proposed maximum incentive/reward may not be high enough in the 2026-31 regulatory period to drive genuine, continuous improvements that are in the long-term interests of consumers

In responding to our queries on the targets Powercor indicated that if maximum reward targets were to be set disproportionately high, then networks would have limited or no

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12 Kieran Donoghue, United Energy Regulatory Reset 2026-2031: Submission to AER Issues Paper, June 2025, p.1.

13 Ibid.

14 Ibid.

incentive to invest in customer services, leading to a potential continuation of historical performance and a relatively poorer customer outcomes. We could not establish that higher targets would be disproportionate particularly as customers were not consulted during CSIS parameter and weighting development as to whether they agree that the proposed targets facilitating maximum rewards are consistent with the value they attribute to service improvements, as is required by clause 3.2(4)(b)(i).

We agree with Mr. Donoghue that scheme provisions require maximum incentive targets should be robust and ambitious enough to incentivise genuine year-on-year improvement within a regulatory period.

Targets which incentivise year-on-year improvement to align with both clause 3.2(5)(b) and the CSIS objective to drive efficient improvement in customer service and promote efficient investment in, and efficient operation and use of electricity services for the long-term interests of consumers with respect to price under the National Electricity Objective (NEO).[15]

For these reasons we do not accept Powercor's proposed performance targets or its proposal to apply the scheme.

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."[16] We have not accepted Powercor'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 Powercor's 2021-26 CSIS and 2026-31 CSIS proposal includes a fault call answering parameter modelled off the telephone answering parameter of the STPIS (with the addition of general calls proposed in 2026-31 scheme).

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.

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15 As per CSIS cl 1.4(1).

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

In determining whether we would require Powercor 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 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.[17]

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.[18]

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.[19]

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 be impacted the CSIS.

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

18 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.

19 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 the current decision, we consider that applying the customer service (new connections) parameter of version 2.0 of the STPIS to Powercor may address some of the issues identified in this draft proposal that are impacting Powercor's current CSIS or issues that may impact a Powercor CSIS in the future. Overall, applying both customer service parameters of the STPIS would provide benefits to Powercor'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.

Additionally, new connections parameters feature prominently in a number of CSIS proposals reflecting inherent support for new connections benchmarks. These include Powercor's proposed 2026-31 CSIS. We note that 'ease of new connections process' was ranked number 12 by Powercor's customers during initial engagement to determine customer service priorities, and number 4 if priorities considered by Powercor unsuitable to action in the proposed CSIS are removed.[20] 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 Powercor 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 any aspect of Powercor'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 Powercor's submission regarding:

- 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 Powercor's current service performance for new connections.

[20] Powercor 2026-31 regulatory proposal att.10.02, Forethought – CSIS customer engagement - 'Identifying a Customer Service Incentive Scheme Metric'- January 2025.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
CSIS	customer service incentive scheme
DNSP	distribution network service provider
F&A	framework and approach
NEO	national electricity objective
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
STPIS	service target performance incentive scheme