

Final decision

CitiPower electricity distribution determination
1 July 2026 – 30 June 2031

**Attachment 7 – Service target performance incentive
scheme**

April 2026

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7 Service target performance incentive scheme

The National Electricity Rules (NER) set out that our distribution determination must specify how any applicable service target performance incentive scheme (STPIS) is to apply to a distribution network service provider (DNSP) in the next regulatory control period (period).¹

This attachment sets out our final decision on how we will apply the STPIS to CitiPower for the 2026–31 period.

AER’s service target performance incentive scheme

Our distribution STPIS provides DNSPs with incentives to maintain and improve network reliability performance, to the extent that consumers are willing to pay for such improvements. The STPIS is also intended to ensure that DNSPs' service levels do not reduce as result of efforts to achieve efficiency gains.

The current version (version 2.0) of our STPIS² was published in November 2018 and will apply to all revenue determinations from that date.

7.1 Final decision

CitiPower accepted our draft decision to apply STPIS version 2.0 for the 2026–31 regulatory control period, including the application of the customer service (telephone answering) component in the absence of a Customer Service Incentive Scheme (CSIS).³

Table 7-1 and Table 7-2 present our final decision on the applicable performance targets and incentive rates that will apply to CitiPower for the 2026–31 period.

Table 7-1 Final decision – CitiPower’s STPIS performance targets for 2026–31 period

	CBD	Urban	Telephone answering
SAIDI (minutes) ⁴	6.9877	23.1269	N/A
SAIFI (interruptions) ⁵	0.0788	0.3009	N/A
MAIFI (interruptions) ⁶	0.0192	0.2106	N/A

¹ NER, cl. 6.3.2 and 6.12.1(i).

² AER, Electricity distribution network service providers—service target performance incentive scheme version 2.0, November 2018 (AER, STPIS Version 2.0, November 2018).

³ CitiPower, Revised Regulatory Proposal 2026-31 – December 2025, p. 61

⁴ System Average Interruption Duration Index (SAIDI).

⁵ System Average Interruption Frequency Index (SAIFI).

⁶ Momentary Average Interruption Frequency Index (MAIFI).

	CBD	Urban	Telephone answering
Customer service - telephone answering (%) ⁷	N/A	N/A	93.46

Source: AER analysis.⁸

Table 7-2 Final decision – CitiPower’s STPIS incentive rates for 2026–31 period

	CBD	Urban	Telephone answering
ir – SAIDI	0.0120	0.0564	N/A
ir – SAIFI	0.7121	2.8903	N/A
ir – MAIFI	0.0570	0.2312	N/A
Customer service - telephone answering (%)	N/A	N/A	-0.040

Source: AER analysis.

Note: ir is the incentive rate (expressed in a percentage per unit of the parameter).

The Value of Customer Reliability (VCR) for network segments outlined in Table 7-3 were applied to calculate CitiPower’s incentives rates for the 2026–31 period.

Table 7-3 Value of customer reliability (\$/MWh)

	CBD	Urban
VCR	34,464	35,857

Source: AER, Values of customer reliability – Final report on VCR values, December 2024, Table 2 Business VCR values and Table 20 NEM-wide and regional VCR.

Revenue at risk

Revenue at risk caps the potential reward and penalty for CitiPower under the STPIS.

According to clause 2.5(a) of the STPIS, the default revenue at risk for the Scheme components in aggregate is $\pm 5\%$. We consider that a $\pm 5\%$ limit is the appropriate balance between the incentives to maintain reliability versus the price impact to customers funding the reliability outcomes.

Unless a DNSP proposes otherwise, the maximum revenue at risk for individual customer service parameters is $\pm 0.5\%$.⁹ In the absence of the CSIS, our final decision is to apply a

⁷ Percentage of total calls to the fault line answered in 30 seconds. Time to answer a call is measured from when the call enters the call centre telephone system and is answered by a human operator.

⁸ The final STPIS model is available on the AER website: AER, Final Decision – CitiPower – 2026-31 Distribution determination - STPIS Model - April 2026

⁹ STPIS clause 5.2(b)

revenue at risk of $\pm 0.5\%$ for the customer service (telephone answering) component of the STPIS.

7.2 Revised Proposal

In its revised proposal, CitiPower proposed modifications to the application of the telephone answering parameter. Our Final Decision is to not accept CitiPower's proposal. Our consideration of this matter is shown at section 7.3.

CitiPower does not consider the inclusion of the new connections parameter of the customer service component to be appropriate.¹⁰ Our reasoning behind our position to not apply the new connections parameter, and instead only apply the telephone answering parameter of the customer service component is outlined in Attachment 9, Customer Service Incentive Scheme.

7.2.1 Submissions

We received one submission in relation to the telephone answering parameter of the STPIS (from the CPU Customer Advisory Panel), which is covered in Attachment 9 Customer Service Incentive Scheme.

We received no stakeholder submissions on the application of the reliability of supply component of the STPIS to CitiPower.

7.3 Telephone answering parameter

CitiPower proposed two modifications to aspects of the telephone answering parameter, as discussed below.

Adjustment to the performance target for customer service (telephone answering) component

In its revised proposal, CitiPower proposed an adjustment to the performance target to account for revenue at risk associated with the telephone response target (customer service component):¹¹

We have exceeded the above maximum target every year in the current regulatory period (noting that rewards under the STPIS are capped under the allowable revenue at risk).

Clause 5.3.1 of the STPIS states that performance targets must be based on average performance over the past five regulatory years.¹² However, where the past performance of a distributor exceeded its revenue at risk thresholds for an individual customer service parameter, its performance targets must be adjusted accordingly.¹³

Through an information request, we sought clarification on the proposed adjustment to its telephone answering parameter.

¹⁰ CitiPower, Revised Regulatory Proposal 2026-31 – December 2025, p. 61

¹¹ CitiPower, Revised Regulatory Proposal 2026-31 – December 2025, pg. 62

¹² STPIS Version 2.0 clause 5.3.1(a)

¹³ Ibid. clause 5.3.1(b)(1D)

As the performance target is an average of the past five regulatory years (1 July 2020–30 June 2025), it covers two regulatory determination periods for CitiPower, being 2016–21 and 2021–2026. For the 2016–21 regulatory period we applied the telephone answering parameter, but for the 2021–26 regulatory control period we applied the CSIS (and not the telephone answering parameter of the STPIS).

CitiPower claims that for the past 5 regulatory years (1 July 2020–30 June 2025) its actual performance exceeded the relevant revenue at risk caps. In determining this, CitiPower applied the following revenue at risk caps for each regulatory year:

- 2020–21: $\pm 0.5\%$ (as the telephone answering parameter of the STPIS applied)
- 2021–22, 2022–23, 2023–24 and 2024–25: $\pm 0.25\%$ (as the CSIS applied)

CitiPower proposed to apply the $\pm 0.25\%$ revenue at risk cap for the 2021–2026 regulatory control period as this was the cap that applied for telephone answering under the CSIS.

However, our Final Decision for CitiPower for the 2021–2026 period states:¹⁴

We determine that the cap on revenue at risk under the STPIS be reduced to 4.5 per cent from 5 per cent, taking into consideration the application of the CSIS with a revenue at risk of 0.5 per cent. The CSIS is intended to replace the telephone service component of the STPIS, which has a revenue cap of 0.5 per cent.

The above quote confirms our position that if the CSIS had not replaced the telephone answering component of the STPIS, the default telephone answering revenue at risk cap of $\pm 0.5\%$ ¹⁵ would have applied. In applying the default cap of $\pm 0.5\%$, only the 2020–21 period marginally exceeded its revenue at risk reward cap for the telephone answering parameter (by 0.055%). For the remaining years of the period, CitiPower did not exceed the revenue at risk cap.

On this basis, our final decision is to not modify the performance targets for telephone answering. We consider setting the performance target for the telephone answering parameter based on the average performance over the past 5 years is a sufficient target for CitiPower to ensure that it has an incentive to continue to improve customer service in the upcoming regulatory control period.

Application of the default incentive rate of the telephone answering parameter

In the STPIS model that supplements CitiPower's revised proposal, it proposes a telephone answering incentive rate of -0.079% .¹⁶ We sought additional information from CitiPower to clarify its proposal to vary the default incentive rate of -0.040% .

¹⁴ AER, Final decision - CitiPower distribution determination 2021–26 - Attachment 10 - Service target performance incentive scheme, April 2021, p. 11

¹⁵ Clause 5.2 of the STPIS discusses that unless a DNSP proposes otherwise, the maximum revenue at risk for the customer service parameters in aggregate is $\pm 1\%$, and for individual parameters is $\pm 0.5\%$. CitiPower did not apply the telephone answering parameter of the STPIS, instead it applied the CSIS for 2021-26 period.

¹⁶ CitiPower, CP RRP MOD 5.01 - STPIS model - December 2025

CitiPower's response to our information request states¹⁷:

our understanding is that the revised incentive rate of -0.066 applies symmetrically, such that any deterioration in performance would be penalised in the same way that improvements are rewarded. Note, the change from -0.079 (as outlined in our revised proposal) reflects the updated target, moving from 93.68% (previous target plus current incentive uplift) to the proposed target of 92.43%.

Clause 5.3.2(a) of the STPIS sets the incentive rate for the telephones answering parameter as either, (1) -0.040%, or (2) a value determined from an applicable assessment of the value that customers attribute to the level of service proposed.

CitiPower's proposed incentive rates of -0.079% or -0.066% would increase the rewards or penalties it may earn from its actual performance on the telephone answering parameter in the upcoming regulatory control period.

In accordance with clause 5.3.2(a)(2) of the scheme, the incentive rate should be reflective of the value customers place on telephone answering. However, CitiPower could not provide evidence demonstrating genuine engagement with, and support from its customers on the proposed alternative rate.

To this end, our decision is to apply the default incentive of -0.040% for the 2026–31 regulatory control period.

¹⁷ CitiPower response to Information Request #093 – Telephone answering parameter of the STPIS, 23 March 2026

Shortened forms

Term	Definition
AER	Australian Energy Regulator
CSIS	customer service incentive scheme
DNSP	distribution network service provider
ir	incentive rate
MAIFI	momentary average interruption frequency Index
MED	major event day
NER or the rules	National Electricity Rules
opex	operating expenditure
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
STPIS	service target performance incentive scheme
VCR	value of customer reliability
