

Final decision

Powercor 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 Powercor 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

Powercor 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 Powercor for the 2026–31 period.

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

	Urban	Short Rural	Long Rural	Telephone answering
SAIDI (minutes) ⁴	57.1800	92.5720	204.7207	N/A
SAIFI (interruptions) ⁵	0.7179	1.0019	2.0870	N/A
MAIFI (interruptions) ⁶	1.0902	1.7178	2.7814	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 Powercor, Revised Regulatory Proposal 2026-31 – December 2025, pp. 74-75

⁴ System Average Interruption Duration Index (SAIDI).

⁵ System Average Interruption Frequency Index (SAIFI).

⁶ Momentary Average Interruption Frequency Index (MAIFI).

	Urban	Short Rural	Long Rural	Telephone answering
Customer service - telephone answering (%) ⁷	N/A	N/A	N/A	87.62

Source: AER analysis.⁸

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

	Urban	Short Rural	Long Rural	Telephone answering
ir – SAIDI	0.0219	0.0201	0.0134	N/A
ir – SAIFI	1.1626	1.2366	0.8767	N/A
ir – MAIFI	0.0930	0.0989	0.0701	N/A
Customer service - telephone answering (%)	N/A	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 Powercor’s incentives rates for the 2026–31 period.

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

	Urban	Short Rural	Long Rural
VCR	35,857	35,857	35,857

Source: AER, Values of Customer Reliability – Final report on VCR values, December 2024, Table 20 NEM-wide and regional VCR.

Revenue at risk

Revenue at risk caps the potential reward and penalty for Powercor 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: Final Decision – Powercor – 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, Powercor proposed an adjustment to its performance target for the telephone answering parameter. Our Final Decision is to not accept Powercor’s proposal. However, we will apply an adjustment to Powercor’s performance targets for the reliability of supply component to account for reliability improvement projects expenditure. Our consideration of this matter is shown at section 7.3.

Powercor 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 Powercor.

7.3 Performance target adjustments

In accordance with the scheme, our final decision is to set Powercor’s performance targets based on average performance over the past 5 regulatory years with modification for reliability improvement projects expenditure, adjusted for our acceptance of the “maintain REFCL reliability” and “worst served customer” programs projects (as outlined in Attachment 2 Capital Expenditure).

However, our final decision is to not accept Powercor’s proposed adjustment to the telephone answering target to account for exceeding the revenue at risk threshold.

Our reasons are explained below.

Adjustment to the reliability of supply component for reliability improvement projects

In its revised capital expenditure proposal, Powercor’s economic analysis for its “maintain REFCL reliability” and “worst served customer” programs indicate that these augmentation projects are expected to result in a material improvement in supply reliability.

Clause 3.2.1(a)(1A) of the STPIS requires that performance targets for reliability of supply must be adjusted to account for expected reliability improvements associated with the expenditure program proposed by the network service provider.

¹⁰ Powercor, Revised Regulatory Proposal 2026-31 – December 2025, pp. 74-75

Consistent with our positions in Attachment 2, our final decision is to modify Powercor’s performance targets to account for expected reliability improvements associated with the “maintain REFCL reliability” and “worst served customer”¹¹ programs.

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

In its revised proposal, Powercor proposed an adjustment to account for revenue at risk associated with the telephone response target (customer service component):¹²

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.¹³ 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.¹⁴

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

As the performance target is an average of the past five regulatory years (1 July 2020–30 June 2025), it covers two regulatory determinations for Powercor, being 2016–21 and 2021–2026. For the 2016–21 regulatory control 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).

Powercor 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, Powercor 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: $\pm 0.20\%$ (as the CSIS applied)

Powercor proposed to apply the $\pm 0.20\%$ 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 Powercor for the 2021–2026 period states:¹⁵

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

¹¹ Two projects under worst served customers program were approved: BAN003-WND024 and BAN003-BMH003.

¹² Powercor, Revised Regulatory Proposal 2026-31 – December 2025, p. 75

¹³ STPIS Version 2.0 clause 5.3.1(a)

¹⁴ Ibid. clause 5.3.1(b)(1D)

¹⁵ AER, Final decision - Powercor distribution determination 2021–26 - Attachment 10 - Service target performance incentive scheme, April 2021, p. 11

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 did not replace the telephone answering component of the STPIS, the default telephone answering revenue at risk cap of $\pm 0.5\%$ ¹⁶ 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 0.073%). For the remaining years of the period, Powercor 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 Powercor to ensure that it has an incentive to continue to improve customer service in the upcoming regulatory control period.

¹⁶ 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 $\pm 0.5\%$. Powercor did not apply the telephone answering parameter of the STPIS, instead it applied the CSIS for 2021-26 period.

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
SAIDI	system average interruption duration index
SAIFI	system average interruption frequency index
STPIS	service target performance incentive scheme
VCR	value of customer reliability
