

# Final Decision

AusNet Services electricity distribution  
determination

1 July 2026 – 30 June 2031

**Attachment 9 – Customer service incentive scheme**

**April 2026**

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### **Amendment record**

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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 the AER 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. 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 Final Decision

Our Final Decision is to not accept AusNet's CSIS proposal. To deliver the intended benefits of a CSIS, its design must be robust, its intentions clear, and its performance parameters measurable. Strong customer support for the adoption of a CSIS must be established through genuine engagement. We were not satisfied that AusNet's initial proposal was fit for purpose. AusNet's revised proposal has not addressed the concerns our Draft Decision raised with its proposed CSIS. Our Final Decision will therefore not apply a CSIS in 2026–31.

While not a long-term solution, our Final Decision delivers some incentivised customer service benefits in the absence of a CSIS by applying the customer service (telephone answering) component of the Service Target Performance Incentive Scheme (STPIS) Version 2.0. In response to stakeholder feedback, and in a departure from our Draft Decision, we will not apply the new connections parameter of the STPIS.

Our Draft Decision raised the implementation of the new connections parameter of the STPIS in the context of declining quality of CSIS proposals, CSIS compliance issues, and criticisms of the CSIS from DNSPs and customer representatives. These included suggestions that customer service incentives could be more efficiently streamlined under the STPIS.

The AER has learned through the Draft Decision consultation process that the CSIS is important to stakeholders in Victoria because it represents customer agency and input into

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

the services that directly affect them. As a result, our Final Decision considers alternative options to ensure that the CSIS fulfils objectives and delivers these outcomes to consumers.

The AEMC's Electricity Network Regulation Review is one opportunity to consider the role of incentive schemes in our distribution determinations and how the challenges encountered with the CSIS can be addressed.<sup>2</sup> Additionally, the AER has the option under the current rules, and in accordance with the distribution consultation procedures, to amend or replace any small-scale incentive scheme.

The AER is committed to protecting genuine customer input into both the CSIS and our regulatory decisions. Our response to Draft Decision consultation feedback is contained in section 9.5. Further information on how customer and other stakeholder feedback is reflected in our decision not to apply the new connections parameter of the STPIS and in our approach to the future of the CSIS is contained in sections 9.6 and 9.7.

## 9.2 Draft Decision

Our Draft Decision was to not accept AusNet's proposed CSIS and instead apply the customer service (telephone answering and new connections) parameters of the STPIS Version 2.0.

Our Draft Decision found that AusNet's initial proposed CSIS was not compliant with the requirements of the Scheme. Specific issues with AusNet's initial CSIS included:

- AusNet's proposed revenue at risk of +/-1% exceeded the +/-0.5% specified by the CSIS.
- Due to lack of historical baseline data resulting from AusNet's recent 2024-2025 – 2025-2026 scheme suspension, the incentive design did not include performance targets or consultation on performance targets, key requirements under the CSIS.

We also raised that the proposed unplanned outage parameter could overlap with the STPIS in that the measuring survey question asked customers to rank satisfaction with unplanned outages (possibly implying outage frequency and duration, incentivised by the STPIS) rather than specifically targeting customer service experience during the outage. We identified this risk as CSIS parameters must not be subject to other incentives.<sup>3</sup>

The decision not to accept AusNet's initial proposal protects the integrity of the CSIS, ensuring that incentive designs adhere to requirements and preserve genuine customer input on performance targets.

A full and detailed explanation of why the AER did not accept AusNet's initial CSIS proposal can be found in our Draft Decision Attachment 9 Customer Service Incentive Scheme).<sup>4</sup>

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<sup>2</sup> AEMC, *Electricity Network Regulation Review, expected completion 2027* (<https://www.aemc.gov.au/market-reviews-advice/electricity-network-regulation-review>).

<sup>3</sup> Ibid, clause 3.2(2)(b)

<sup>4</sup> AER, *Attachment 9 - Customer service incentive scheme - Draft decision - Jemena distribution determination 2026-31*, September 2025.

### 9.3 AusNet’s revised proposal

AusNet’s revised proposal did not accept the AER’s Draft Decision to reject its proposed CSIS and did not accept the AER’s decision to apply the new connections parameter of the STPIS.<sup>5</sup>

AusNet’s revised proposal accepted the AER’s position that revenue at risk of +/-1% was inconsistent with the CSIS, and amended revenue at risk to +/-0.5%.

AusNet did not accept feedback on the potential for the wording of the unplanned outage parameter survey question to imply satisfaction with the frequency and duration of network outages (incentivised by the STPIS), noting previous acceptance of this parameter by the AER. We consider this argument to be valid and can accept reasoning that this question implies the unplanned outage customer service experience even if this is not explicitly stated, removing the risk of overlap with the STPIS.

AusNet’s revised proposal provided performance targets. However, we do not consider these to be based on sufficient historical data to meet CSIS provisions. This element of AusNet’s revised proposal is discussed further below.

We received two submissions on AusNet’s CSIS, from AusNet’s Coordination Group, and from John Mumford, an AusNet customer. Feedback from these submissions is discussed in the relevant sections below.

### 9.4 Final Decision to not accept AusNet’s CSIS

Our Draft Decision was to not accept AusNet’s CSIS and to instead apply the telephone answering parameter of the STPIS.

Although AusNet’s revised proposal did provide performance targets, these were based on 11 months’ data. AusNet proposed that the AER either use the information request process to update these targets with several months’ more data in the lead up to the Final Decision, or to allow for a one-year delayed start to AusNet’s CSIS so that targets could be based on two years’ data.

As AusNet anticipated, we do not consider the data included in the revised proposal, even if updated in the lead up to the Final Decision, to be adequate to develop a representative historical baseline capable of incentivising genuine improvement. This concern is echoed by AusNet’s Coordination Group, who stated that they understood AER’s concerns regarding insufficient data to inform robust performance targets and supported a delayed commencement of the scheme.<sup>6</sup> We also note that AusNet’s original March 2019 proposal recommending that the AER adopt a CSIS mechanism advocates for a 2020 implementation

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<sup>5</sup> Jemena, *Jemena 2026-31 revised proposal*, December 2025, p.47

<sup>6</sup> AusNet Coordination Group, *Independent report and submission from AusNet’s Coordination Group on AER’s draft decision on AusNet’s distribution determination 2026-31 (and AusNet revised proposal)*, January 2026, p.20. AusNet’s Coordination Group also stated that it believed that the AER’s Draft Decision should have accepted AusNet’s initial proposal provisionally, contingent on robust targets being provided at a later date.

to facilitate targets based on two and a half years of data, stating that this will ensure that targets “are set appropriately”.<sup>7</sup>

We have assessed AusNet’s request for a delayed implementation. We have found that incentive designs forming part of the CSIS proposal must be approved or refused prior to the making of the final distribution determination. We have also found that a CSIS proposal would likely be presumed to apply for the whole regulatory control period, and that a CSIS could not be implemented at a predetermined point during the regulatory control period. We consider that this precludes AusNet from delaying its CSIS and that this refusal is consistent with our approach to similar proposals.

As delayed implementation is not possible and AusNet’s revised proposal does not contain performance targets sufficient to meet Scheme provisions, it cannot be accepted. The table below details areas in which Scheme requirements have not been met, preventing the AER from approving AusNet’s CSIS for the 2026–31 regulatory period.

**Table 1 Scheme design requirements not met by AusNet’s revised proposal**

CSIS Clause	Analysis
<p><b>3.1(d):</b> customers of the DNSP strongly support the application of the incentive design.</p>	<p>× Not met in revised proposal. AusNet did not possess sufficient historical data to develop robust performance targets to test with customers and thereby establish support for the application of the incentive design.</p>
<p><b>3.2(4)(a):</b> for each performance parameter, the incentive design establishes a baseline or neutral level of performance, which in normal circumstances should be at least equal to the historical performance of the DNSP.</p>	<p>× Not met in revised proposal. AusNet was unable to provide sufficient historical data to establish a baseline or neutral level of performance for each parameter.</p>
<p><b>3.2(4)(b):</b> for each performance parameter, the incentive design sets a performance target that</p> <p>i) incentivises genuine improvement in line with the value of the identified service improvement to the DNSP’s customers, and</p> <p>ii) makes reference to the baseline or neutral level of performance established in clause 3(4)(a)</p>	<p>× Not met in revised proposal. AusNet was unable to provide sufficient historical data to develop performance targets that make reference to the baseline or neutral level of performance for each parameter. Only robust performance targets can be considered to incentivise genuine improvement.</p>
<p><b>3.2(4)(d):</b> for each performance parameter the incentive design creates a clear relationship between</p>	<p>× Not met in revised proposal. As AusNet was unable to provide sufficient historical data to establish robust performance targets, it is not possible to establish a clear relationship</p>

<sup>7</sup> AusNet, *Proposal for a Small-Scale Incentive Scheme – Customer Satisfaction*, March 2019.

<p>i) outperformance of the performance target resulting in a reward under the incentive design, and</p> <p>ii) underperformance of the performance target and receiving a penalty under the incentive design</p>	<p>between outperformance and underperformance against those targets.</p>
<p><b>3.2(5)(e):</b> the incentive design provides rewards or penalties that in satisfying the requirements of clause 3.2(4)(a) and (c), the value that customers attribute to service improvements or degradations is established using a reasonable process that identifies the value that customers attribute to the level of service improvement or degradation observed, in that the process:</p> <p>(i) is transparent, and</p> <p>(ii) involves genuine consultation with the DNSP's customers.</p>	<p>× Not met in revised proposal. AusNet did not establish robust performance targets and was there for unable to consult with customers on the value they attribute to service degradations or improvements against these targets.</p>

## 9.5 Consultation feedback

The CSIS and accompanying Explanatory Statement are clear on the elements of a successful CSIS proposal. AER staff adhere closely to the requirements of the CSIS when assessing CSIS proposals.

In its submission, CPU's Customer Advisory Panel sought guidance from the AER on the "rationales for rejection and conditional acceptance of CSIS proposals" as well as further guidance on what the AER considers to be adequate consultation.<sup>8</sup> The CSIS provides that the AER may apply an incentive design as part of a distribution determination to a DNSP if it is satisfied that the incentive design:

- a) will achieve the Scheme Objectives,
- b) meets the incentive design criteria, and
- c) is accompanied by a proposal that meets the incentive design proposal requirements.

Each time a DNSP submits a CSIS proposal, we undertake a comprehensive analysis of each of the Scheme elements to assess compliance with the above. The Scheme elements are:

- Performance Parameters – what customers want to be incentivised under the scheme
- Measurement Methodology – how performance is measured
- Assessment Approach – how performance is rated
- Financial Component – how penalties/rewards are calculated and applied

<sup>8</sup> CPU Customer Advisory Panel, *Report on the AER's draft decision and CitiPower, Powercor, United Energy's revised proposal*, January 2026, p.7 (CitiPower), pp.8-9 (Powercor), p.8 (United Energy.)

Customers of the DNSP must strongly support the application of the incentive design.<sup>9</sup> The AER considers that when CSIS requirements are met, the CSIS is designed to foster meaningful customer engagement throughout the development stage.

Our Draft Decision identified a lack of performance targets as a primary reason for the rejection of AusNet’s initial proposal, and identified the fact that AusNet was therefore unable to engage with customers on these targets as an additional reason, as targets must be tested with customers under the provisions of the Scheme.

AusNet’s revised proposal questions this assessment of its initial proposal engagement by highlighting its robust engagement with customers on overall incentive design.<sup>10</sup> While we consider consultation with customers on customer service priorities and the development of parameters to be crucial components of genuine engagement, a CSIS cannot meet CSIS co-design requirements without consultation on performance targets themselves.

Reflecting the importance of genuine consultation, a submission from Jemena’s Energy Reference Group called out the importance of engagement and consultation, by saying “The AER recommend for Jemena to advocate for incentives that are meaningful and data-driven, and inclusive, ensuring small customers are not excluded”, and “Incentive schemes should be designed with diverse customer voices and focus on long-term trust-building and engagement”.<sup>11</sup>

Similarly, CCP32’s submission provided its observations on the importance of factoring in adequate consultation in developing a successful CSIS proposal, noting that the regulatory reset process may not provide sufficient time to develop a compliant CSIS. It also raised concerns about opportunities and timeframes for genuine engagement between the AER’s Draft Decision and lodgement of revised proposals. In addition, CCP32 recommended earlier delivery of feedback from AER and suggested additional measures for feedback delivery.<sup>12</sup>

The AER’s expectations of positive customer engagement is set out in our December 2021 Better resets handbook – towards consumer-centric network proposals. The Handbook aims to incentivise networks to develop high quality proposals driven by genuine engagement with consumers. Our expectations are reflected in the standards we have applied to past successful CSIS proposals, which are available on the AER website.

The timeframe within which DNSPs have the opportunity to engage on and revise CSIS proposals is transparent and well established. Under clause 6.10.3 of the National Electricity Rules, DNSPs have 45 business days after the publication of the AER’s draft distribution determinations to submit a revised regulatory proposal. During previous reset processes, DNSPs have undertaken re-engagement on their CSIS proposals to successfully amend the design, including re-assembling customer panels to confirm genuine support.

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<sup>9</sup> AER, *Final Customer Service Incentive Scheme*, July 2020, 3.1(1)(d), p.4.

<sup>10</sup> AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.21.

<sup>11</sup> Jemena Energy Reference Group, *Submission on Jemena Electricity Networks distribution 2026-31 Draft Decision*, December 2025, p.6.

<sup>12</sup> Ibid.

The AER makes use of well-established communication channels with DNSPs throughout the reset process (including in early stages prior to our Draft Decision) via formal written information requests and informal communication means, such as ad hoc staff-level meetings. This enables us to engage meaningfully with DNSPs on areas of concern. All DNSPs are aware of these communication opportunities.

We consider that AusNet was aware of the regulatory timeframes, and had sufficient time, feedback, and experience with the Scheme to identify barriers to acceptance for its CSIS.

## **9.6 Final Decision to not apply the new connections parameter of the STPIS**

While we consider a well-developed CSIS to be a more effective mechanism for incentivising customer service, in the absence of a CSIS our Final Decision is to apply the telephone answering parameter of the customer service component of the STPIS to AusNet for the 2026–31 regulatory control period. While not a long-term solution, this is consistent with the position laid out in our Framework and Approach paper and is intended to address the underlying risk that AusNet may seek savings at the expense of customer service.

We have also decided not to apply the new connections parameter of the STPIS.

Our Draft Decision raised the potential application of this parameter in light of the observation that since the introduction of the CSIS, performance parameters proposed by different DNSPs have become increasingly similar, in some cases trending towards those featured in established schemes.

Our Draft Decision noted that DNSPs had proposed only modest changes to their CSIS parameters from previous regulatory periods, 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.

In addition, our Draft Decision observed that recent CSIS proposals lacked completeness and were limited in scope, and that stakeholders and consumer groups had raised questions as to whether DNSPs' performance targets were appropriately challenging. There have also been several instances of scheme non-compliance, and we have identified data and survey integrity issues.

Finally, criticisms of the CSIS, including questions as to the efficiency of maintaining two separate schemes incentivising customer service and suggestions that customer service improvement could be effectively delivered under the STPIS, have been expressed by both DNSPs and consumer representatives (see further detail in 9.7 below).

Given the above, our Draft Decision posed the possibility of streamlining customer service incentives, penalties and reporting under the STPIS. Specifically, we sought stakeholder feedback on the activation of the new connections parameter of the STPIS (in addition the telephone answering component) within the Victorian resets as a means of delivering some immediate incentivised benefit to customers in the absence of a CSIS.

We selected the new connections parameter for stakeholder review in the context of a reasonable assumption that this parameter fulfilled the STPIS objectives and would be an

incentive customers may be willing to pay for, as it held the potential to benefit a significant number of small residential customers. We made this assumption based on evidence obtained by the AER in the form of disputes, responses from DNSPS to information requests, and queries from stakeholders which indicated that a potentially significant number of small customers in Victoria are receiving new Standard Control Service connections for service pits powering residential homes.

Standard Control Service connections can be complex, lengthy, and expensive, sometimes imposing significant costs on small residential customers. Even short delays in connection timeframes can have significant impacts on customers. However, Standard Control Services can be measured and incentivised under the customer service component of the STPIS. Given this, we considered that concentrating customer service incentives to stimulate improvements in an area possibly affecting a significant number of small customers was worth investigating.

As a result, our Draft Decision sought data from DNSPs to verify our assumptions, assess the feasibility of the parameter, and develop robust targets based on historical performance. We also sought views from stakeholders on the application of the parameter, availability of sufficient data, benefits to customers, revenue at risk, compatibility with STPIS scheme objectives, and any disqualifying interrelationship with jurisdictional incentives. Although some submissions expressed concern that our Draft Decision may indicate the AER's intent to retire the CSIS without seeking feedback from stakeholders, the comprehensive feedback elicited within the Draft Decision demonstrates our commitment to basing our decisions on stakeholder input and intention to use the submissions process as a genuine consultation mechanism.<sup>13</sup>

In its revised proposal, AusNet accepted our Draft Decision to apply the telephone answering component of the STPIS. However, in response to the AER's request for feedback to assess the viability of the proposed parameter, AusNet did not accept our Draft Decision to apply the new connections component of the STPIS, for the following reasons:

- Although AusNet provided data confirming our original assumption that a significant number of small customers are receiving Standard Control Service connections, of these connections, only a small number were provided late.<sup>14</sup>
- AusNet's revised proposal shared concerns that the new connections parameter would not benefit small residential customers not receiving Standard Control Service connections. The revised proposal also expressed views that the customer service parameters of the STPIS are inflexible, are not tailored to current service issues and do not reflect customer preferences, and may not be more effective in incentivising customer service than the CSIS. In addition, AusNet identified a potential

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<sup>13</sup> CitiPower, *CitiPower 2026-31 revised proposal – revenue and expenditure forecasts*, December 2025, p.61, Powercor, *Powercor 2026-31 revised regulatory proposal – revenue and expenditure forecasts*, December 2025, p.74, United Energy, *United Energy 2026-31 revised regulatory proposal – revenue and expenditure forecasts*, December 2025, p.57; CPU Customer Advisory Panel, *Report on the AER's Draft Decision and CitiPower, Powercor, United Energy's revised proposal*, January 2026, p.7 (CitiPower), pp.8-9 (Powercor), p.8 (United Energy); CCP32, *Submissions on CitiPower, Powercor, United Energy, Jemena, AusNet's distribution proposal 2026-3*, January 2026, p.27 (CitiPower, Jemena, AusNet); p.28 (Powercor); pp.27-28 (United Energy). AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.252.

<sup>14</sup> AusNet, *Response to AER Information Request IR#092*, February 2026.

disqualifying overlap with the Victorian Guaranteed Service Level incentive, which can apply to failure to connect a new supply on the agreed date.<sup>15</sup>

- AusNet’s Coordination Group also emphasised that STPIS customer service parameters may no longer reflect current customer service modes and priorities (citing the incentivisation of telephone answering over other, now more common forms of digital communication), and that as the STPIS is geared to network performance, it does not deliver the nuanced and precise customer service outcomes facilitated by the CSIS. To illustrate this, AusNet’s Coordination Group provided an example also raised in a submission by John Mumford, an AusNet customer: under the proposed STPIS parameters, a network might be rewarded for a prompt telephone answering and for overall outage duration, but would not be incentivised (as it would be under an unplanned outage parameter within the CSIS) to deliver satisfactory customer service during the outage.<sup>16</sup>

CCP32’s submission also challenged our support for the new connections parameter of the STPIS, specifically our assertion that “customers are willing to pay for the improved services relating to new connections”, and particularly our engagement or research to support the statement.<sup>17</sup> CCP32 called for the proposal to include the new connections parameter to be withdrawn, stating that it did not believe that the AER intended it to be applied to large customers only.<sup>18</sup> The AER acknowledges CCP32’s feedback, and wish to clarify that we proposed the new connections parameter based on the assumption that a significant number of small residential customers might benefit from the incentive, and that the intention of our Draft Decision was to obtain views from all stakeholders and data from all networks to assess the feasibility of the parameter (as stated above).

In response to the AER’s request for data to inform assessment of the new connection parameter, CPU advised that it was unable to provide relevant data on the number of small residential customers receiving Standard Control Service connections as there is no clear and robust historical dataset for these customers or their associated connection timeframes across its businesses.<sup>19</sup> Jemena advised that it was unable to provide data on small residential Standard Control Services connections as it does not distinguish between Standard Control Services connections and Alternative Control Services connections in its reporting.<sup>20</sup> Jemena also advised that it believes that only a small proportion of Standard

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<sup>15</sup> AusNet, *EDPR revised proposal 2026-31*, December 2025, p.252.

<sup>16</sup> AusNet Coordination Group, *Independent report and submission from AusNet’s Coordination Group on AER’s Draft Decision on AusNet’s distribution determination 2026-31 (and AusNet revised proposal)*, January 2026, p.20; John Mumford, *AER Draft Decision - AusNet Services Submission*, January 2026, p.1. This customer opposed the activation of the new connections parameter of the STPIS. This customer also opposed the activation of the telephone answering parameter of the STPIS, on the basis that he believes that rewards for this parameter are too easy to achieve through the use of automated phone systems which may not genuinely assist customers, and that in the absence of an acceptable CSIS networks should not receive incentives for customer service.

<sup>17</sup> CCP32, *Submissions on CitiPower, Powercor, United Energy, Jemena, AusNet’s distribution proposal 2026-3*, January 2026, p.27 (CitiPower, Jemena, AusNet); p.28 (Powercor); pp.27-28 (United Energy). AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.252.

<sup>18</sup> *Ibid.*

<sup>19</sup> CitiPower, *Response to AER Information Request IR#083*, Powercor, *Response to AER Information Request IR#087*, United Energy, *Response to AER Information Request IR#077*, February 2026.

<sup>20</sup> Jemena, *Response to AER Information Request IR#076*, February 2026.

Control Service connections are being offered to this demographic within its network. We note that without data this is not possible to verify.<sup>21</sup>

Although CPU and Jemena are unable to provide data at this stage, the data provided by AusNet may indicate that the broader picture across the Victorian networks aligns with stakeholder proposal comments that they consider improvements to connection times delivered by this parameter to be limited.

Stakeholders did not support the activation of the new connections parameter at the AER’s October 2025 public forum on the Draft Decision, and at AusNet’s stakeholder consultation workshop held in November 2025. Additional stakeholder feedback and submissions voiced concerns as to whether the number of small residential customers who might benefit from an incentive geared to Standard Control Services would be large enough to warrant costs to customers, concerns that new connection timeframes were not an identified customer service priority within all networks and that for some networks scope for incentivised improvement would be limited, concerns that losing incentives for other types of small customer residential connections would be a missed opportunity, and concerns that the parameter lacked evidence and may not be targeted to connection types most in need of incentivisation.<sup>22</sup>

Stakeholders also pointed out that complex Standard Control Services are delivered in multiple stages subject to changes to agreed-upon dates which might incentivise businesses to distort anticipated stage deadlines or modify dates via contract variations to create an auditable trail of date changes, drawing out connection timeframes.<sup>23</sup>

Given the feedback provided, our Final Decision is to not apply the new connections parameter of the STPIS for the 2026-31 regulatory control period primarily due to lack of sufficient historical data to develop performance targets or satisfy the AER that the proposed parameter fulfils STPIS objectives.

**Table 2 Key STPIS provisions not met by proposed new connections parameter**

STPIS provision	Analysis
<p>In developing and implementing a service target performance incentive scheme the AER must take into account:</p> <p>1.5(b)(1): the need to ensure benefits to consumers are likely to result from</p>	<p>× Not met. Due to inadequate historical data on Standard Control Service connection customer numbers and connection timeframes, and additional concerns raised in stakeholder feedback, we cannot verify that benefits to consumers delivered by this parameter will warrant penalties and rewards.</p>

<sup>21</sup> Jemena, *2026-31 Revised proposal*, December 2025, p.47.

<sup>22</sup> AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.249; AusNet Coordination Group, *Independent Report and Submission on Draft Decision and Revised Regulatory Proposal 2026-2031*, January 2026, p.20-21; CitiPower, Powercor, United Energy, *Revised proposals 2026-31*, December 2025, p.61; CPU Customer Advisory Panel, *Report on the AER’s Draft Decision and CitiPower, Powercor, United Energy’s revised proposal*, January 2026, p.7 (CitiPower), pp.8-9 (Powercor), p.8 (United Energy); Jemena – 2026-31 revised proposal, December 2025, p.47; Nexa Advisory, *Submission to AER 2026-31 Victorian electricity distribution determinations*, January 2026, p.12.

<sup>23</sup> CitiPower, *Response to AER Information Request IR#083*, Powercor, *Response to AER Information Request IR#087*, United Energy, *Response to AER Information Request IR#077*, February 2026.

STPIS provision	Analysis
the scheme are sufficient to warrant any reward or penalty under the scheme for DNSPs.	
1.5(b)(4): any other incentives available to the DNSP under the Rules or a relevant distribution determination	× Not met. Stakeholders have raised concerns regarding a potential overlap of the new connections parameter of the STPIS with the Victorian Guaranteed Service Level incentive, which can apply to failure to connect a new supply on the agreed date.
1.5(b)(6): willingness of the customer or end user to pay for improved performance in the delivery of services	× Not met. Due to inadequate historical data on Standard Control Service connection customer numbers and connection timeframes, as well as stakeholder feedback obtained through the Draft Decision consultation process, we are not confident that customers would be willing to pay for improved performance in the delivery of new connections.
5.3.1: customer service component parameter performance targets must be based on average performance over the past five regulatory years.	× Not met. There is inadequate data on Standard Control Service connection customer numbers and connection timeframes to develop performance targets for all networks.

Our decision not to apply the new connections parameter of the STPIS is grounded in Scheme rules and the AER’s commitment to listening to feedback from customers and adapting decisions to customer preferences and new information. Customer and other stakeholder preferences not to streamline customer service incentives under the STPIS have also informed our approach to the future of the CSIS, discussed below.

## 9.7 The future of the CSIS

CCP32 has called for the AER to provide clarity on the future of the CSIS so DNSPs can tailor business initiatives and engagement plans.<sup>24</sup> AusNet, while advocating for the CSIS, called for a review of the STPIS to develop more nuanced customer service parameters if the STPIS is applied.<sup>25</sup> AusNet’s Coordination Group urged the AER to work with DNSPs and customers to refine rather than retire the scheme.<sup>26</sup>

As noted in our Draft Decision, feedback from a range of stakeholders, a growing history of scheme non-compliance, and poor quality CSIS proposals informed by limited customer engagement prompted the potential need for a different approach to incentivising positive customer service outcomes.

<sup>24</sup> CCP32, *Submissions on CitiPower, Powercor, United Energy, Jemena, AusNet’s distribution proposal 2026-3*, January 2026, p.27 (CitiPower, Jemena, AusNet); p.28 (Powercor); pp.27-28 (United Energy).

<sup>25</sup> AusNet, *EDPR revised proposal 2026-31*, December 2025, p.252.

<sup>26</sup> CCP32, *Submissions on CitiPower, Powercor, United Energy, Jemena, AusNet’s distribution proposal 2026-3*, January 2026, p.27 (CitiPower, Jemena, AusNet); p.28 (Powercor); pp.27-28 (United Energy). AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.252. AusNet, *AusNet 2026-31 revised proposal*, December 2025, p.252. AusNet Coordination Group, *Independent Report and Submission on Draft Decision and Revised Regulatory Proposal 2026 – 2031*, January 2026, p.20.

For example, Evoenergy’s 2024–29 proposal and Energy Queensland’s 2025–30 proposal did not include a CSIS. Evoenergy chose to withdraw its CSIS application after receiving feedback from the AER that some of its parameters were not based on adequate historical data. Ergon and Energex cited views from customers that a CSIS should not apply as customer service should not be subject to financial incentives and alternative reporting measures provide adequate accountability.<sup>27</sup>

Similar views have also been reflected in submissions from some consumer representative bodies. The South Australian Council of Social Services (SACOSS) submission on SA Power Networks’ (SAPN) 2025–30 proposal did not support the CSIS, stating that it considered jurisdictional standards to be sufficient.<sup>28</sup> The Energy and Water Ombudsman South Australia (EWOSA) noted that SAPN’s proposed call answering and unplanned interruption notification parameters could be covered by the STPIS, removing the need to impose administrative costs and compliance obligations for two separate schemes.<sup>29</sup>

Recent instances of non-compliance with the CSIS have resulted in suspensions of the scheme for some DNSPs. In April 2025, the AER published its decision to suspend AusNet’s CSIS due to insufficient historical data provided by AusNet within its proposed transitional arrangement after it moved from telephone customer surveys to online customer surveys. The suspension was required as the performance parameters were no longer compliant with the incentive design criteria. In November 2025, the AER decided to suspend a specific parameter in Essential Energy’s CSIS due to the development of a performance target based on an incorrect dataset.

However, notwithstanding these impediments to the effective functioning of the scheme, Victorian Draft Decision submissions have revealed that customers value the objectives of the CSIS and support what it is intended to achieve. Submissions have clarified that stakeholders strongly prefer the more nuanced and precise customer service outcomes delivered by the CSIS over the rigidity of the STPIS.<sup>30</sup> Victorian networks and customers

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<sup>27</sup> Ergon, *Ergon 2025-30 Revised Regulatory Proposal*, November 2024, p.32; Energex, *Energex 2025-30 Revised Regulatory Proposal - November 2024*, p.27.

<sup>28</sup> South Australian Council of Social Services (SACOSS), *Submission to the AER’s Framework and Approach paper for SAPN’s 2025-2030 regulatory proposal*, April 2023, p.5.

<sup>29</sup> Energy and Water Ombudsman of South Australia’s (EWOSA), *Submission on the AER’s Issues Paper for SAPN’s 2025-2030 regulatory proposal*, May 2024, p.3.

<sup>30</sup> AusNet, *AusNet EDPR revised proposal 2026-31*, December 2025 (p.249), AusNet Coordination Group, *Independent Report and Submission on Draft Decision and Revised Regulatory Proposal 2026 – 2031*, January 2026, p.20. CitiPower, Powercor, United Energy, *Revised proposals 2026-31*, December 2025, p.61. CPU Customer Advisory Panel, *Report on the AER’s Draft Decision and CitiPower, Powercor and United Energy Revised Regulatory Proposal 2026-31*, January 2026, p.7. A submission from Nexa Advisory raised the risk that the new connections parameter would track and reward connections that are already high-performing and should be supplemented with measures targeting connection types in need of incentivisation, particularly EV charging operators (January 2026, p.12). A submission from John Mumford, an AusNet customer, supported the CSIS and opposed both the STPIS new connections parameter and the telephone answering parameter, citing a recent incident during which AusNet responded to his call but did not respond to the outage, pointing out that under the STPIS networks would be rewarded for these actions (January 2026, p.1.)

have opposed streamlining with the STPIS and have expressed a preference to retain the CSIS, despite administrative obligations.<sup>31</sup>

Despite the AER's Final Decision to not accept AusNet's CSIS and ongoing problems with the operation of the CSIS, we acknowledge that customer support in Victoria for the continuation of a CSIS remains. To help guide DNSPs in submitting future CSIS proposals capable of acceptance, this Final Decision (at section 9.5) has clarified CSIS feedback mechanisms and provisions which must be met under the scheme. We have listened to customer feedback in our decision, and all decisions to reject the Victorian CSIS proposals and explore alternatives are grounded in the AER's commitment to protecting genuine customer input.

In the context of the future of the scheme, the AER notes that the AEMC's upcoming Electricity Regulation Review may provide a forum to review the CSIS, as it will explore how the regulatory framework remunerates network businesses for their efficient costs, including through the overall incentives of the ex-ante framework, as well as explicit mechanisms. The Final terms of reference and consultation paper is due for publication in July 2026, with a Final Report expected to be published in 2027. The AER encourages stakeholders to engage in the AEMC's process as a complementary vehicle to discuss the value to customers and effectiveness of the CSIS.<sup>32</sup>

Additionally, the AER has the option under the current rules, and in accordance with the distribution consultation procedures, to amend or replace any small-scale incentive scheme. We consider that any future review of the scheme must provide for comprehensive, transparent engagement with all CSIS stakeholders, including customers.

The Draft Decision consultation process across all five DNSPs in Victoria has clarified that the CSIS is important to Victorian customers due to the opportunity for customer agency and input to the reset process that the scheme represents.

While stakeholder support is one factor, we need to consider whether CSIS proposals meet the requirements of the Scheme. We remain open to applying the CSIS in future and stress the importance of the need for CSIS proposals to be well-considered and bespoke, well consulted upon and capable of driving genuine improvements in customer service.

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<sup>31</sup> CPU Customer Advisory Panel, *Report on the AER's Draft Decision and CitiPower's Revised Regulatory Proposal 2026-31*, January 2026, p.7, Jemena Energy Reference Group, *Feedback to AER on Jemena Electricity Networks distribution 2026-31 Draft Decision*, December 2025, p.6, AusNet Coordination Group, *Independent Report and Submission on Draft Decision and Revised Regulatory Proposal 2026 – 2031*, January 2026, p.20, John Mumford, *AER Draft Decision - AusNet Services. Submission*, January 2026, p.1, Nexa Advisory, *Submission to AER 2026-31 Victorian electricity distribution determinations*, January 2026, p.12.

<sup>32</sup> AEMC, *Electricity Network Regulation Review, expected completion 2027* (<https://www.aemc.gov.au/market-reviews-advice/electricity-network-regulation-review>).

## Shortened forms

Term	Definition
AER	Australian Energy Regulator
AEMC	Australian Energy Market Commission
CSIS	Customer service incentive scheme
DNSP	distribution network service provider
STPIS	Service target performance incentive scheme
CCP	Consumer Challenge Panel
ERG	Jemena's Energy Reference Group
CPU	CitiPower, Powercor and United Energy
CAP	CPU's Customer Advisory Panel

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