

Issues Paper: Customer Service Incentive Scheme

The AER is considering whether it would benefit customers to provide electricity distribution businesses (distributors) with an incentive to improve customer service.

AusNet Service's (AusNet's) trial of the [New Reg](#) process has revealed evidence that customers might value improvements in distributor performance. This process is a new way for AusNet to consult with its customers – through a Customer Forum.

What does the issues paper cover?

The AER's issues paper sets out why developing the scheme may have merit and seeks feedback on:

- Whether there is a need for a new incentive
- when the AER should apply the scheme
- how much revenue should be at risk
- the nature of any potential scheme

Is there a need for a new incentive?

Under the current framework, distributors are incentivised to improve customer satisfaction by the Service Target Performance Incentive Scheme (STPIS). The Customer Service Measure in this scheme provides rewards or penalties depending on the proportion of phone calls distributors answer in 30 seconds.

The Customer Forum found evidence that AusNet customers would value a higher level of customer service than they were currently receiving. They also found that, while AusNet had responded to the incentives available in the regulatory framework, these incentives were too narrowly focussed.

We consider that these conclusions have merit, and want to hear from stakeholders regarding possible solutions to this problem.

What kind of incentive could we implement?

The paper considers one possible solution to the potential inadequacy, which is to develop an incentive scheme that would allow for the trial of customer service incentives. This may prompt distributors to consider a broader range of customer preferences and deliver a service that better meets customer needs. We would like stakeholder feedback on whether we should develop an incentive scheme.

We are also interested in views regarding how we could design a scheme, should we decide to make one. We can choose how much detail to include in the Scheme. Being very detailed will give stakeholders certainty about how this will apply, and lead to uniformity. However, being more open would allow us to consider different approaches by distributors, which may work better for their customers.

Ultimately, any incentive we develop will be a trial of a new way to incentivise customer satisfaction. We currently consider that our understanding of the value of customer service is underdeveloped, and that the current STPIS provision does not assist us with gaining more insight about customer preferences. This makes it difficult to resolve the issue. However, new measures risk providing money to distributors, without providing value for customers.

We are therefore open to stakeholder views regarding what approach will give us the best information long term regarding how distributors respond to satisfaction incentives.

Next steps

We would like your feedback on this proposed incentive scheme:

- We will propose to host a public forum on the scheme in September
- We are seeking submissions on our issues paper by 19 August

If you have any questions in regards to the issues paper please email AERInquiry@aer.gov.au.