31 January 2023

Attachment 7.1: Proposed 2024-29 Customer Service Incentive Scheme

Ausgrid's 2024-29 Regulatory Proposal

Empowering communities for a resilient, affordable and net-zero future.

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Contents

1. Overview

An important element of the regulatory framework is the application of various incentive schemes to distribution network service providers (**DNSPs**). The purpose of these schemes is to balance DNSPs' incentives to undertake efficient capital and operating expenditure across a regulatory period while maintaining appropriate levels of reliability and customer service, as well as considering demand management options. Under these schemes, the benefits that flow from more efficient investment and operation of the network are shared with customers via lower prices in future regulatory periods. Incentive schemes help drive efficiencies and improvements to our reliability and customer service that will ultimately benefit our customers.

This attachment outlines our proposed Customer Service Incentive Scheme (**CSIS**), which we developed with the Reset Customer Panel (**RCP**), the Voice of Community Panel and our commercial and industrial customers. Our proposed CSIS aims to drive improvements in our service delivery performance and to focus on areas of service that our customers have told us they most value improvement in.

Under this symmetrical scheme, we would risk losing up to $44 million in regulated revenue over the 2024-29 period if our performance deteriorates in key service areas over the period, or could be rewarded for up to $44 million in regulated revenue if we improve our performance. We identified 4 service areas in close collaboration with the Reset Customer Panel and through significant engagement with our customers. Customers told us what they would most value improvement in and recommended a mix of operational and sentiment metrics that will challenge us to do better in these areas. **Figure 1.1** below provides a summary of our proposed CSIS metrics.

Figure 1.1 Proposed Customer Service Incentive Scheme metrics

Customer priorities for the CSIS			Baseline	Deadband (only applies to increase in performance)	Incentive rates	Proposed revenue at risk p.a. (+/-)
Core services	Planned outage service ease	Urban	63.7%	0	0.025	0.125%
		Regional	69.2%	0	0.025	0.125%
Enabling services	Connection project timeframe		177 days	0	0.0125	0.125%
Customer care	Website satisfaction rate		41.2%	8.8%	0.025	0.125%

1.1 Regulatory requirements

The *National Electricity Rules* (**NER**) allow the Australian Energy Regulator (**AER**) to develop a small-scale incentive scheme.[1] The AER developed the CSIS as a 'small scale incentive scheme' to encourage distributors to engage with their customers, identify the customer services they want improved, and then set targets to improve those services.

The CSIS allows the AER to set targets for distributor customer service performance and require distributors to report on their performance against those targets. Under the CSIS, distributors may be financially rewarded or penalised depending on how they perform against customer service targets. Under the CSIS, distributors may propose different 'incentive designs' in their regulatory proposals.

The AER is required to publish its proposed approach to incentive schemes in its Framework and Approach (**F&A**) Paper.[2] Under the NER, our regulatory proposal is required to contain a description, including relevant explanatory material, of how we propose to apply any incentive scheme that has been specified in the F&A Paper.[3] This

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[1] NER, cl 6.6.4(a).
[2] NER, cl 6.8.1(b)(2).
[3] NER, cl 6.1.3. The Regulatory Information Notice (**RIN**) also places a number of requirements on Ausgrid relating to our proposals regarding incentives schemes.

attachment sets out our proposed application of the CSIS which we advised we would be pursuing in our request for a new F&A. We outline how this CSIS proposal meets with the regulatory requirements in **Section 4** below.

2. CSIS development

The development of our proposed CSIS was guided by our Customer Improvement Framework (shown in **Figure 2.1** below) to ensure alignment between our proposed metrics (informed by customer feedback) and our corporate strategy. This framework was developed through both:

- Customer engagement via our business-as-usual (**BAU**) Voice of Community program to identify the key focus areas that customers were interested in improving; and

- Engagement with our Executive Team through regular reporting to ensure alignment with Ausgrid's objectives.

Figure 2.1 Customer Improvement Framework
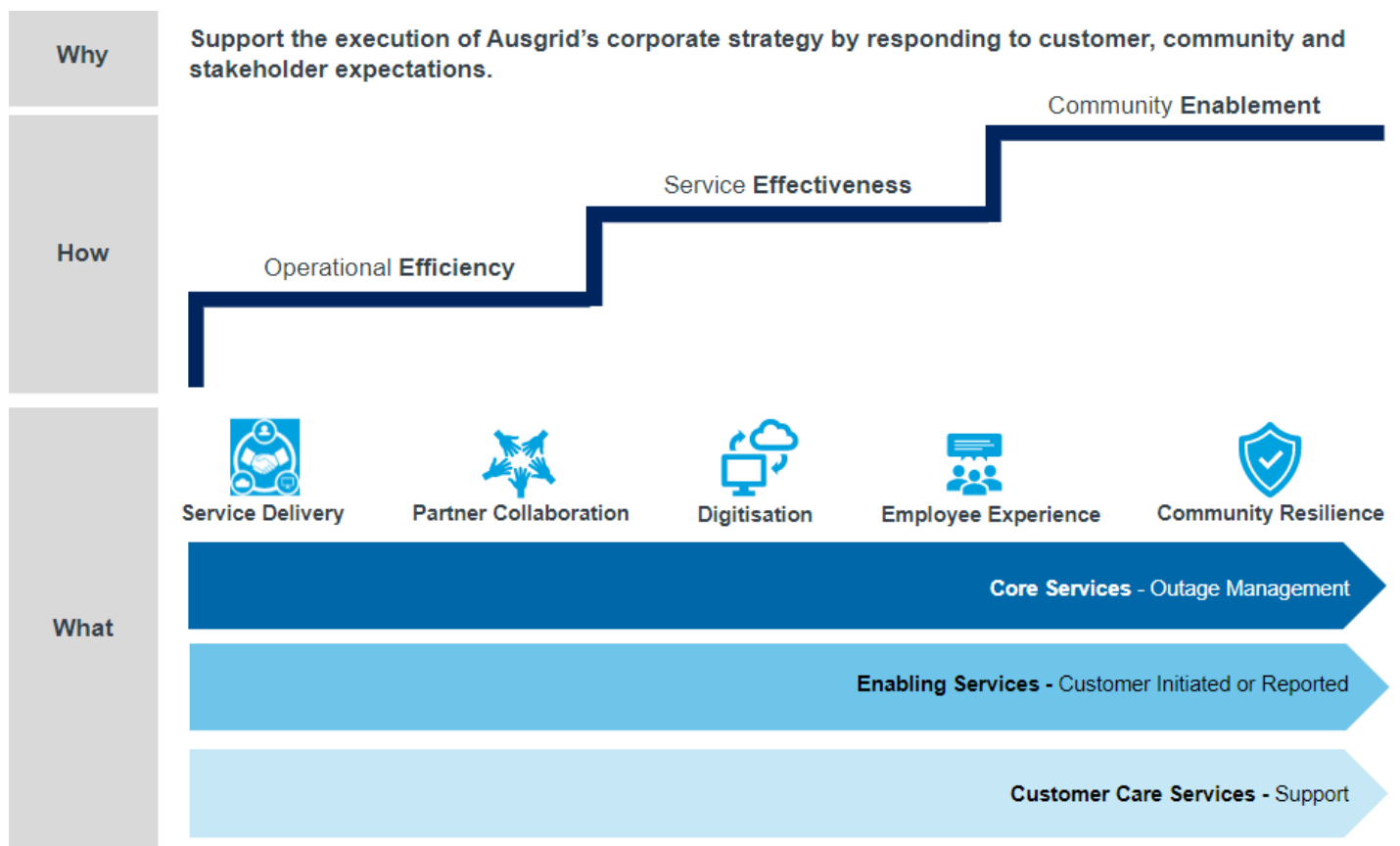
2.1 Voice of Community and Reset Customer Panels' input

We designed our proposed CSIS through close customer engagement to identify areas of our customer service that our customers have told us they want improved.

We launched our BAU 'Voice of Community' engagement program in 2020 to better understand our performance across 25 different services, channels and market segments. The process and engagement with the Voice of Community is described in **Attachment 3.1 – Engagement Overview**. Ongoing customer research from this program has shaped the design of our proposed CSIS and our ongoing engagement has identified key service areas that customers are interested in seeing improved.

Feedback from the Voice of Community engagement program was filtered into a range of service areas (summarised in **Figure 2.2**) that could be measured and could meet the Scheme Element Principles in the AER's CSIS[4] including being an aspect of customer experience related to standard control services and being substantially within the control of Ausgrid.

For our 2024-29 regulatory reset, we also engaged with our independent challenge panel – the Reset Customer Panel to develop and test the detailed design of the proposed CSIS. The Reset Customer Panel was established to represent the long-term perspectives of customers and challenge Ausgrid on key issues for this reset. Further details of the engagement with the Reset Customer Panel is set out in **Attachment 3.2 - Customer advocate meeting matrix.**

Our overall engagement pathway is summarised in **Figure 2.2** below.

Figure 2.2 Engagement on our proposed CSIS

2020 - 2021
Voice of Community engagement
We engaged with the customers across 25 different channels, services and market segments to understand key pain points for customers and customer preferences

15 October 2021
We engaged with the RCP to provide an overview of the CSIS and consulted on process to develop the CSIS

19 November 2021
We engaged with the RCP on potential CSIS measures and our proposed framework to design the CSIS

24 February 2022
We engaged with the RCP on the suitability of metrics for the CSIS and selected a set of preliminary options

16 June 2022
We engaged with the RCP for further discussion on CSIS metrics and key messages for our 2024-29 Draft Plan

21 April 2022
We engaged with the RCP to review a revised list of metrics and considered CALD customer outcomes

24 March 2022
We engaged with the RCP on our proposed CSIS metrics

27 February 2022
We engaged with the Voice of Community Panel on incentive schemes including the proposed CSIS

1 September 2022
We released our 2024-29 Draft Plan for consultation including our proposed CSIS metrics

15 October 2022
We held a town hall meeting for all our customers where we presented our CSIS metrics from the Draft Plan and validated them with customers

17 October 2022
We received 12 submissions on our Draft Plan including on our proposed CSIS metrics

18 November 2022
We engaged with the RCP on updates to key CSIS metrics and proposed baselines and targets

Draft 2024-29 CSIS proposal

2 December 2022
We engaged with the RCP on further refinements to proposed CSIS targets and incentive rates

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[4] AER (2020), *Customer Service Incentive Scheme* (**AER's CSIS**), s 3.2.

2.2   How we engaged with our customers and what we heard from them

We specifically engaged with and sought feedback from our customers and stakeholders on the proposed CSIS as part of our ongoing consultation. To do this we used a range of engagement techniques appropriate to each customer type as well as providing tools such as surveys[5] and submission templates for more engaged customers to provide their own written submissions throughout our yoursay.ausgrid.com.au website.

2.2.1   Voice of Community Panel engagement

Between February and June 2022, we held 8 meetings with our Citizens' Jury-style Voice of Community Panel of 45 residential customers.

We introduced the concept of the CSIS to customers as part of their Background Briefing (see **Figure 2.3**). At subsequent meetings, members of the Voice of Community Panel could share their views on what aspects of our customer service are particularly important to them, and whether these aspects should be covered by the CSIS. For example, we discussed with the Panel how customer service measures could measure things like outage notifications or even the effectiveness of our website.

We were able to further enhance the CSIS design we developed with the Reset Customer Panel by asking our end customers at our Voice of Community Panel the key question:

> *What are the communities' preferences for the way Ausgrid should be incentivised for delivering better customer service outcomes?*

We heard that our customers want KPIs that measure:

a.   Effectiveness of service delivery/response times;

b.   How easy it is to deal with our teams during planned outages; and

c.   How easy it is to get information about an unplanned outage.

2.2.2   Large business customer engagement

We engaged with our large business (commercial and industrial) customers to help develop our proposed CSIS via:

- A total of 12 interviews with large businesses from a range of sectors (including telecommunications, manufacturing, mining and retail) between March and April 2022; and

- A cross-industry forum with 11 participants in May 2022.

Through this engagement, we heard that customers consider that:

- Connection delivery speed is a good measure. New connection delivery speed is extremely important, disconnection speed is equally important;

- Outage related notification and accuracy of outage information are important;

Figure 2.3 Voice of Community Panel Background briefing extract

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[5] Of note there were a high number of participants to Ausgrid's customer surveys determined the performance of our sentiment metrics (Planned outages (urban) had 12,000 survey responses in the baseline period; Planned outages (regional) had 6,700 survey responses in the baseline period; Website satisfaction had 41,000 survey responses in the baseline period) relative to, for example AusNet had 1,045 participants for their planned outages surveys, 735 for new connections and 295 for complaints.

- Response time in answering the phone is less important because it measures nothing if we do not resolve the issues. However customers expect that calls should be answered within a reasonable timeframe;

- If the customer satisfaction score is to be used, it should be more quantitative than qualitative. In terms of measuring customer satisfaction, 'ease' and 'speed' should be two of the top measures;

- Supply reliability and utility are useful metrics for how much time the service is available and how much time it is off;

- It is important to establish good relationships with major customers;

- Resolving complaints quickly is important;

- Having the right contact person in an emergency is critical. Large customers should feel like they are a partner when they ring Ausgrid; and

- Would like distributors to be more customer focused and responsive to customer issues. Many standards need to be reviewed for current relevance.

2.2.3 Culturally and Linguistically Diverse (CALD) engagement

In November 2021 we met with customers from Arabic, Mandarin and Vietnamese communities. These sessions were facilitated in language by the Ethnic Communities Councils NSW (**ECCNSW**), with in-language pre-reading materials provided beforehand.
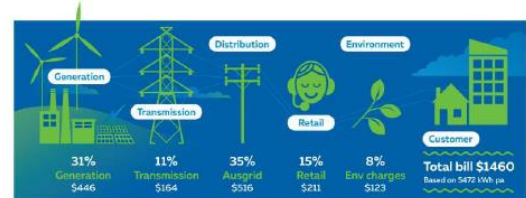
Customers were asked:

> *In your experience, what organisations have good customer service? What makes their service good?*

These customers told us that:

- Support people should have good technical knowledge;

- Priority was to solve a problem quickly, secondly a support person should act professionally, thirdly, he or she must be very patient;

- Customers expect that Ausgrid always improves their customer service to be more proactive than reactive, and picks up customers' preferences and informs customers for any outages and issues as soon as possible;

- They want us to listen to them and solve their enquiries as quickly as possible; and

- Listen and communicate with people from CALD communities who have difficulty communicating in English and provide them with interpreter service.

Figure 2.4 Extract of Arabic language Ausgrid customer engagement materials

2.2.4 Lived experience engagement

In February 2022 we held 5 focus groups with a range of specific customer groups, and we asked them how we could improve our service. The insights from these customers were fed into our Voice of Community Panel for consideration. The Panel's draft recommendations were then shared with these groups in May 2022.

We also met with a range of peak bodies that represent the needs of specific groups through a series of roundtables and individual meetings between November 2021 and February 2022.

Key themes from this engagement were:

- Customers expect empathy when they deal with Ausgrid. They want to be engaged, and to deal with real people when they need them on the issues that matter;

- Customers expect information to be targeted, accurate, clear and timely. It needs to empower. Customer processes should be simple and easy to follow;

- Customers want quick and respectful responses to their issues and enquiries; and

- Customers expect clear and prior information on planned outages, and responsive information on unplanned outages. This needs to be useful and provide advice on what to do, and where to go.

Our scheme has been tailored to our customer's preferences and priorities, allowing for the evolution of customer engagement and adoption of new technologies. Through continuous and meaningful engagement, we are confident we have our customers' strong support for our proposed CSIS.

2.2.5 Note re CALD parameters

We note that our engagement included feedback that CALD metrics should be developed for our CSIS proposal. We could not adopt a CALD metric for this CSIS proposal because there is no contemporary data available and no recognised metrics available. However, we consider this could be addressed as a BAU process post-reset, or could be adopted as an expanded CSIS measure in the next reset if this data and these metrics are available.

3. Proposed application to the 2024-29 regulatory period

3.1 Performance parameters

In close collaboration with the Reset Customer Panel and through significant engagement with our customers, we have identified 4 service areas that we believe our customers would most value improvement in and a mix of operational and sentiment metrics that will challenge us to do better in these areas. These are summarised in **Figure 3.1** below.

Figure 3.1 Proposed CSIS metrics definitions

Proposed CSIS metrics			Definition
Core services	Planned outage service ease	Urban	Level of ease in the service experience for customers on a planned outage, which is a prearranged interruption to supply where affected customers are given advanced notification. This interaction includes both short sustained and general interruptions to customers' electricity supply.
		Regional	Service ease will be measured separately for urban and regional customer groups.
Enabling services	Connection project timeframe		The median timeframe within which all connections projects in each financial year are energised, following the later of: Acceptance of a connection offer; or Appointment of an accredited service provider (ASP) construction partner.
Customer care	Website satisfaction rate		Communication metric to measure whether customers were able to achieve the intent of their visit to the website.

These performance parameters will benefit a large number of customers as they are key interactions or experiences that customers have with us. For example, around 400,000 sites (NMIs) are affected by planned outages each year, but – within some NMIs – dozens, 100s or 1000s of individuals may be affected where the NMI represents embedded networks, shopping centres, hospitals and other critical services.

Our decision to adopt these particular parameters was based on consultation with our Voice of Community Panel, our commercial and industrial customers and the Reset Customer Panel to understand the areas where customers value improved service delivery, and our assessment of the parameters against the requirements of the AER's CSIS.

3.2 How we developed the metrics

We used the principles outlined in **Figure 3.2** to guide the development and selection of CSIS measures, which are consistent with the Scheme Element Principles in the AER's CSIS.

Figure 3.2 Principles to guide selection of CSIS measures

| Demonstrate Improvement | Measurable | Innovation in customer service | Controllable | Unifying | BAU |

Experience Goal: "Provide a seamless service experience that meets changing expectations of quality and value for money"

| Right First Time | Optimised Cost to Serve | Digitisation | Employee Experience | Community Trust |

The service areas identified in the Voice of Community engagement program were our starting point to identify potential metrics for our CSIS. Initial measures were identified that could meet the principles in **Figure 3.2** and were discussed with the Reset Customer Panel to ensure that we were targeting metrics that were consistent with our customers' preferences. The initial range of measures that were under consideration are summarised in **Figure 3.3**, grouped by service area.

These initial metrics were investigated, developed and ultimately filtered through a series of meetings with the Reset Customer Panel, supported by analysis undertaken by Ausgrid to develop measures for each area based on available data that met the AER's measurement methodology principles. Feedback we received from the Reset Customer Panel throughout this process, and how we have responded and refined the metrics is summarised in **Figure 3.4**.

Figure 3.3 Initial CSIS measures under consideration

Service area	Description of initial measures considered
Service resolution	• Rate of resolving customer-initiated service requests first time satisfactorily • Contact centre first call resolution • Website first visit resolution
Customer Effort / Service Ease	• Level of ease in the service experience for customers
Event customer experience	• Overall customer experience of a major event (i.e. storm, Bushfire, Flood, Major Network Failure, Load-Shedding)
Operational Service Delivery	• Complaints, claims, streetlight repair, life support breaches, connections time, planned outage cancellations etc
Reputation / Confidence Score	• Internal Score or external score (RepTrak)
Customer Energy Resource (CER) and Net Zero enablement	• Demand Tariff take-up • Smart Meters take-up
CALD support	• Percentage of services translated or 'plain English' communication score

Service area	Description of initial measures considered
	• Number of translated languages offered, or percentage of staff training in 'plain English' communications
Digitisation (with non-digital support)	• Percentage of services offered via a digital channel

Figure 3.4 Feedback from Reset Customer Panel on proposed CSIS metrics and framework and what we propose to do in response

	What we have heard…	And what we are doing in response …
Commercial and industrial customers	• Ausgrid's scheme needs to evidence a focus on these customers	• Including a connection project metric in response to this and commercial and industrial customer feedback
Grade of service for phone calls	• Measuring how quickly calls are answered is not indicative of service quality or resolution	• Not proceeding with a grade of service metric as we had initially proposed to do
Planned outage cancellation rate	• There are multiple factors that impact complex connection timeframes and just focusing on outage success is possibly to narrow	• Not proceeding with a stand-alone metric for planned outage cancellations
Complex connections	• The name of the metric needs to resonate better with customers • The metric needs to consider basics of time, cost and quality in delivering service for customers	• Renaming the metric to 'connection project timeframe' • Reverting the measure to the median connection project timeframe discussed with the Reset Customer Panel. Some uncertainty remains for Ausgrid with this measure as changes to the types of projects could potentially impact timeframes to connect.
Unplanned outages	• There must be a focus on improving communication during unplanned outage events	• Proposing a website metric because of its high utilisation during unplanned outage events
Website metric	• Ausgrid should not be rewarded if less than 50% of customers are satisfied • Rename from 'resolution' as that may not always happen with a website visit alone	• Proposing a performance deadband for the website metric so Ausgrid is rewarded only if more than 50% of customers are satisfied • Renaming the metric to 'Website Satisfaction Rate'
CER	• A future-focused metric would be valuable given anticipated growth	• Working to improve our data and processes for quality of supply complaints for possible inclusion in the future
CALD	• There needs to be a focus on CALD customers and improving service levels to these customers	• Developing CALD focused initiatives to improve outcomes for these customers • Investigating options for data to be collected and potentially developed into a metric for a future CSIS proposal

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	What we have heard…	And what we are doing in response …
Regional customers	• The Voice of Community Panel was very keen to have a regional perspective, even though regional customers drive fewer complaints	• Measuring urban and regional customer outcomes for planned service outages separately to provide the regional perspective
Benefit to customers	• Ausgrid needs to articulate the case for why it needs to improve service in the areas included in the metrics (i.e. 'what's in it for customers') • It would be good to understand Ausgrid's strategies for lifting their performance against each of the metrics	• Articulating the key benefits to customers from improving performance for each of the metrics in **Section 3.2.2** below. • Identifying the key levers that we will use to improve our performance in **Section 3.2.2** below
Framework	• The Reset Customer Panel expects a framework that drives continuous incremental improvement • The reporting of benefits and efficiencies throughout the regulatory period would provide customers visibility of progress	• Proposing to provide an annual update on our CSIS outcomes to our Customer Consultative Committee

Not all areas of customer concern that were identified through the Voice of Community Panel and Reset Customer Panel engagement have formed part of our proposed CSIS. This is due to a number of factors, including:

- **Not wanting to dilute incentives by including too many measures** – We considered that having too many metrics in our proposed CSIS would dilute the incentives available under the scheme given that the total value of the scheme is +/- 0.5 per cent of Ausgrid's annual revenue for the 2024-29 regulatory period. We consider the proposed 4 metrics to be appropriate;

- **Insufficient data** – Not all areas of concern identified through our consultation with customers have data available for a suitable metric to be included in our proposed CSIS (e.g. CALD customer service) or lend themselves to a continuous metric. These areas would not meet the requirements of the AER's CSIS Explanatory statement;[6] and

- **Only a small number of customers would benefit from some metrics** – Some areas of concern that were identified are only relevant to a very small number of customers. We considered that including these metrics would make the scheme less equitable to the broader customer base.

Nonetheless, we will focus on improving in these identified areas and implement BAU strategies to address customers' concerns. Further, we intend to evolve the proposed CSIS over time to ensure that we continue to target areas that are valued by our customers in future regulatory periods.

3.2.1 Changes from the metrics proposed in our Draft Plan

We tested an initial set of proposed CSIS metrics and proposed revenue at risk with our customers in our 1 September 2022 Draft Plan for our Regulatory Reset 2024-29. Since then, we then held sessions with our customers at a Town Hall on 15 October 2022 to ensure these metrics still resonated with customers. We then progressed to understanding the data behind these metrics, which we used to update and further refine those measures.

The key difference between the measures in the Draft Plan and our proposed CSIS is that we have removed the 'average time to resolve quality of supply complaints' metric. This was because upon further investigation into the available data, we found that the data is not sufficiently robust to meet the requirements in the AER's CSIS Explanatory Statement.

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[6] AER (2020), *Customer Service Incentive Scheme explanatory statement* (**CSIS Explanatory Statement**).

While this metric has been removed from the CSIS, it will remain a continuous improvement focus area for Ausgrid over the 2024-29 regulatory period. We will seek to improve the quality of this data so we can consider it as a metric for inclusion in a CSIS in future regulatory periods. As this data quality improves and we see a higher penetration of smart meters, we will report on it in our Regulatory Information Notice under export services.

We have committed to the Reset Customer Panel that we will share the final metrics with customers as part of our 2023 consultation on the Regulatory Proposal, such as at our future planned Town Hall with customers in April 2023.

3.2.2   What are the benefits for customers from Ausgrid focusing on the proposed metrics?

We received feedback from the Reset Customer Panel that we needed to articulate the value customers will derive from being incentivised to improve performance against our proposed measures. **Figure 3.5** below summarises this across each of our proposed metrics.

Figure 3.5 Customer benefits from improving performance

Proposed CSIS metric		Customer benefit
Core services	Planned outage service ease	• Kept updated about unexpected schedule changes • Community special days, seasonal extreme weather and unique local needs considered in scheduling • Start and finish times consistent with SMS notification • Clear information on preparing for outages • Fewer outages impact communities with improved planning and work bundling • Outage reasons communicated in detail • Enhanced SMS program tailored to changing scenarios
Enabling services	Connection project timeframe	• Reduce costs arising from project delays • Residents can move in sooner • Businesses up and running without delay • Improved collaboration with major customers and ASPs • Customer centric changes to network standards and policies • Improved ASP capability within industry • More flexibility towards changing customer circumstances
Customer care	Website satisfaction rate	• Restoration times updated in real-time • Safety and outage materials in language • Easier navigation to locate information • Simple process to raise service requests • Meaningful and relevant content for different users

3.3   Measurement methodology

Our proposed measurement methodology for each of our proposed metrics is summarised in **Figure 3.6**. We propose to use a mix of customer surveys and operational data to measure our performance for each metric.

Figure 3.6 Proposed CSIS measurement methodology

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Proposed CSIS metrics			Measurement methodology
Core services	Planned outage service ease	Urban	We will commission surveys of our customers' satisfaction with how Ausgrid engaged with them about the outage. These are sent to customers via SMS after a planned outage occurs. Responses are measured separately for Urban and Regional customers.
		Regional	We will measure our performance using the **Service Ease Score** (the percentage of customers that answer 'Strongly Agree' or 'Somewhat Agree' to the survey question: 'Dealing with Ausgrid for this service was easy'.
Enabling services	Connection project timeframe		We will collect and track milestone dates for connection offer acceptance, the appointment of an ASP construction partner and energisation for all connection projects.
			We will measure our performance using the **median energisation time for connection projects** (the median timeframe within which all connections projects in each financial year are energised, following the latter of: a. Acceptance of a connection offer; or b. Appointment of an ASP construction partner.
Customer care	Website satisfaction rate		We will host a pop-up survey on our website to seek feedback from all visitors to the website. The first question in the survey informs this metric, with follow-on questions seeking additional feedback from customers who answer 'no' to the question 'has our website met your needs today?'.
			We will measure our performance using the **Service Resolution Score** (the percentage of customers who answer 'yes' when asked whether the website met their needs).

3.4 Assessment approach

3.4.1 Setting targets

Ausgrid is proposing fixed performance targets for each metric, as set out in **Figure 3.7**. For all metrics, this is based on the average historical performance against the metric, consistent with how targets are set for the other incentive schemes we are subject to. We have also proposed a performance deadband for the 'website satisfaction rate' metric as our current performance delivers less than 50% satisfaction (see **Section 3.4.3** below).

Collection of data for each of our proposed metrics commenced at various dates (as shown in the rightmost column of **Figure 3.7**) and is now an ongoing BAU activity. As such, we will have between 38 and 44 months of data available at the time the AER's final decision is made. While this is less than the 5 years worth of data that the AER typically relies on when setting targets for its incentive schemes, we consider this is a sufficiently lengthy historical data set on which to set the targets for our proposed CSIS, and is consistent with the approach the AER adopted for the Victorian DNSPs.

We set out our 'target' scores for each of the performance parameters below, as at the time of this regulatory proposal. We propose to provide the AER with updated information on each of the metrics in February 2024, which will allow the AER to use all data available at the time of the AER's final decision. This means that the targets shown in **Figure 3.7** below will be updated closer to the implementation of the scheme to ensure that they are set against the most recent information about our performance.

Through some intensive engagement discussions, the Reset Customer Panel were generally supportive of our proposed approach to setting targets, noting that while a perfect data set does not exist, it provides a starting point to

introduce the scheme. Further, the Reset Customer Panel were supportive of setting a stretch target for the website satisfaction rate metric, noting that our current performance is below 50%.

Figure 3.7 CSIS scheme targets

Proposed CSIS metrics			Unit	Baseline	Deadband	Data available
Core services	Planned outage service ease	Urban	%	63.7	0	Jan 21 – Feb 24 (38 months)
		Regional	%	69.2	0	Jan 21 – Feb 24 (38 months)
Enabling services	Connection project timeframe		Days	177	0	Jul 20 – Feb 24 (44 months)
Customer care	Website satisfaction rate		%	41.2%	8.8%	Jan 21 – Feb 24 (38 months)

3.4.2 Evaluating performance against the targets

We propose that annual performance will be calculated as the average score achieved for each performance parameter over each year of the regulatory period. We will receive a reward if our performance is above the target level and will face a penalty if our performance declines below the target level. Our performance metrics data will be audited to comply with the AER's CSIS Explanatory Statement.

3.4.3 Performance deadbands

The Reset Customer Panel was concerned that we could be rewarded for improving our performance against our website satisfaction rate metric from a low performance baseline. Accordingly, we propose applying a performance deadband to this metric in the 2024-29 regulatory period to ensure that we are only rewarded for demonstrating a material improvement for this service with a minimum of half the surveyed customers answering 'yes' to the question 'has our website met your needs today?'.

We propose that a deadband is set for the website satisfaction rate metric with the lower bound at our current performance baseline and with an upper bound that is higher than baseline (our stretch target). This means that:

- We will face a penalty if our performance declines below the baseline level; and

- We will only receive a reward if we achieve a material improvement in performance above the stretch target level. This ensures that we receive no reward until we have achieved what the Reset Customer Panel considered to be a minimum, acceptable level of customer satisfaction (which is equal to the upper bound of the deadband).

We have agreed with the Reset Customer Panel that the upper bound of the deadband (or stretch target) for the website satisfaction rate is set at 50%. We note that our current performance is 41.2%. As such, setting the upper bound of the deadband at 50% represents our commitment to significantly improving our performance in this area.

3.5 Financial component

We propose that the financial component of the scheme is calculated in accordance with Appendix A of the AER's CSIS.[7] We have attached our proposed model to calculate the adjustments to allowed revenue (see **Attachment 7.1a – Proposed CSIS metrics model**).

3.5.1 Revenue at Risk

The total value of the revenue we would risk is +/- 0.5% of our annual revenue for the 2024-29 period, consistent with the design criteria in the AER's CSIS. This equates to around $9 million per year. This has been split equally across our 4 proposed metrics.

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[7] AER (2020), *Customer Service Incentive Scheme*, pp 8-10.

3.5.2 Incentive rates

The incentive rates are derived by reference to the performance level that would achieve the maximum reward or penalty. We believe that our proposed CSIS incentive rates summarised in **Figure 3.8** below reasonably reflect the reward or penalty that would be valued by customers for a 1 point change in the customers satisfaction. Our approach reflects a qualitative view of overall value to customers, taking into account the number of customers impacted and our current performance levels. While there is a subjective element in the agreement on these rates, the Reset Customer Panel considered these are at a level that would not unduly reward us for an increase in customer satisfaction.

We have proposed incentive rates that are lower than the incentive rates for SAIDI and SAIFI, as we believe that customers would likely value changes in average reliability at least as much (if not more) than changes in our CSIS metric performance.

We note that these incentive rates would require a significant increase in customer satisfaction for the maximum reward to be achieved. We propose these incentive rates are fixed for the forthcoming regulatory period.

The Reset Customer Panel was broadly comfortable with the proposed incentive rates, noting that it was important that they were applied symmetrically.

Figure 3.8 Proposed CSIS incentive rates

Proposed CSIS metric			Maximum reward / penalty	Incentive rate	For each 1% or equivalent change in target, revenue changes by
Core services	Planned outage service ease	Urban	+/- 5 percentage points	0.025	$435,000
		Regional	+/- 5 percentage points	0.025	$435,000
Enabling services	Connection project timeframe		+/- 10% (17.7 days)[8]	0.0125	$217,500
Customer care	Website satisfaction rate		+/- 5 percentage points	0.025	$435,000

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[8] Note that the incentive rate for connection project timeframe is based on the percentage improvement in days, not the improvement per percentage point.

4. Meeting the AER's CSIS requirements

We have designed our proposed CSIS to satisfy the requirements of the NER and to promote the National Electricity Objective (**NEO**). We consider our engagement with the Reset Customer Panel and the broad consultation on this scheme with our Voice of Community Panel and commercial and industrial customers demonstrates significant customer support for our proposed scheme. Furthermore, our proposed scheme is consistent with the AER's Scheme Objectives and design criteria. Each of the matters the AER must have regard to, and the reason we consider the proposed scheme satisfies these requirements, is set out in **Figures 4.1** and **4.2** below, respectively.

Figure 4.1 Summary of our compliance with the Scheme Objectives[9]

Scheme objective	Clause in AER's CSIS	Addressed by
Is consistent with the national electricity objective in section 7 of the NEL	1.4(1)	By providing a more holistic incentive to improve customer satisfaction, we consider the proposed scheme is in the long term interest of consumers and so satisfies the NEO.
DNSPs should be rewarded or penalised for efficiency gains or losses in respect of their distribution system	1.4(2)(a)	Customer service is an output of our business and so an improvement in the quality of customer service represents an increase in our efficiency. The CSIS will provide us with an incentive to increase expenditure on customer service when the additional inputs are less than the value of the increased output. This represents an overall gain in the efficiency our network.
The rewards and penalties should be commensurate with the efficiency gains or efficiency losses in respect of a distribution system, but a reward for efficiency gains need not correspond in amount to a penalty for efficiency losses	1.4(2)(b)	We are proposing a symmetrical rewards scheme – that is, we will be rewarded and penalised equally for improvements or reductions in performance, respectively. As discussed in **Section 3.4.3** above, we are proposing a deadband for the website satisfaction rate metric, as we recognise our current baseline performance is below where it should be. In effect, this means we will be penalised for any reduction in performance, but will not be rewarded until we meet a minimum standard agreed with the Reset Customer Panel
The benefits to electricity consumers that are likely to result from efficiency gains in respect of a distribution system should warrant the rewards provided under the scheme and the detriments to electricity consumers that are likely to result from efficiency losses in respect of a distribution system	1.4(2)(c)	Our proposed incentive rates reflect a qualitative view of overall value to customers, taking into account the number of customers impacted and our current performance levels. The incentive rates were agreed with the Reset Customer Panel on the basis that they would not unduly reward us for an increase in customer satisfaction. We consider these incentive rates ensure the benefits to electricity consumers that are likely to result from efficiency gains in respect of a distribution system should warrant the rewards provided under the scheme.

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Scheme objective	Clause in AER's CSIS	Addressed by
should warrant the penalties provided under the scheme		
The interaction of the scheme with other incentives that DNSPs may have under the rules	1.4(2)(d)	In developing our proposed CSIS we have considered the other incentive schemes to ensure that we are not capturing measures that are already subject to incentives under other mechanisms. The metrics we are proposing do not interact with other incentive schemes. There are limited interactions with the AER's existing STPIS, however these limited interactions are not impediments to implementing our proposed CSIS: The STPIS provides rewards for reductions in the number and duration of unplanned outages. As such, the CSIS will replace the customer service element of the current STPIS and measure customer satisfaction with the planned outages they experience.
Achieves clauses 1.4(1) and 1.4(2) by aligning the incentives of DNSPs with the customer service preferences of their customers	1.4(3)	We engaged with our customers and the Reset Customer Panel throughout 2021 and 2022 to inform the design of the CSIS, as set out in **Section 2** above. We intend to continue engagement with customers through our Revised Proposal consultation to confirm customer comfort with the proposed CSIS.
Promotes transparency and understanding throughout the NEM regarding a DNSP's customer service initiatives	1.4(4)	The proposed metrics provide transparency for our customers on priority areas that we will focus on improving our performance during the 2024-29 regulatory period.

Figure 4.2 Summary of our compliance with the incentive design criteria and scheme element principles[10]

Incentive design criterion	Clause in AER's CSIS	Addressed by
The incentive design must calculate any revenue adjustment using the method set out in Appendix A unless the AER is satisfied that another approach will better achieve the scheme objectives	3.1(1)(a)	Ausgrid is proposing to calculate revenue adjustments under the proposed CSIS using the method set out in Appendix A of the AER's CSIS Explanatory Statement. We have attached our proposed model to calculate the adjustments to allowed revenue at **Attachment 7.1a – Proposed CSIS metrics model**. **Attachment 7.1b – Proposed CSIS compliance model** provides our proposed compliance approach for the AER.

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[10] Clause 3.1 of the AER's CSIS

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Incentive design criterion	Clause in AER's CSIS	Addressed by
Performance Parameters, consisting of the metrics of customer service performance subject to the incentive design	3.1(b)(i)	Our performance parameters and metrics are set out in **Sections 3.1** and **3.2** above. Our proposed metrics were selected following an extensive consultation process with our Voice of Community and Reset Customer Panels and commercial and industrial customers to identify areas of service that customers' sought improvement in. These were then assessed against the performance parameters in the AER's CSIS Explanatory Statement to ensure they are within our control and are not covered under another incentive scheme.
Measurement Methodology, consisting of a description of how performance against the performance parameters will be measured and the assurance arrangements that will apply to the measurement	3.1(b)(ii)	Our measurement approach for each CSIS measure is set out in **Section 3.3** above. We have selected measures that can be independently reviewed and audited, to ensure that the measure appropriately reflects our performance against each metric.
Assessment Approach, consisting of a performance target and a method for evaluating measured performance against performance targets	3.1(b)(iii)	Our assessment approach for each CSIS measure is set out in **Section 3.4** above. We propose that our performance will be independently audited on an annual basis.
Financial Component, consisting of an overall revenue at risk, an amount of revenue at risk for each performance parameter, and a means of setting the incentive rate for each performance parameter	3.1(b)(iv)	Our proposed revenue at risk and incentive rates for each CSIS measure is set out in **Section 3.5** above.

Each of the scheme elements must satisfy the corresponding principles outlined in clause 3.2	3.1(c)	Our proposed CSIS was developed to meet the scheme element principles:
		
		• We selected metrics that are areas of our standard control services that customers identified as priority areas for improvement that are substantially within our control and not subject another incentive scheme. While complex connections is an ancillary network service classified as an alternative control service, we have included this metric because:
		
		   o The connected customers become a standard control service customer once connected;
		
		   o It is in the interests of all standard control service customers that new customers are connected as quickly as possible;

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Incentive design criterion	Clause in AER's CSIS	Addressed by
		o There is no practical way of implementing an incentive scheme for ancillary network services under the F&A; and o Customers advised us during consultation that this metric was important to them. • We have selected measures that can be independently reviewed and audited, to ensure that the measure appropriately reflects our performance against each metric. • Our proposed baseline and performance targets have been established with consideration given to our historical baseline performance, and appropriate stretch targets to incentivise genuine improvement. • Our incentive rates reflect a qualitative view of the overall value to customers taking into account the number of customers impacted and our current performance levels.
Customers of the DNSP strongly support the application of the incentive design	3.1(d)	Our proposed CSIS was developed closely with our Voice of Community Panel and Reset Customer Panel, and we also consulted with our large business customers, as set out in **Section 2** above. Refer to **Attachment 3.5 – Reset Customer Panel – Ausgrid Regulatory Proposal - Report.**
The incentive design must not continue beyond the end of the DNSP's next regulatory period. For clarity, the AER may, at a regulatory determination, make a decision to apply an identical incentive design for a second time to a DNSP	3.1(e)	Our proposed CSIS will only apply during the 2024-29 regulatory period. We intend to evolve our proposed CSIS over time to ensure that we continue to target areas that are valued by our customers in future regulatory periods.
The incentive design must place a valid amount of revenue at risk. The revenue at risk will be valid if, by default, the maximum revenue increment or decrement (the revenue at risk) for each performance parameter in aggregate for each regulatory year within the regulatory control period is 0.5% of the DNSP's annual revenue requirement or less. That is, the sum of the H-factors associated with all performance parameters	3.1(f)	Total revenue at risk under the proposed CSIS is +/- 0.5% of our annual revenue requirement. This has been split evenly with 0.125% at risk for each of the proposed measures as set out in **Section 3.5.1** above.

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Incentive design criterion	Clause in AER's CSIS	Addressed by
must lie between +0.5% (the upper limit) and −0.5% (the lower limit)		