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1 February 2008

Mr Chris Pattas
General Manager
Network Regulation South Branch
Australian Energy Regulator
GPO Box 520
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Email: aerinquiry@aer.gov.au

Dear Mr Pattas

SERVICE TARGET PERFORMANCE INCENTIVE SCHEME

Thank you for the opportunity to comment on the Australian Energy Regulator's (**AER**) *Electricity Distribution Network Service Providers Service Target Performance Scheme Issues Paper* (**Issues Paper**). CitiPower and Powercor Australia (**the businesses**) are Victorian electricity distributors operating in Victoria who will eventually become subject to the AER's service target performance incentive scheme.

Please find attached a paper outlining the CitiPower and Powercor Australia's positions on a number matters raised by the Issues Paper.

Should you have any further questions in relation to this submission, please do not hesitate to contact Rolf Herrmann on (03) 9683 4282.

Yours sincerely

[signed]

Richard Gross
GENERAL MANAGER REGULATION

1. Summary

- CitiPower and Powercor Australia (**the businesses**) support the establishment of an S-factor scheme whereby a common approach is adopted across all jurisdictions within a national framework.

- The S-factor scheme should provide distributors with an incentive to maintain or improve average performance for the benefit of all customers where it is efficient for them to do so.

- The GSL scheme, on the other hand, should provide distributors with an additional incentive to improve the level of service provided to the worst served customers.

- The businesses believe performance measures should only be included in the S-factor scheme if they meet the following criteria:

    - customers value improved performance;

    - there is sufficient current and historic data to measure performance; and

    - performance is in the control of the distributor.

- While the businesses accept that quality of supply is an important aspect of distributor performance, it does not believe that there are any quality of supply based performance measures which would meet the above criteria at the current time. Further work needs to be conducted before any quality of supply measures are able to be included in a national S-factor scheme.

- Having noted the desirability of national framework, in transitioning to a standardised approach, the Australian Energy Regulator (**AER**) needs to be cautious that any decisions made to alter current S-factor scheme does not result in windfall gains and losses being incurred by individual distributors.

2. Objectives in establishing a service target performance incentive scheme

The AER has sought views as to whether it is feasible and appropriate to establish a common national approach, what the key elements of that approach maybe and any obstacles in achieving such an approach.

The businesses fully support the establishment of an S-factor scheme whereby a common approach is adopted for all jurisdictions within a national framework. The various schemes adopted by jurisdictional regulators around Australia however do vary therefore a number of transitional issues will inevitably arise in moving to a standardised approach.

Having noted the desirability of national framework, in transitioning to a standardised approach the AER needs to be cautious that any decisions made to alter current S-factor schemes does not result in windfall gains and losses being incurred by distributors. The AER must ensure that the risk of windfall losses is taken into account in any transitional arrangements. For example, changes in the indicators adopted or the incentive rates that are determined to apply will impact each distributor differently depending on the extent to which distributors have already responded to current schemes through improved service performance.

A poorly designed transition can create significant perverse incentives, for example, an increase in incentive rates could reward poor performance in the final period of the previous scheme.

The primary obstacle to achieving an effective national approach is likely to be the accuracy of the data necessary for the operation of an S-factor scheme, the establishment of incentive rates based on customer willingness to pay for reliability and jurisdictional agreement to a single set of service performance criteria.

3. Types of service incentive scheme

3.1 Public reporting schemes

The AER has sought views as to whether it should require distributors to report on key aspects of their service performance for public reporting purposes.

Public reporting of service performance plays an important role in informing consumers and focusing distributors performance even where reported indicators are not subject to financial rewards and/or penalties within an S-factor or GSL scheme.

The businesses support public reporting against a common set of performance indicators. It would be expected that performance indicators included in an S-factor scheme would have a relatively high value to customers and should therefore be included in any public reporting regime. However, any additional reporting requirements should be administratively simple, not impose significant costs on distributors and take into account the value customers will place on the information. The AER should also coordinate with jurisdictional regulators to ensure that distributors are not required to report to both regulators.

3.2 GSL schemes

The AER has sought comments on whether it should develop a national GSL scheme and any implementation or operational issues that may arise from such a proposal.

The businesses support the implementation of a national GSL scheme in conjunction with an S-factor scheme. The businesses believe a national S-factor scheme should provide distributors with an incentive to maintain or improve average performance for the benefit of all customers where it is cost effective for them to do so whilst the GSL scheme should provide an additional incentive for distributors to improve the level of service provided to the worst served customers.

It is noted there are differences in the GSL schemes adopted by each jurisdictional regulator in terms of the events that give rise to a payment and the penalties imposed for each type of event. These differences do not appear to be so significant as to hinder the development of a national GSL scheme with one standardised set of threshold criteria. It may even be, in some instances, appropriate to consider different thresholds for different expectations across customer types and network characteristics.

The businesses support the development of a set of standard criteria to be applied across all states. This would require consideration of the following:

- the types of interruptions included i.e. should both planned and unplanned be included? Should a distinction be made between sustained and momentary interruptions?
- the duration of interruption;
- whether different frequency or duration thresholds should be set by network or customer type;
- how excluded events should be defined; and
- whether incentives should be applied where the distributor is late for a customer appointment, is late in connecting or reconnection a customer or does not repair faulty public lights within a specified time frame after they are reported.

The expected cost of the GSL scheme based on historic performance levels should be funded through the distributor's revenue requirement. The distributor then accepts the risk that total payments will be greater than forecast and is rewarded if it is able to outperform its benchmarks.

3.3 Financial incentive (S-factor) schemes

The AER has sought views as to the overall design that should apply to any national S-factor scheme.

S-factor schemes have been developed and applied to electricity distribution businesses by the Victorian Essential Services Commission (**ESC**), the Essential Services Commission of South Australia (**ESCOSA**) and the Office of the Tasmanian Energy Regulator (**OTTER**). While recognising that there are significant differences in the schemes adopted by each jurisdictional regulator, the businesses believe any national scheme should be based on existing schemes and take account of experience with these to date.

The S-factor schemes differ by jurisdiction in regard:

- to the measurement of rewards and penalties;
- the type of service measures adopted;
- whether service measures are directed at all customers or only those that are worst served;
- whether service measures are applied on a state-wide basis or are disaggregated by region;
- the weighting given to each measure of service performance;
- the symmetry of the scheme and the extent to which the distributor is able to smooth the impact of penalties or rewards for the purpose of setting tariffs.

A discussion of the main aspects of each of the three jurisdictional schemes is outlined below. Further discussion of particular aspects of each scheme is set out in sections 4 to 8 of this submission.

3.3.1 Form of the S-factor scheme

As noted by the AER, there are two main types of S-factor schemes – target based schemes, such as that applied in Victoria, and performance band based schemes such as that applied in South Australia.

The businesses support the development of a target based S-factor scheme. While the use of deadbands, for determining the financial reward or penalty to be imposed on a distributor, may assist in reducing the impact of natural variations in performance, they also do not provide a constant incentive to make incremental improvements to service performance.

Where multiple deadbands are applied, distributors have an incentive only to reach the minimum performance level required to fall within each band. In the businesses view, other mechanisms can be used to smooth the impact of natural variations in performance without creating such distortionary incentives.

3.3.2 Symmetry of the scheme

The businesses are of the view that the algebra underlying the S-factor scheme should be symmetric, such that penalties for poor performance do not outweigh rewards for service improvements. The S-factor scheme currently applied in Victoria is asymmetric in that it imposes greater penalties for service deterioration than it rewards equivalent service improvements. For example, a variation of performance from "normal" resulting in a negative S adjustment of 1 per cent followed by a return to "normal" performance resulting in a positive S adjustment of 1 per cent results in a net decrease in revenue (i.e. 0.9 x 1.01 = 0.9999). For each S-factor, this asymmetry exists for six years.

In its latest price determination, the ESC acknowledged that the scheme was asymmetric but chose not to adjust the S-factor formula as it considered the impact of such asymmetry to be

immaterial. Immateriality is not a sufficient reason to reject correction of the S-factor formula where such a formula is inherently asymmetric.

Strategies for reliability or customer service improvements tend to drive performance to the practical limits of the network or business. As targets are revised to reflect this, it becomes increasingly more difficult for a distributor to outperform. Over time, the scope for positive improvements decreases while that for poor performance increases. For example, CitiPower's present MAIFI target is zero i.e. performance cannot exceed the target so any possible variation from target must result in a penalty if such measure is used in an incentive scheme.

Similarly, a five year regulatory period is unlikely to be representative of the underlying probability distribution that defines the range of performance outcomes. Due to a range of possible circumstances, it is possible a distributor incurs five S-factor penalties' in succession and due to ever evolving nature of the S-factor scheme is unable to take full advantage of five S-factor rewards that may follow in a subsequent regulatory period.

The businesses believe that where there is a risk that the inherent variability in performance caused by external factors such as weather can cause a bias under the S-factor scheme (result other than zero) then this should be recognised in determining the distributor's revenue requirement. Distributors should be compensated for the value of asymmetric risk which is non-diversifiable.

3.3.3 Number of measures to be included

Performance measures should be included in the S-factor scheme if they meet the following criteria:

- customers value improved performance;
- there is sufficient current and historic data to measure performance; and
- performance is in the control of the distributor.

A number of reliability and customer service measures meet these three criteria.

The quality of supply indicators outlined by the AER do not currently meet the above criteria. The businesses are of the view that quality of supply indicators should not be incorporated in an S-factor scheme until they can be accurately measured and it is possible to determine whether quality of supply issues mainly arise due to the actions of customers (and are therefore not wholly within the control of distributors).

3.3.4 Other issues

Another issue that the AER should consider in the design of any S-factor scheme is the inclusion of a measure that assists in reducing the volatility of network tariffs that result from changes in the S-factor from year to year. Measures such as the S-bank that is currently

applied under the Victorian scheme are useful for smoothing network tariffs and managing network tariff volatility outside of rebalancing constraints.

3.4 Interaction between GSL schemes and S-factor schemes

The AER has sought views as to the how the S-factor and GSL schemes interact together.

The businesses support the establishment of an S-factor and GSL scheme within the national framework. As noted earlier, a national S-factor scheme should provide distributors with an incentive to maintain or improve average performance for the benefit of all customers where it is cost effective for them to do so while the GSL scheme should provide an additional incentive for distributors to improve the level of service provided to the worst served customers.

So long as the schemes are appropriately designed and administratively simple, the benefit obtained by adopting both an S-factor and GSL scheme is likely to outweigh the cost of administering two schemes. An appropriately designed S-factor scheme ensures that distributors will strive to at least maintain average reliability to all customers. A more targeted GSL scheme, on the other hand, provides not only an incentive for improved performance, particularly for worst served customers, but also allows for compensation to be provided to those customers that receive poor service relative to other customers. Such compensation could not be provided under an S-factor scheme alone.

4. Types of service performance measures in S-factor schemes

4.1 Reliability indicators

The AER is seeking views as to which reliability measures should be included in a national S-factor scheme.

The reliability measures adopted by each jurisdictional regulator differ and have changed over time. The reliability measures that are either currently or have previously been adopted include:

- SAIFI (systems average interruption frequency index) – an average of the number of times the average connected customer loses supply in any one year;
- SAIDI (systems average interruption duration index) – an average of the cumulative time that the average connected customer is without an electricity supply in any one year;
- CAIDI (customer average interruption duration index) – a measure of the average duration of all interruptions experienced by individual connected customers; and
- MAIFI (momentary average interruption frequency index) – a measure of the number of times the average connected customer experiences a momentary supply interruption in any one year.

These measures can be disaggregated by network type and in some cases between planned and unplanned interruptions.

In Victoria, the ESC has included three reliability measures in its S-factor scheme for the 2006 – 2010 regulatory period, being unplanned SAIDI, unplanned SAIFI and MAIFI. Different S-factor targets and incentive rates apply based on network type, which may be defined as CBD, urban, short rural or long rural. The ESC previously measured unplanned CAIDI but made the decision to replace this with unplanned SAIDI in order to ensure that the incentive rate remained constant over the regulatory period. The ESC also recently considered the inclusion of planned SAIDI within a total SAIDI measure but chose not to include it due to the increased tension this would create with safe work practices, particularly live line work.

The businesses support the inclusion of an S-factor scheme that provides an incentive for distributors to maintain average reliability rather than focusing on performance for worst served customers. Incentives to improve reliability for worst served customers are better provided under an appropriately designed GSL payment scheme.

The inclusion of a measure of reliability for worst served customers would effectively result in a cross subsidy between urban and rural customers, as reliability of supply is generally more problematic in rural areas. In the absence of evidence to suggest that those customers that are satisfied with their service are willing to pay for service improvements to those customers that are worst served, the businesses are of the view that the inclusion of such a cross subsidy is inappropriate. Further, a focus on worst served customers would establish a perverse incentive for distributors to sacrifice average performance for the majority of customers who are not in the target group. Improvements in service performance for worst served customers are better dealt with under an appropriately designed GSL scheme.

The businesses support the inclusion of unplanned SAIDI and unplanned SAIFI as reliability performance measures in a national S-factor scheme, disaggregated by network type or region. The businesses also support the inclusion of MAIFI, where MAIFI is defined as an interruption of less than 3 minute's duration, although it is understood some distributors may not have sufficient historical data for the purpose of setting initial targets for this indicator.

The businesses do not support the inclusion of planned SAIDI. As noted by the ESC, the inclusion of planned SAIDI creates a tension with safe work practices as it strengthens the incentive for distributors to conduct a greater amount of live line work in order to outperform planned SAIDI targets. It is also reasonable to suggest that customers value a reduction in unplanned SAIDI more so than planned SAIDI as they are able to better mitigate the disruption caused by planned SAIDI where they have prior warning of service interruptions.

4.2 Quality of supply indicators

The AER is seeking views as to which quality of supply measures should be included in a national S-factor scheme.

Quality of supply indicators such as that relating to voltage (dips, swells, spikes and low voltage), frequency variation, voltage waveform and interference have not been adopted by any jurisdictional regulator in Australia for inclusion in S-factor schemes. As noted by the AER, there are no commonly used indicators for measuring the average quality of supply to customers. Indirect measures such as customer complaints are imperfect and are not sufficiently robust for use in an S-factor scheme. While more accurate measures can be derived from monitoring equipment installed at zone substations and at the end of distribution

feeders, such equipment only covers a limited number of supply areas. The information obtained from such equipment is therefore incomplete.

While there are not any quality of supply measures that meet the criteria for inclusion in a national S-factor scheme as set out in section 3.3.3, it is accepted that quality of supply is an important aspect of the service provided by a distributor. The businesses are willing to work with the AER to assess how quality of supply could be more accurately measured and would support the inclusion of quality indicators in a future S-factor scheme if:

- total or average performance could be accurately measured;
- it could be shown that the quality of supply issue was:
  - the fault of the distributor and was not in any way caused by the actions of customers; and
  - reasonably foreseeable and in the control of the distributor;
- it could be shown that customers value improvements in the quality of supply and if so, what value they place on each quality measure.

The roll-out of advanced metering infrastructure (**AMI**) could assist with the measurement of some quality of supply indicators in Victoria.

4.3 Customer service indicators

The AER is seeking views as to which customer service measures should be included in a national S-factor scheme.

Only one customer service indicator, call centre performance, is included in the S-factor schemes that operate in Victorian and South Australia. The ESC and ESCOSA both measure the proportion of calls answered within 30 seconds and reward (penalise) distributors for performance above (below) a specified level.

The AER has suggested the potential for the inclusion of a range of other customer service indicators, including: quality of telephone call response received; timeliness of response to written enquiries; time to repair a faulty street light; timeliness of customer connections and reconnections; and the number of different types of complaints.

With the exception of call centre performance, the businesses do not support the inclusion of any of the other above measures in a national S-factor scheme. The reasons for this are as follows:

- quality of telephone call responses received – this indicator would be impossible to measure objectively. Monitoring of calls and classification of them by reference to subjective assessment criteria would be both time consuming and costly. Systemic problems with call centre performance are best dealt with via other means;
- timeliness of response to written enquiries – most enquiries are received by phone with only very few received by post, fax or electronic mail. The cost of monitoring this indicator would far outweigh any likely benefit that would be obtained by customers as a result of its inclusion in the s-factor scheme;

- time to repair a faulty street light – the businesses are currently required to report the percentage of streetlights not fixed within seven business days as required by the *Public Lighting Code*. This measure is also a GSL in Victoria. Its treatment as a GSL is entirely appropriate as the beneficiaries of this service are limited to a very small set of customers. As such it is not appropriate that all customers benefit through its inclusion in an S-factor scheme;
- timeliness of customer connections and reconnections – The businesses are of the view that incentives for timely connection and reconnection are best provided through a GSL as again the beneficiaries are limited to individual customers; and
- number of different types of complaints – even where it is possible to distinguish enquiries from complaints to either the distributor or energy ombudsman, complaints may be related to issues that are either not the fault of the distributor or not within the distributor's control. Further, a substantial number of complaints made by Victorian customers relate to quality and reliability issues. Distributor performance in relation to these issues is better measured through more specific, objective and quantifiable indicators as discussed above.

5. Approaches to setting rewards and penalties in an S-factor scheme

The AER would like views on possible approaches for setting incentive rates and the feasibility and associated costs and benefits of adopting each approach.

The AER note that incentive rates should ideally be set at a level lower than customer's willingness to pay for service improvements but high enough to influence the behaviour of distributors. The AER identifies a range of methods for determining incentive rates which require estimation of either the marginal cost of making service improvements, the value of lost load or customer's willingness to pay for incremental service improvements.

Under the Victorian scheme incentive rates for reliability indicators are based on the average value that Victorian customers place on reliability (**VCR**) as determined by a study conducted in 2002, whereas the rates adopted for customer service indicators are based on customer's willingness to pay for service improvements. In South Australia, rates for both reliability and customer service indicators are based on customer's willingness to pay as determined by customer survey data. In both Victoria and South Australia, the weightings for each measure are based on the results of the South Australian willingness to pay study.

Service incentive rates and weightings of indicators should ideally be determined on the basis of customer's willingness to pay. However, in the absence of further, more robust data, the businesses support the continuation of the use of VCR as the basis for incentive rates for reliability and customer service indicators in Victoria.

It is noted that even where service incentive rates are based on estimates of a customer's willingness to pay, the interaction of the S-factor and efficiency carryover mechanisms (**ECM**) is such that distributors incentives are effectively diluted and leads to long term underinvestment in the network. Service improvements that can only be achieved through above forecast operating or capital expenditure that on the one hand be rewarded through the S-factor scheme but on the other, penalised via the ECM. The net effect tends to weaken the

incentive to improve performance such that any net increments to a distributor's revenue will be less than customer's willingness to pay.

6 Approaches to setting performance targets under an S-factor scheme

The AER would like views on possible approaches for setting targets in an S-factor scheme.

The AER outlines five methods by which targets may be set for the purpose of assessing service performance, being:

- the most recent year's result;
- average historical performance;
- trends extrapolated from past performance;
- moving average historical performance; or
- the use of external benchmarks.

The choice of method for setting performance targets should be case specific and will depend on the availability of historical data, the variability of performance data over time. Where reliable historic data is available and performance is generally stable, average historical performance would generally be the most appropriate method for setting targets. Extrapolating trends from past performance or using relevant external benchmarks are likely to involve greater risk of error, although may be the only available alternative where there is a lack of data or where there is considerable volatility in historic performance.

7. Allowing for risks

The AER would like views on mechanisms to deal with additional risk introduced by an s-factor type scheme and whether it is appropriate for such risks to be wholly borne by DNSP's and/or customers.

The AER notes the introduction of an S-factor scheme can introduce additional risk to distributors, primarily as a result of revenue volatility, and considers whether mechanisms to mitigate such risks such as deadbands, collars and overall limits should be included in a national scheme.

The businesses do not support the inclusion of any of the measures considered by the AER for the reasons set out below:

- deadbands have the potential to reduce a distributor's incentive to improve service performance. The range of performance variation chosen as a deadband will inevitably be arbitrary. Narrow deadbands provide little benefit to distributors as insignificant variations in service performance will result in only minor fluctuations in revenue. Wide deadbands, on the other hand, may effectively protect those distributors that display a consistent deterioration in performance over time, particularly where performance targets are adjusted annually to reflect prior year performance.

- collars limit the financial reward or penalty to be applied in any one year thereby limiting the potential for severe fluctuations in revenue due to the level of service performance. While collars are effective at reducing revenue volatility, they limit the incentive to improve service performance beyond the chosen cap and provide little incentive for those distributors that are experiencing performance below the floor to actively improve performance for the remainder of the year.
- as is the case for collars, overall financial limits impact distributor incentives to improve service performance.

A more appropriate mechanism to mitigate the impact of variability in S-factors, without impacting incentives for service performance, is to introduce a smoothing mechanism that would allow distributors to defer part or all of the S-factor from one year to the next (i.e. an S-bank). Such a mechanism provides distributors with flexibility to smooth the impact of normal variations in service performance such as that which may be attributable to weather conditions. An S-bank mechanism has been introduced in Victoria where the ESC found that volatility is substantially reduced when the S-factor is averaged over two years rather than one.[1]

Another risk created through the introduction of an S-factor scheme is that associated with the acceptance of embedded generation or demand side management in place of other types of network augmentation where network constraints arise. In the businesses' experience, embedded generators and proponents of demand side management alternatives are reluctant to accept the risk of penalties that would be imposed on a distributor as a result of the actions of generators and customers. It is unclear how this issue could be addressed going forward if an exclusion criterion for embedded generation or demand side initiatives is not included in the scheme.

Setting performance targets is likely to involve a statistical analysis of historical data. Even if a perfect set of historic data is available for this purpose, the risk remains that the conditions experienced in the period subject to the incentive scheme may not turn out to be representative of the statistical expectations of the targets. Variables, such as weather, can have a very significant impact on network performance and the risk of revenue shortfall should be taken into account. Conceptually this could be treated similarly to an insurance premium. This risk can be significantly amplified if variables, such as extreme weather conditions, are not appropriately represented in the historic data. This problem is further exacerbated if data is only available for a relatively short period.

8. Allowing for exclusions

8.1 Qualitative and quantitative measures

The businesses support the use of quantitative measures for setting criteria for exclusions from both the S-factor and GSL schemes. The use of quantitative criteria such as IEEE 1366-2003 is administratively simple and reduces the uncertainty that is created as a result of the regulator having discretion over the definition of widespread, rare or unforeseeable events.

[1] ESC, October 2005, *Electricity Distribution Price Review 2006 – 2010: Final Decision Volume 1 – Statement of Purpose and Reason*, p.92.

The businesses also support the exclusion of events that are caused by upstream transmission faults or other events where a distributor is required to interrupt supply.

In regard to reliability indicators, the businesses support the application of a standard such as IEEEE 1366-2003 to SAIDI and SAIFI. An event should be excluded if it meets the threshold for either of these measures. In Victoria, exclusion criteria are currently based on SAIFI. The ESC preferred the use of SAIFI as opposed to SAIDI as it considered SAIFI a better indicator that a large number of events have occurred which will stretch the distributors' resources to restore supply. However, exclusions should also be granted for events outside the distributor's control that impact on a smaller number of customers for a significant length of time (e.g. loss of a zone substation where planned contingency levels are overwhelmed by an event outside the distributor's control).

If only a single indicator were to be selected, this should be SAIDI as it is recognised as providing the best single indication of the magnitude of the event.

The businesses do not support the automatic application of exclusion criteria to customer service indicators such as call centre performance. The Victorian S-factor scheme presently links call centre exclusion thresholds to those for SAIFI however, it is at the distributor's discretion whether they formally apply to the regulator. Such an arrangement ensures flexibility and preserves the incentive for good performance during extreme events.

In addition to those events that meet specific quantitative criteria, the businesses support the exclusion of events that are caused by upstream transmission faults or generation shortfalls, other events where a distributor is required to shut down parts of the network for public safety reasons (e.g. in response to gas leaks or bushfires) or where supply interruptions are made at the request of a customer.

8.2 Options to limit the contribution of an excludable event

The impact of excluded events should be removed from the incentive scheme. This is generally the simplest approach.

There is a small added complexity associated with substituting the average performance and given the generally large disparity between excluded events and average performance, substitution is hardly worthwhile.

9. Transitional issues for jurisdictions with an S-factor scheme

Victorian distributors currently measure and report reliability performance on a network basis (i.e. CBD, urban, short rural and long rural) as required under the Victorian S-factor scheme. For the purpose of implementing an S-factor scheme the businesses is of the view that service performance should be measured and reported at the same level of disaggregation to preserve comparability with historical information and so as not to incur any additional reporting costs on distributors.

The businesses do not have sufficient data with regard to quality of service indicators, although it has begun to collect this from monitoring equipment installed at zone substations

and at the end of selected distribution feeders. As noted earlier, the inclusion of any quality of service indicators requires an appropriate lead time to ensure that performance data on which initial targets will be based is sufficiently robust.

Any changes in the form of or the indicators included in the incentive mechanisms currently in place and the impact these will likely have on the distributors to which these schemes apply should be taken into account when setting future performance targets. As noted previously, any changes made to current schemes should not allow for windfall gains or losses to individual distributors.