



14 February 2020

Sarah Proudfoot
General Manager
Australian Energy Regulator

By email: regulatoryinnovation@aer.gov.au

Dear Sarah

Re: CUSTOMER SERVICE INCENTIVE SCHEME

CitiPower, Powercor and United Energy welcome the opportunity to respond to the Australian Energy Regulator's (AER) Draft Customer Service Incentive Scheme (CSIS).

We support networks having the option to propose broader measures of customer service for inclusion in a small scale incentive scheme.

We welcome the proposed flexibility in relation to parameters of a customer incentive scheme, including the measure of performance, target level and the incentive rate.

Clause 3.1(1)(d) requires distributors to provide evidence that customers agree with the incentive design

The wording in the CSIS that distributors must gain *agreement* from customers is likely to prove challenging due to the nature of stakeholder engagement and potentially disparate customer views. A strict interpretation of the requirement may create a barrier to scheme approval by the AER and lead to lost opportunities to improve customer outcomes.

We propose that the AER amends the wording in Clause 3.1(1)(d) to reflect that distributors provide evidence that customers broadly *support* the incentive design. This would allow distributors to demonstrate through stakeholder engagement that the proposed incentive design satisfies the principles and that customers support the proposal.

Clause 3.3(5)(c) requires an incentive design proposal to be submitted with a distributor's regulatory proposal

Limiting distributors to submitting an incentive design proposal as part of a regulatory proposal may delay the potential benefits customers could receive through the CSIS. This is inconsistent with the purpose of the CSIS which is intended to promote innovation and allow flexibility in design.

We propose that the AER removes the requirement that an incentive design proposal must be submitted with a distributor's regulatory proposal and instead allow a proposal to be made, and subsequently implemented, at any time during the regulatory period.

Should you have any queries about this submission please do not hesitate to contact Rachel Perlaki on (03) 9683 4872 or rperlaki@powercor.com.au.

Yours sincerely,

Brent Cleeve
Head of Regulation, CitiPower, Powercor and United Energy