



Customer Service Incentive Scheme

Regulatory proposal 2021–2026

Contents

1	EXECUTIVE SUMMARY.....	3
2	INTRODUCTION	5
2.1	Why a new Customer Service Incentive Scheme?.....	5
3	CUSTOMER ENGAGEMENT	6
3.1	How we sought our customers' views.....	6
3.2	What our customers told us.....	8
4	OUR PROPOSED CSIS	16
4.1	SMS notifications for unplanned outages	16
4.2	Planned outages.....	18
4.3	Telephone answering	19
A	APPENDICES	21

1 Executive summary

We have worked with our customers, over multiple engagements, to design a new customer service incentive scheme (**CSIS**) that better reflects their values and expectations.

We have adopted a thorough five stage engagement approach to consult a broad range of customers, providing many opportunities for our customers to shape the scheme design and give feedback. We engaged with 914 customers across CitiPower, Powercor and United Energy as well as our newly formed Customer Advisory Panel, the Consumer Challenge Panel (CCP) and Energy Consumer Australia (ECA) on what customer service priorities were and the design of our scheme.

The engagement process involved:

- preliminary research to seek customers opinions and feedback on key issues for the network including customer service and communication
- online discussion boards to qualitatively test and research customer values and preferences
- quantitative research to measure the value that customers place on the customer service provided to the network and understand preferred delivery of customer service
- a workshop on the CSIS options that appeal the most to customers and why
- presentations of our draft CSIS design, including proposed targets and incentive measures, to the Customer Advisory Panel, CCP and ECA for feedback.

Our customers told us they place value on a range of services, not only fault call answering. Our customers gave us resounding feedback of planned and unplanned outages being the most regular and important touch point for them, and this guided our view that the CSIS should cover these outputs to some extent. For planned outages, customers saw value in reducing these, while for unplanned outages, customers expressed a desire for their outage experience to be improved through more effective and efficient communications.

We also found that customer's overwhelmingly preferred to receive information via SMS during a planned outage. Calling the contact centre was the fourth preferred form of communication for residential customers, but it was noted the contact centre remained critical for vulnerable customers and in emergency situations.

Through consistent collaboration with our customers, we have designed a CSIS reflecting value preferences of our customers. The new scheme will ensure we focus on improving the services customers most value. It will set a new bar for service delivery, while also balancing the need to ensure fairness of customer service and access across our diverse customer base.

Our proposed CSIS focuses on improving customer outcomes and moves us from a one-dimensional customer service scheme to a broad balance of three customer service measures, including:

- **SMS notifications for unplanned outages** - we are committed to sending more of our customers an SMS notification within six minutes or less from the start of an unplanned outage, this is at least two minutes faster than we do today
- **reducing planned outages** - we are committed to reducing the average duration and frequency of planned outages relative to the average customer minutes and number of planned outages per annum over the July 2015 to June 2020 period for Powercor and United Energy. Given CitiPower's exceptional performance on planned outages there would be limited benefit to customers from an incentive on planned outages
- **telephone answering** - we are committed to answer more fault calls within 30 seconds relative to the percentage of calls answered within 30 seconds over the July 2015 to June 2020 period.

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.

We are proud to present our CSIS proposal. Our proposal is structured as follows:

- **Introduction** - section 2 provides a summary of why we are proposing an alternative customer service incentive scheme and what our alternative scheme aims to achieve
- **Customer engagement** - section 3 summarises how we sought our customers views, who we engaged with, and the key findings of our engagement including a discussion on how the findings directly shaped our proposed CSIS design
- **Our proposed CSIS** - section 4 details the performance parameters we are proposing as part of our new customer service incentive scheme. This section includes a detailed summary of the current state and proposed state across the three performance parameters
- **Appendices** - the appendices include:
 - our proposed definitions, measurement approach and audit standards
 - proposed amendment to the revenue adjustment formula
 - a reference guide to supporting documents and models

2 Introduction

2.1 Why a new Customer Service Incentive Scheme?

Currently, the Australian Energy Regulator (**AER**) incentivises us to improve our customer service through the Service Target Performance Incentive Scheme (**STPIS**). The customer service measure in the STPIS provides rewards or penalties depending on the proportion of fault phone calls we answer in less than 30 seconds.

Our research shows while the call answering service remains an essential service for our customers – particularly among our elderly and vulnerable customer groups – this measure alone is a narrow incentive for maintaining and improving customer service performance.

In July 2020, the AER published a new customer service incentive scheme (**CSIS**) guideline. The CSIS is designed to encourage electricity distributors to engage with their customers and, if our customers desire, design alternative measures of customer service to replace the fault call telephone incentive.

Customer service is a vital part of our business. Adopting a new CSIS is a significant opportunity to deliver services our customer's value and want. We have used the AER's introduction of the CSIS framework as a springboard to hold extensive customer engagement.

We have worked with our customers, over multiple engagements, to design an incentive scheme which better reflects their values and expectations while balancing the need to ensure fairness of customer service and access across our different customer groups. Our new proposed CSIS aims to respond to our customers changing expectations, allowing for the evolution of customer engagement and the adoption of more modern technologies.

We have listened and collaborated with our customers from across our networks to design a tailored incentive scheme. We are proud to present a CSIS proposal that reflects what customer service means to our customers.

Our proposed CSIS will..

respond to our customers' changing expectations

deliver the services our customers' want and value

ensure fairness of customer service and access across our different customer groups

3 Customer engagement

Our customers are at the centre of our CSIS design. Customer research and feedback was crucial to the process of developing our proposed CSIS and all design decisions were driven by extensive research on customer values and preferences. Through meaningful engagement we were able to design a CSIS that our customers strongly supported. The following section provides a summary of our customer engagement process, the key findings from each stage and how these findings shaped our proposed CSIS design.

3.1 How we sought our customers' views

We have undertaken comprehensive engagement with our customers and stakeholders to design our proposed CSIS. We have adopted a thorough five stage engagement approach to consult customers and stakeholders on the design of our CSIS, providing many opportunities for them to shape the scheme design and give feedback.

3.1.1 Extensive customer research for our 2021–2026 regulatory proposals

The initial stage of our research for the development of the incentive scheme is extensive research conducted for our 2021–2026 regulatory proposal (we refer to this as 'preliminary research'). This research spanned three years over 2017–2019 and included engagement with our grass roots customers, interested stakeholders and government. Through a comprehensive set of workshops, surveys, deep-dives and interviews we listened to their needs, priorities and expectations, giving a strong understanding of the outputs our customers are seeking. This preliminary research helped us develop customer service priority areas for the CSIS.

Figure 1 illustrates the breadth of our engagement during the initial stage of our research.

Figure 1: Customers engaged during stage one



3.1.2 Targeted engagement with our grass-roots customers on the design of the CSIS

To complement the extensive research in stage one, we conducted three additional stages of engagement targeted at designing the CSIS. These three stages were conducted by our independent stakeholder engagement consultants, Forethought, and involved a combination of qualitative and quantitative engagement methods to further test our customer preferences and seek input to our proposed CSIS design. Given COVID-19 and the social distancing requirements, these three stages were conducted through interactive online discussion forums and surveys.

Stage two of our CSIS research was a set of online forums with grass-roots residential customers and interviews with small business customers, to qualitatively test and research values and preferences. This research helped inform where customers place most value with regard to customer service and an indication where we can improve services through the incentive scheme.

In stage three of the CSIS engagement we conducted a set of online surveys with residential and small business customers to obtain statistically significant quantitative evidence of the customer preferences and values highlighted through our qualitative engagement.

We relied on the feedback from the three stages of engagement to develop a CSIS design that targeted the services customers' value and would like to see improved. Then in stage four of our engagement, we held another online workshop where we tested support for our draft CSIS design with our residential customers (half of whom were involved in the first online forum), as well as through a number of interviews with commercial and industrial customers.

Figure 2 illustrates the reach of our engagement in stages two-four.

Figure 2: Summary of engagement steps targeted at designing the CSIS

Customer engagement overview		
May 2020	July 2020	August 2020
Stage two: Online discussion forum	Stage three: Quantitative research	Stage four: Workshop on CSIS design
60 customers engaged including <ul style="list-style-type: none"> • 45 residential customers • 15 small business customers 	800 customers engaged including <ul style="list-style-type: none"> • 600 residential customers • 200 small business customers 	54 customers engaged <ul style="list-style-type: none"> • 45 residential customers • 9 commercial and industrial customers

Note: The Consumer Challenge Panel (CCP) observed stage two and stage four

These three stages of engagement included a wide cross-section of our customers, both residential and commercial. Forethought recruited from different regions of our networks to ensure fair representation across socio economic regions. Our sample represented a variety of customers, including residential, small business and commercial and industrial. We also gave our customers the opportunity to be involved in more than one stage of customer engagement, allowing them to better understand how their input was being used in the design of the incentive.

3.1.3 Stakeholder feedback

After obtaining support for our new CSIS design with our grass-roots customers, we also tested the design with the Consumer Challenge Panel (CCP), Energy Consumers Australia (ECA) and our newly formed Customer Advisory Panel. Our Customer Advisory Panel was established to assist us in developing our future program of works through collaboration and representation of stakeholder views and preferences. Our Customer Advisory Panel is a five-member panel with highly informed and engaged representatives of:

- the average customer
- vulnerable customers
- commercial customers
- small and large renewables
- the Victorian Government.

Testing our scheme design, including proposed targets, incentive rates and revenue at risk, with these key customer representatives helped us ensure no stone was left unturned and that stakeholders understood how our customer research informed the design.

3.2 What our customers told us

We have provided below a summary of what we heard from customers and how these findings shaped the design of our CSIS. For further detail on our customer engagement we have attached Forethought's research findings reports, listed in Appendix A.3.

3.2.1 Stage one: preliminary research

Stage one of our engagement provided us with preliminary insights on customer service priority areas that we further explored and validated in the next stage of our customer engagement. A summary of our key findings for stage one includes:

- reliability and cost are priorities for all customers
- customer service and communication is a priority for commercial and industrial customers and becoming increasingly important for other customers
- increasing communication and transparency, simplifying customer processes and improving customer service is highly or extremely important to over two thirds of residents and over half of businesses
- the current level of communication with commercial and industrial customers was viewed as low and they desired a closer relationship, greater understanding of the reasons for power issues and more dialogue and collaboration on capacity and availability of electricity for business planning purposes.

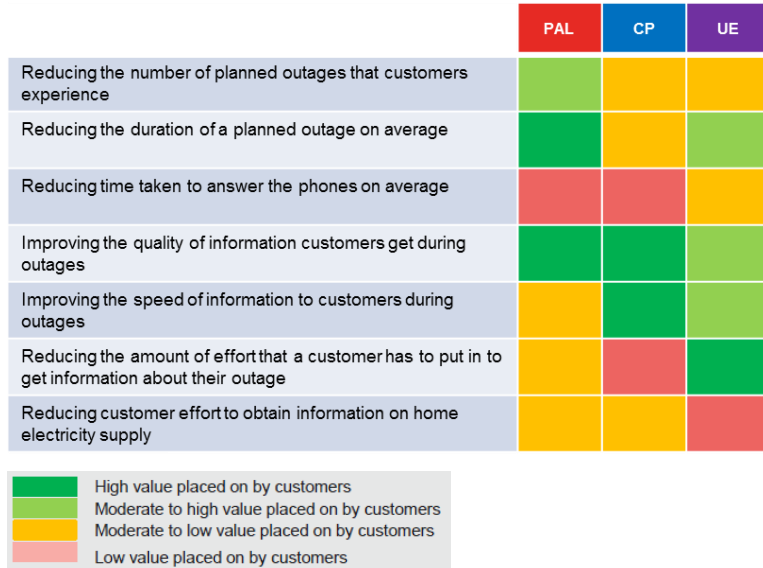
3.2.2 Stage two: online discussion forums and small business interviews

Stage two of our engagement provided clear feedback on the current perceptions that customers have of their interactions with us and the value they place on the services we provide.

Forethought first explored our customers' relationship with us. Forethought reported that customers saw their distributors to be an enabler of modern life. While some customers spoke about their experience with new connections, overwhelmingly the most regular and important touch point with distributors was their experience during planned and unplanned outages.

During the session, customers were provided the opportunity to identify where they would focus their attention and investment on a range of options (or items they identified themselves), in a 'CEO for a day' question. Figure 3 illustrates the results.

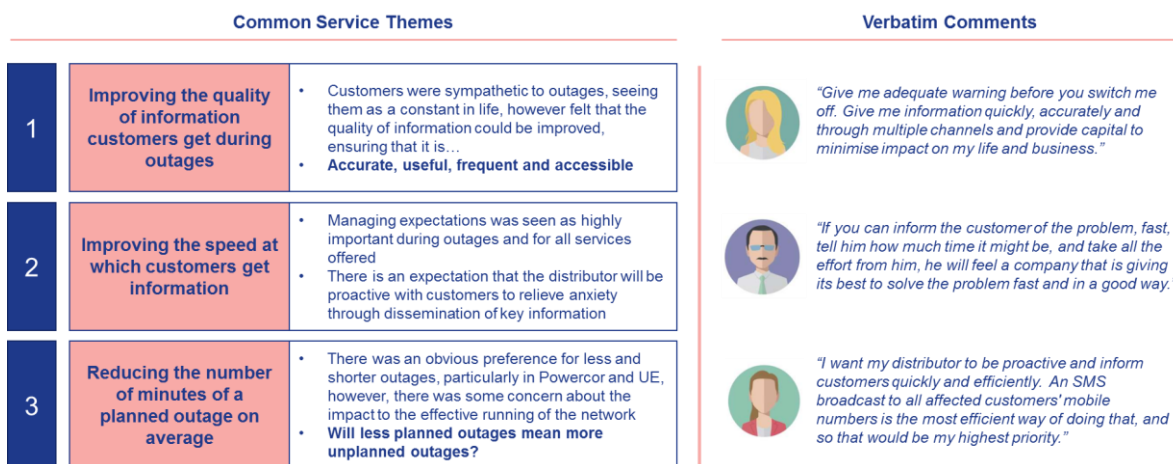
Figure 3: Customer values for different services



Quality and speed of information during outages were highlighted as critical elements across all networks. It also shows that customers value reducing planned outages. Findings from Figure 3 reinforced that the current phone answering metrics are too narrow to be the sole focus of a customer service incentive scheme. Customers placed lower value on further improving telephone answering but saw retaining performance as important. Forethought also found that the term 'effort' did not resonate so much with our customer groups.

Figure 4 presents the reoccurring themes from the online discussion forums.

Figure 4: Key themes from online discussion forums and small business interviews



The resounding feedback of planned and unplanned outages being the most regular and important touch point for our customers guided our view that the CSIS should cover these outputs to some extent. For planned outages, customers saw value in reducing these, while for unplanned outages, customers expressed a desire for their outage experience to be improved through more effective and efficient communications. These points helped us design and focus the next stage of stakeholder engagement.

While the concept of reducing customer effort to engage with us did not resonate with our customers in the forums; we decided to test this further through the next stage of engagement.

3.2.3 Stage three: quantitative research

Stage three of our engagement gave us a statistically significant quantified evidence of customer preferences and values, ensuring our qualitative feedback reflected views of a much wider customer base.

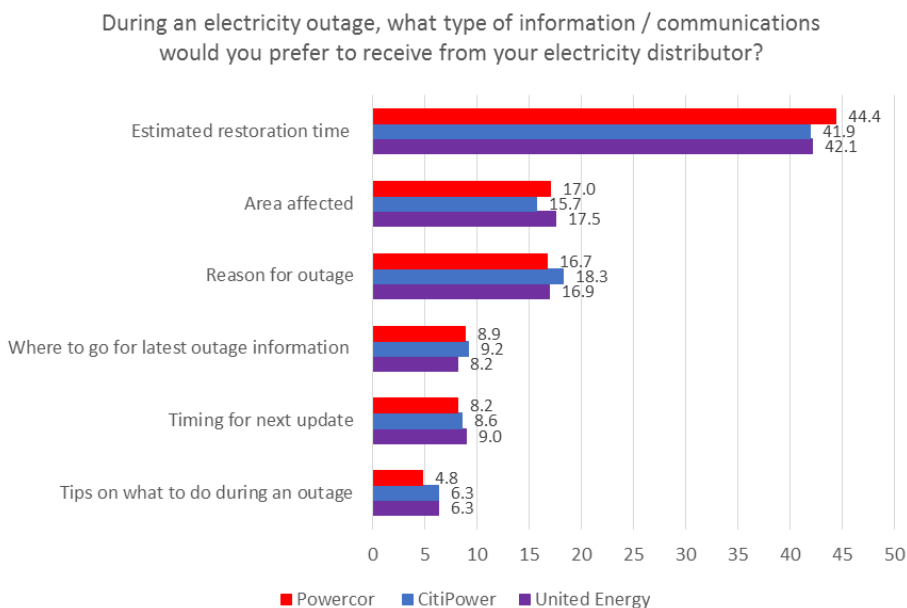
Given the feedback from stage two whereby customers expressed a desire for their outage experience to be improved through more effective and efficient communications, Forethought asked our customers about their communication preferences during an unplanned outage.

Residential customers overwhelmingly preferred to receive information via SMS during an unplanned outage. Calling the contact centre was the fourth preferred form of communication for residential customers, but it was noted it may be critical in emergency situations.

Forethought also asked our small businesses customers the same question and reported that they also prioritised SMS communication but were also interested in other channels of communication.

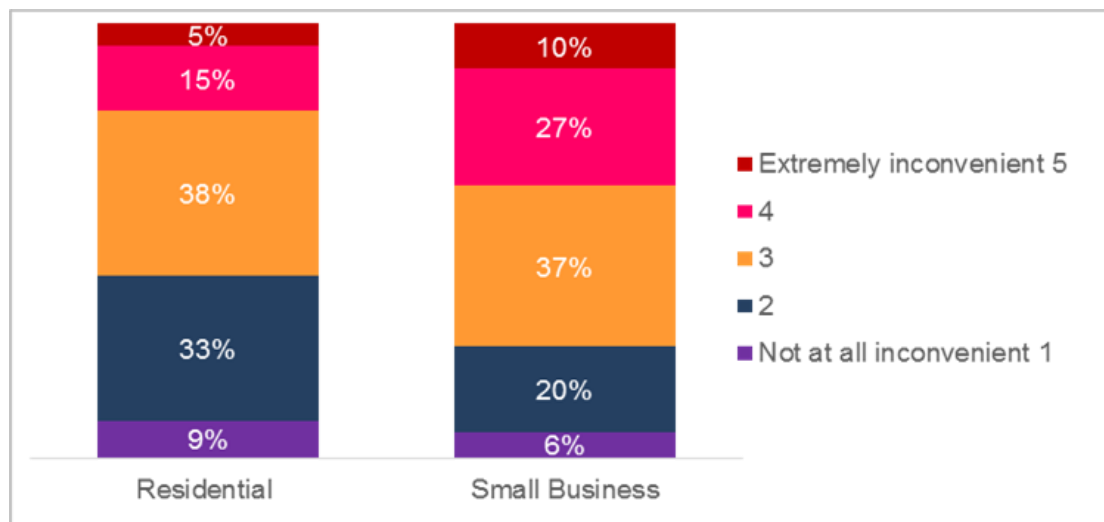
Forethought asked our customers what their information preference was during an electricity outage. As shown in Figure 5 the estimated time of restoration (ETR) was the most important piece of information to our customers, followed by area affected and the reason for the outage.

Figure 5: Residential customer information preference



In stage two our customers told us they would value a reduction in planned outages. Following on from this, Forethought asked our customers to think about the level of inconvenience they feel for planned outages - customers were asked to rate on a scale from 1 to 5, with 1 being not inconvenient at all and 5 being extremely inconvenient. Figure 6 illustrates that more than half of residential customers found planned outages to be inconvenient and small businesses overwhelmingly found planned outages to be inconvenient.

Figure 6: Inconvenience for planned outages across all networks



To further test the concept of whether reducing customer effort to engage with us was of value for our customers, Forethought asked our customers about their expected versus actual experience in engaging with us. It was found that over 80% of customers find us easy to deal with and their experience was aligned with their expectations.

Stage three gave us deep insight into how customers would like to see their customer service priority areas improved including:

- improving SMS notification, which is their preferred channel of communication with us, during an unplanned outage - reflecting the evolution of customer engagement and the adoption of more modern technologies
- reducing planned outages for Powercor and United Energy customers
- telephone calls to the contact centre answered quickly, as our customers felt the contact centre was still relevant to them, particularly in emergency situations.

Our customers found us easy to deal with across a range of services and thus we did not progress a CSIS design which included an effort score rating as a measure of customer service.

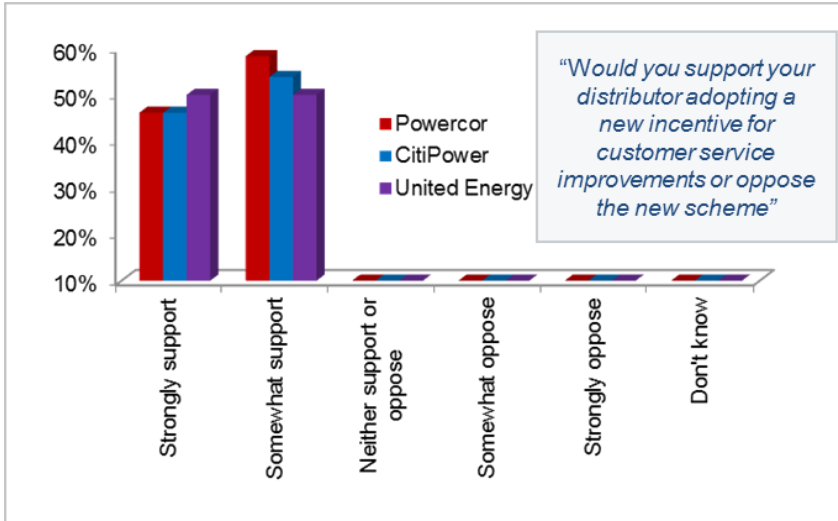
As a result of our engagement program, we developed a CSIS design that included the three priority customer service areas our customers identified.

3.2.4 Stage four: customer workshop and C&I interviews on CSIS design

We paused after stage three for the purpose of designing a CSIS that responded to feedback received from our customers and would serve as an alternative to the current scheme. In stage four of our engagement we received overwhelming support for the new proposed scheme, where customers were keen to update the existing scheme and support the new measures that we proposed to introduce.

Figure 7 shows all residential customers either strongly supported or somewhat supported us adopting the new incentive for customer service improvements.

Figure 7: Residential customer sentiment towards new CSIS design



For residential customers, faster SMS notifications received a very positive response and Forethought noted Powercor customers particularly liked the inclusion of reducing planned outages. Despite being seen as out-dated in nature, residential customers thought including improvements to telephone answering was seen to be a vital safety net for many people if digital channels could not be accessed.

Our commercial and industrial customers generally supported the proposed scheme. Forethought reported that the inclusion of the SMS service was well received by commercial and industrial customers. They also noted that reducing planned outages received a positive response from these customers as they are seen to be a great inconvenience to them. Lastly, the phone answering inclusion was not seen as relevant for commercial and industrial customers.

Overall, our customers, both residential and commercial and industrial were supportive of the new proposed scheme. Following this session, we had a better understanding of which components of the scheme were most helpful to different customer groups and we were confident it captured the differing priorities of our diverse customer base. One of our key takeaways from this final workshop was the phone answering inclusion remained to be seen as a critical safety net for our residential customers. This echoed what we had heard in stage two and three, and we therefore decided to retain the telephone answering parameter.

While there was overwhelming support for our new proposed scheme, customers rightly expressed some concerns around how it would all work and whether these measures may negatively affect other service areas. We are committed to ensuring these concerns are addressed, as set out in Table 1 below.

Table 1: Customer concerns and how we will address them

Customer concerns raised within our proposal	How we will address them
There were concerns that reducing the number of planned outages would mean that essential maintenance services would be avoided	<p>We will not be reducing our network maintenance but rather we will be minimising the number of customers impacted by a planned outage by introducing technology that helps us isolate the number of customers impacted.</p> <p>We continue to have a strong incentive to minimise unplanned outages on the network.</p>
Customers raised concerns that the speed of the SMS communication or telephone answering would compromise the quality of information received	We are committed to provide SMS that include Estimated Time of Restoration which was highlighted as the most important piece of information for customers in the Forethought customer research.
Commercial and industrial customers raised that faster SMS times were only beneficial if the SMS went to the correct person	We acknowledge that our customers may have many different points of contact and it is important that notifications are sent to the relevant person on the day of an outage. Outside of the CSIS, we are committed to investigating a way where customers can register more than one customer or contact number to be alerted when there is an outage.
Customers raised concerns on whether all customers will receive faster SMS notifications during an outage or if this service will only be provided to some	As part of our proposed performance parameter for SMS notifications for unplanned outages, we are committing to sending faster SMS notifications to more customers than we do today. Not all customers will receive the faster SMS but we will be incentivised to continuously improve how many customers we are messaging within the six minutes.
Commercial and industrial customers noted that while they supported the scheme, they did not necessarily see it as relevant to them compared to residential customers, as it did not encapsulate the full realm of their service relationship	We acknowledge that not all of the performance parameters are tailored to our commercial and industrial customers specifically, however we are confident that we were able to take in their preferences while balancing the need to design a scheme that services all customer groups.

3.2.5 Stage five: stakeholder feedback

Our final stage of engagement was to test our proposed CSIS with the CCP, ECA and our Customer Advisory Panel. We presented a summary of our draft CSIS proposal to these groups which included:

- a summary of why we are proposing an alternative CSIS
- an overview of how we engaged with our customers
- what our customers told us
- our CSIS performance parameters including the targets, incentive rates and revenue at risk.

We received positive feedback on the development of a new scheme and confirmation that the new scheme better meets customer values. These stakeholders also helped us sense-check our proposed incentive metrics, and there was general feedback that they are reasonable. Our Customer Advisory Panel unanimously supported

the new scheme. They noted it was a natural progression and a step in the right direction and there was overall consensus that the stakeholder engagement on the program was sufficient.

During the engagement our stakeholders raised a number of questions and considerations for the scheme. The feedback and our responses are shown in Table 2 below.

Table 2: Stakeholder feedback and our responses

Feedback from stakeholders	How we will address the feedback
The scheme may not be as effective if we only have one mobile phone number per household/business	We acknowledge this issue and outside of the CSIS we are committed to building in capability for more than one mobile number to be registered by household/National Meter Identifier (NMI)
Customer's second preference for notifications is email. Would this be considered as a 4th part of the incentive? -	We only have approximately 30% of our customer email addresses and retailers are not obligated to share these with us. While we do not have enough customer email addresses to introduce an incentive on email at this time, during 2021-2026 we will seek to build our coverage of email addresses through ensuring customers have the choice to register their email through our self-service customer portals.
Stakeholder wanted to see the CSIS include 'stretch targets' and ensure there is no inclusion of expected performance improvements from funded IT investments	<p>Our CSIS design includes a stretch target regarding our new SMS notification metric, which was supported by stakeholders in our engagement. The other two metrics include targets that are calculated based on well-established methods.</p> <p>From the beginning of the design of the CSIS, we reviewed all our proposed expenditure programs, such as customer enablement, solar enablement, digital network and other proposed IT programs, to ensure we did not propose metrics that would be improved through those investments.</p>
Rationale for revenue shares was questioned	Our revenue shares were chosen in recognition that while SMS is the preferred form of communication for most customers, the telephone service remains an essential service for many customers including elderly and vulnerable customers, as well as in emergency situations. For CitiPower, we equally assigned the revenue share across the two services SMS and telephone answering. For Powercor and United Energy we assigned 0.15% to each of the new metrics, SMS notifications and planned outages, and the remaining 0.2% on the telephone answering service.
Rationale for not testing SMS incentive rates with our customers	We are confident our customer research successfully tested our customer preferences and values for different services. Our research demonstrated that customers value SMS more highly than telephone answering which would suggest a higher incentive rate than 0.04; however we consider 0.04 is sufficient to incentivise us to improve the SMS service. We further tested each of the parameters of the scheme with our Customer Advisory Panel members who are highly informed and engaged representatives of our diverse customer base, and found they were in general support of the proposed metrics.

Feedback from stakeholders	How we will address the feedback
<p>There was concern the SMS notifications performance parameters assumes everyone has SMS coverage, can read, can read small font, and can understand English. It was noted that it is important to acknowledge this is not the case.</p>	<p>We acknowledge the SMS notification performance parameter is not tailored to all of our customer groups. Given this, we are retaining our telephone answering services to ensure customer groups who do not benefit from our SMS notification performance parameter will continue to have the access and services they required from the contact centre.</p>
<p>There was a question on whether our incentive will improve the accuracy of incorrect notifications, reducing the number of people getting outage notifications where there is no outage</p>	<p>Our proposed CSIS does not include this metric. However, we understand through our research this as an area where our customers are also seeking improvement, and we will continue to strive to find solutions to minimise incorrect notifications</p>
<p>There was a suggestion to report on SMS notification content quality, even though it is not a performance parameter due to difficulty in measuring it</p>	<p>Through our customer research we learnt that the quality of the information in the SMS is as important as the speed of receiving it. We have not included the measure of quality in our CSIS, however, we are already making changes to the content of the notifications to ensure they provide the information customers are seeking and is most helpful</p>
<p>There should consideration of other improvements to planned outages, for example asking customers when they would most prefer an outage (i.e. date, time and whether one long outage or several short outages are more suitable)</p>	<p>We are already implementing changes to when we conduct planned outages, brought on by the COVID-19 lockdowns since March 2020 that have made any outages particularly challenging for our customers. Our focus has been reducing the impact of outages on customers to the extent possible, by moving planned works to night hours and/or to suit customers.</p>

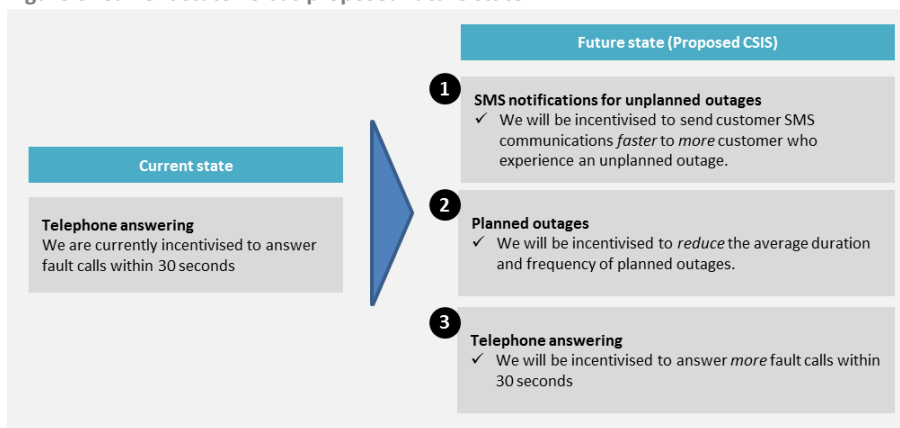
4 Our proposed CSIS

Our customers have told us they place value on a range of services, not only fault call answering. The new scheme will ensure we focus on improving the services customers most value, and will set a new bar for service delivery.

Our proposed CSIS focuses on improving customer outcomes and moves us from a one-dimensional customer service scheme to a broad balance of three customer service measures. A summary of our proposed CSIS and what it will incentivise us to do is illustrated in Figure 8. As shown, we are proposing to move to an incentive scheme that measures our performance on the speed and reach of our SMS notifications for customers experiencing unplanned outages, our frequency and duration of planned outages, and the speed of our telephone answering for fault calls.

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.

Figure 8: Current state versus proposed future state



In the following section we provide more detail on the current and future state of each of our three proposed performance measurements.

All three services are directly measurable and auditable. The telephone answering and planned outage services are already reported and audited through the AER's annual reporting requirements. We propose the SMS notification service also be subject to the AER's annual reporting requirements.

4.1 SMS notifications for unplanned outages

4.1.1 Current state

An unplanned outage is an unscheduled interruption to electricity assets which may result in a loss of supply to individual homes or businesses, or to certain areas, and it is what most of us experience when 'lights go out'. This can occur as a result of various things, including damaged power lines or poles due to lightning strikes, falling trees, motor accidents or general equipment failure. Restoration of power in these events is managed by us.

When we have an unplanned outage we send SMS notifications to customers for whom we have their mobile number. We have good coverage of customer mobile numbers covering approximately 77% of customers for CitiPower, 78% for Powercor and 73% for United Energy.

During an unplanned outage we currently send three types of SMS across our networks, which include:

- aware message - this message is the first message sent when a customer is off supply and contains the initial estimated time of restoration (ETR)
- in-progress message - this message is sent each time the ETR is updated by the control room and contains the new ETR
- restoration message - this message is sent when a customer is back on supply for more than five minutes and advises customers to contact us if they are still without power.

All of the messages contain the link to the outage map on our website, cause (if known) and the affected street and suburb.

Over the 18 month period ending 30 June 2020, we sent the 'aware message' (as referenced above) in eight minutes or less from the start of the outage 63% of the time for Powercor, 57% for CitiPower and 9% for United Energy.

4.1.2 Future state

We are proposing to introduce a performance measure relating to SMS notifications for the 'aware message' received during unplanned outages. Under our proposed CSIS, we would need to send SMS notifications to our customers experiencing an unplanned outage in six minutes or less. This is two minutes faster compared with our current performance for CitiPower and Powercor. We have put in this stretch target to ensure we are only rewarded for improving performance relative to today. This is in line with customer and stakeholder feedback we have received on the CSIS design.

Our proposed baseline targets for CitiPower and Powercor are based on the SMS notifications sent to our customers in eight minutes or less over the most recent 18 months of data to 30 June 2020. Using eight mins to set the baseline means we will be required to deliver a significant improvement in performance to send at least the same percent of SMS in six minutes or less. We current only send SMS in six minutes or less approximately 12% of the time for Powercor and 27% for CitiPower.

We have not included data prior to January 2019 to set the baseline targets because we have been improving our SMS service over time and better capturing the associated data. The most recent 18 months therefore is most reflective of our current performance and creates a fair baseline target.

For United Energy, we have taken the average performance from Powercor and CitiPower to apply a 60% baseline target. The reason for this is that over the same 18 months period United Energy only sent SMS notifications to 9% of their customers within an eight-minute period during an unplanned outage and only 5% within six minutes or less. We have uplifted the target to 60% requiring United Energy to improve its performance to CitiPower and Powercor levels before any incentive commences.

Our proposed baseline targets for sending SMS notifications in six minutes or less, as well as our proposed revenue at risk are outlined in Table 3.

Table 3: SMS notifications for unplanned outages

	Powercor	CitiPower	United Energy
Baseline target	63.12%	57.40%	60.26%
Revenue at risk	0.15%	0.25%	0.15%

We propose an incentive rate of 0.04 meaning for every 1% improvement on the baseline we receive 0.04% of revenue. This incentive measure is based on well-established precedent as it is consistent with the incentive rate as set out in the service target performance incentive scheme (**STPIS**) for the telephone answering service. An incentive rate of at least the same value as the telephone answering service is appropriate because our customer feedback was that the SMS was more highly valued than telephone service.

During our stage 2 engagement, customers told us they were interested in the quality of information being improved during an outage and in our stage 3 engagement; customers raised concern that improving the speed to send an SMS might result in reduced quality of information provided. To address this, we will make a commitment to ensure the quality of SMS messages is not compromised. We therefore propose the incentive scheme requires SMS sent are only counted if they contain an ETR, the website for the outage map and the cause (if known). These three points of information were highlighted as the most important to our customers during an outage (please refer to stage 2 Forethought report).

4.2 Planned outages

4.2.1 Current state

Planned outages are prearranged by us to undertake routine maintenance, make repairs and to inspect electricity infrastructure. Planned outage works are essential for ensuring we continue to deliver a safe and reliable supply of electricity.

We provide customers prior notification of planned outage works in accordance with the requirements in the Essential Services Commission of Victoria's Electricity Distribution Code (v11). In response to the COVID-19 pandemic we have worked closely with our customers to schedule planned outage works at more suitable times and to provide more information to customers. We have commenced a project to display our forward schedule of planned outages on our website and improve the planned outage SMS supply restored service.

CitiPower has very few planned outages, with each customer experiencing only 0.4 planned outages with only 13 minutes off supply per annum. The exceptional performance is due to CitiPower being a highly meshed network with ample switching capability, reflecting its CBD and inner city location and customer needs.

4.2.2 Future state

We are proposing a performance measurement on reducing frequency and duration of planned outages for Powercor and United Energy. Our proposed targets for frequency and duration of planned outages are based on average customer minutes and number of planned outages per annum over the July 2015 – June 2020 period, which will be measured based on System Average Interruption Duration Index (**SAIDI**) and System Average Interruption Frequency Index (**SAIFI**) for planned outages. Setting the targets using this approach is consistent with the AER's STPIS guideline for unplanned outages. These targets are outlined in Table 4.

As noted above, given CitiPower's exceptional performance on planned outages, we consider our customer expectations are already being exceeded and there would be no benefit to customers from an incentive on planned outages. For this reason, CitiPower does not have a performance parameter focusing on reducing planned outages in its proposed CSIS.

Table 4: Planned outages duration and frequency

	Powercor	CitiPower	United Energy
Baseline target	65.97 SAIDI 0.32 SAIFI	NA	73.81 SAIDI 0.23 SAIFI
Revenue at risk	0.15%	NA	0.15%

We will be incentivised to reduce the average duration and frequency of planned outages. While planned outages remain necessary to ensure the safety and reliability of the electricity network, there is technology available for us to minimise the number of customers affected by each planned outage. These technologies provide a temporary mechanism for keeping customers on supply and include mid-span isolators, back-up generators and bypass cables.

In response to the COVID-19 pandemic we have trialled some of these technologies on our network to minimise the impacts on customers while working from home. We have found these technologies to be safe and effective.

We propose an incentive rate based on 50% of the value of customer reliability (**VCR**) set by the AER.¹ This means for every customer or minute saved we receive half the revenue that we do under the STPIS for an unplanned outage. We believe that 50% of the VCR is appropriate because through our customer engagement we found that customers find planned outages to be about half as inconvenient as unplanned outages and therefore we are proposing to only receive half the incentive rate.

Note the Essential Services Commission of Victoria is currently reviewing the Electricity Distribution Code, including the requirements relating to prior notification to customers of planned outages. Customer notification of planned outages is therefore not part of our proposed CSIS. Our proposed CSIS is based on reducing the average frequency and duration of planned outages.

4.3 Telephone answering

4.3.1 Current state

The speed of telephone answering for fault calls has been the primary measure of customer service in the STPIS since 2008². We have consistently responded to the telephone answering incentive to ensure a rapid and reliable contact centre service is available for all our customers. We receive a high volume of fault related calls to our contact centre each year, on average 75,816 calls for Powercor, 29,164 for CitiPower and 93,045 for United Energy.

We currently answer calls to our fault line within 30 seconds 82% of the time for Powercor, 87% of the time for CitiPower and 75% of the time for United Energy.

¹ AER, Values of Customer Reliability, Final report on VCR values, December 2019

² Australian Energy Regulator, 2008, Electricity distribution network service providers - Service target performance incentive scheme

4.3.2 Future state

Under our proposed CSIS, the incentive for us to answer telephones in the contact centre during an outage will still be included and, we will continue to be incentivised to improve the percent of calls answered on our fault lines within 30 seconds.

Customers were supportive of continuing to include telephone answering in our CSIS design. In retaining the telephone answering service we also recognise the importance and essential nature of the telephone service for our vulnerable customers, including elderly or financial hardship customers, and in emergency situations.

Our proposed targets for telephone answering are based on the percentage of calls answered within 30 seconds over the July 2015 – June 2020 period. Setting the targets using this approach is consistent with the AER's STPIS guideline. These targets are outlined in Table 5.

Table 5: Telephone answering

	Powercor	CitiPower	United Energy
Baseline target	82.3%	87.4%	75.2%
Revenue at risk	0.20%	0.25%	0.20%

We propose an incentive rate of 0.04 meaning for every 1% improvement on the baseline we receive 0.04% of revenue. This is the same incentive rate as set in the STPIS guideline for the telephone answering service.

A Appendices

A.1 Definitions and measurement approach

SMS notifications for unplanned outages

Definitions:

- **% SMS notifications sent** - total number of *aware SMS* notifications sent to *eligible NMIs* experiencing an *unplanned event* within 6 minutes or less of the *unplanned event start* divided by the total number of *eligible NMIs* experiencing an *unplanned event*, excluding *load shedding* events
- **Aware SMS** - the first SMS notification sent to the customer upon the commencement of an unplanned event and must include:
 - Estimated Time of Restoration for when supply is expected to be restored
 - Website URL to a network outage map where more information is available on the unplanned event
 - Only if known, the cause of the unplanned event and the location of the unplanned event
- **Eligible NMIs** - National Meter Identifiers for which we have a valid mobile phone number, the customer has not opted out of receiving SMS messages and the unplanned event occurs outside of any do-not-disturb period assigned to the SMS subscription
- **Unplanned event** - an event that causes an interruption where the customer has not been given the required notice of the interruption or where the customer has not requested the outage [as per AER STPIS guideline]
- **Unplanned event start** - the time when an unplanned event is acknowledged in the networks operational technology system
- **Load shedding** - reducing or disconnecting load from the power system [as per AER STPIS guideline].

Note load shedding is the only event which we proposed to exclude. The exclusion of load shedding events is necessary due to the large volume of customers which are taken off supply simultaneously.

Measurement approach and annual assessment:

- The data for unplanned outage SMS notification, including time of the unplanned event start and time of SMS notification sent to each eligible NMI are captured automatically in our systems. We propose to report this data to the AER at the same time as the annual regulatory information notice reporting. We propose the data and processes be audited consistent with the limited assurance audit requirements for non-financial information templates as outlined in Appendix D to the regulatory information notice.

Planned outages

Definitions

- **Planned interruption** - an interruption resulting from a distribution network service provider's intentional interruption of electricity supply to a customer's premises where the customer has been provided with prior notification of the interruption in accordance with all applicable laws, rules and regulations [as per AER's Distribution Reliability Measures Guideline 2018].
- **SAIDI or System Average Interruption Duration Index** - the sum of the durations of all the sustained interruptions (in minutes) divided by the customer base [as per AER's Distribution Reliability Measures Guideline 2018].

- **SAIFI or System Average Interruption Frequency Index** - the total number of sustained interruptions, divided by the customer base [as per AER's Distribution Reliability Measures Guideline 2018].

Measurement approach and annual assessment:

- The data for planned outages including all necessary information to calculate the SAIDI and SAIFI annual performance are captured automatically in our systems and reported in the AER annual regulatory information notice requirements. The data and processes are audited consistent with the limited assurance audit requirements for non-financial information templates as outlined in Appendix D to the regulatory information notice.

Description of other relevant terms

- Mid-span isolators are a switching device that can be installed to reduce the planned outage area and the impact to customers on the network
- Back-up generators can be used as mobile electricity supplies, moving around the network to provide electricity to customers who otherwise would have had their supply interrupted to allow us to undertake planned works
- Bypass cables are used to redirect the electricity flow around a portion of the network where we are undertaking planned work. This means customers on the 'other side' of the outage area can have their supply maintained throughout the planned work period

Telephone answering

Definition [as per AER STIS guideline]:

- Calls to the fault line answered in 30 seconds where the time to answer a call is measured from when the call enters the telephone system of the call centre (including that time when it may be ringing unanswered by any response) and the caller speaks with a customer service advisor, but excluding the time that the caller is connected to an automated interactive service that provides substantive information. This measure does not apply to:
 - calls to payment lines and automated interactive services
 - calls abandoned by the customer within 30 seconds of the call being queued for response by a human operator. Where the time in which a telephone call is abandoned is not measured, then an estimate of the number of calls abandoned within 30 seconds will be determined by taking 20 per cent of all calls abandoned

Note: being placed in a queuing system (automated or otherwise) does not constitute a response.

Measurement approach and annual assessment:

- The data for telephone answering, including the time between the customer calling and our contact centre answering is automatically captured in our systems and reported in the AER annual regulatory information notice requirements. The data and processes are audited consistent with the limited assurance audit requirements for non-financial information templates as outlined in Appendix D to the Regulatory Information Notice.

A.2 Revenue adjustment H-factor calculation

We propose a minor amendment to the H-factor calculation set out in appendix A of the AER's CSIS guideline such that the revenue adjustment occurs with a two year delay, rather than a three year delay.

Our proposed two year delay is consistent with the current arrangements under the STPIS and is appropriate given our performance metrics will be reported and audited annually in accordance with the AER's annual Regulatory Information Notice reporting requirements and audit standards.

Our proposal is to amend the H factor to reference period t rather than t-1 as follows:

$$\text{AER CSIS guideline: } H'_t = \sum_p ir^p \times [Act_{t-1}^p - Tar_{t-1}^p]$$

$$\text{Our CSIS Proposal: } H'_t = \sum_p ir^p \times [Act_t^p - Tar_t^p]$$

Our proposal results in the following H-factor calculation

The Customer Service H-factor

The H-factor for each parameter is calculated by comparing a DNSP's performance against its parameters and the performance targets and incentive rates included in the DNSP's distribution determination for a regulatory year during the regulatory control period.

The raw H-factor is the sum of the H-factors for each parameter. Equation (X) ensures that the raw H-factor result cannot exceed the percentage of revenue at risk specified in clause 3.1(1)(f) or the relevant distribution determination.

$$H_t^{*6} = \min(\max(H'_t, H^-), H^+)$$

where:

H^- is the lower limit of the revenue at risk

H^+ is the upper limit of the revenue at risk

H'_t is the sum of the raw H-factors for all customer service parameters

The sum of the raw H-factors for all customer service parameters is calculated as follows:

$$H'_t = \sum_p ir^p \times [Act_t^p - Tar_t^p]$$

where:

H_t is the sum of the raw H-factors for all parameters

p is a performance parameter

ir^p is the incentive rate for parameter p

Act_t^p is the actual performance for parameter p in year t

Tar_t^p is the target performance for parameter p in year t

t is the regulatory year

A.3 Models and attachments

- CP RRP MOD 10.14 - CSIS Targets - Oct2020 - Public
- CP RRP MOD 10.15 - CSIS Compliance - Oct2020 - Public
- PAL RRP MOD 10.14 - CSIS targets - Oct2020 - Public
- PAL RRP MOD 10.15 - CSIS compliance - Oct2020 - Public
- UE RRP MOD 10.14 - CSIS targets - Oct2020 - Public
- UE RRP MOD 10.15 - CSIS Compliance - Oct2020 - Public
- CPPALUE RRP ATT01 Forethought Customer Engagement Stage two - Oct2020 - Public
- CPPALUE RRP ATT02 Forethought Customer Engagement Stage three - Oct2020 - Public
- CPPALUE RRP ATT03 Forethought Customer Engagement Stage four - Oct2020 - Public
- CP ATT084 - Integrated summary report - Aug2019 - Public
- PAL ATT088 - Woolcott - Integrated summary report - Aug2019 - Public
- UE ATT084 - Woolcott - Integrated summary report - Aug2019 - Public