



Explanatory Statement Customer Service Incentive Scheme

July 2020

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1 Introduction

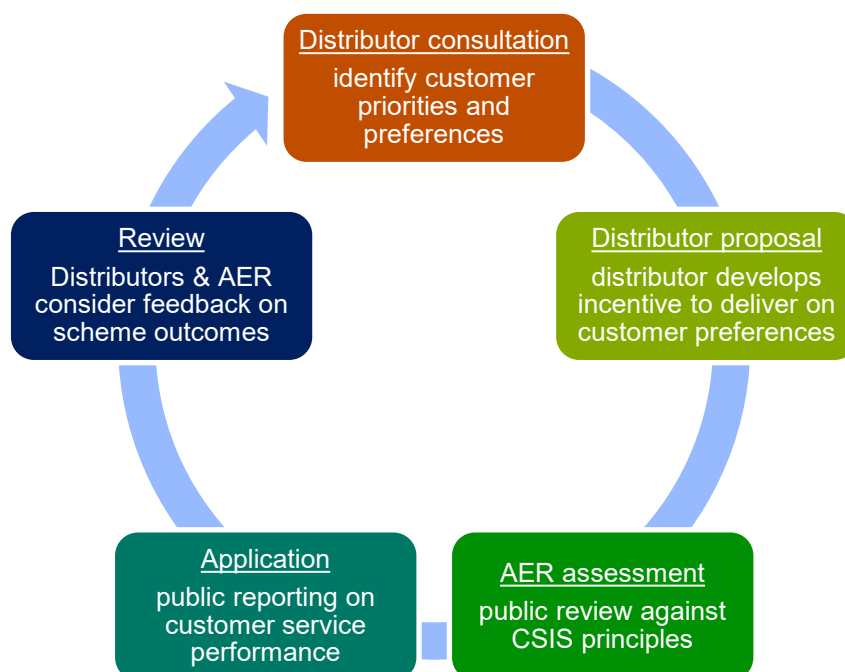
We, the Australian Energy Regulator (AER), regulate electricity distribution network service providers (distributors) to deliver the long-term interests of consumers in terms of price, quality, safety, reliability and security of supply. In accordance with our powers under clause 6.6.4 of the National Electricity Rules (NER) we have developed a Customer Service Incentive Scheme (CSIS).

The CSIS is designed to encourage electricity distributors to engage with their customers and provide customer service in accordance with their preferences. The CSIS allows us to set targets for distributor customer service performance and require distributors to report on performance against those targets. Under the CSIS distributors may be financially rewarded or penalised depending on how they perform against their customer service targets.

The CSIS is a flexible 'principles based' scheme that can be tailored to the specific preferences and priorities of a distributor's customers. This flexibility will allow for the evolution of customer engagement and adapt to the introduction of new technologies. The principles of the scheme target customer preferences and provide safeguards to ensure penalties/rewards under the scheme are commensurate with improvements/detriments to customer service.

Figure 1 illustrates how the CSIS will be applied in practice. It will act as a platform for distributors to meaningfully engage with their customers, understand their needs, and propose incentives for it to respond to and address those needs. We will publish raw performance data shortly after we receive it from distributors and consider this information in our performance reports. This will allow stakeholders to learn from its application and take this into account when developing future incentives.

Figure 1 Application of the CSIS



2 Why have we developed the CSIS?

The development of the CSIS has been a collaborative effort between networks, consumers and market bodies. The impetus for the development of the CSIS is a proposal to apply customer service incentives coming out of AusNet's trial of New Reg. Box 1 outlines AusNet's trial of New Reg.

Box 1 AusNet's trial of New Reg¹

The AER, Energy Networks Australia (ENA) and Energy Consumers Australia (ECA) have developed "New Reg", a joint initiative to explore ways to improve sector engagement and identify opportunities for regulatory innovation. The goal of this initiative is to ensure that customers' preferences drive energy network businesses proposals and regulatory outcomes. Under the New Reg process the most significant departure from traditional practice is that a Customer Forum negotiates aspects of the regulatory proposal in advance of lodgement with the AER. The Customer Forum does not represent the perspectives of particular interests, instead conducting research and customer engagement to ensure it can effectively represent the perspectives of all the network businesses' customers.

AusNet Services has trialled New Reg in the development of its electricity distribution regulatory proposal for 2021–26. As part of the negotiations, AusNet Services negotiated the customer service incentives with its Customer Forum. AusNet has proposed to apply these incentives in its regulatory proposal. To potentially allow for this, and for other distributors to incorporate incentives to improve customer service into their proposals, we have developed the CSIS. Under these incentives AusNet Services will be penalised or rewarded based on how its customers rate its communication concerning planned and unplanned outages, its customer service for connections and complaints.

The CSIS is designed to encourage electricity distributors to provide customer service in accordance with the preferences of their customers. In competitive markets, competition incentivises firms to deliver services that meet customers' preferences in terms of price and quality. Firms that set excessive prices, or deliver service below customers' expectations lose market share to other firms.

However, distributors are 'natural' monopolies, which means that they do not face competition from other networks.² In the absence of economic regulation, distributors do not face the same incentives to deliver price and quality of service outcomes that customers prefer. The NER seeks to address this issue by providing financial incentives to deliver the outcomes expected in a competitive market. Ultimately, the framework seeks to incentivise distributors to deliver quality network performance at least cost.

This framework links revenues to efficient costs. It also provides incentives for distributors to reduce costs over time. The primary mechanisms that encourage cost reductions are the efficiency benefit sharing scheme (EBSS), the capital expenditure sharing scheme (CESS),

¹ For more information see: <https://www.aer.gov.au/networks-pipelines/new-reg>

² Productivity Commission, Electricity Network Regulatory Frameworks, inquiry report no. 62, 2013, p. 65.

and economic benchmarking. In isolation, cost reduction incentives may encourage distributors to reduce costs at the expense of the quality of service.

Our Service Target Performance Incentive Scheme (STPIS) attempts to counter-balance this by providing distributors with incentives for maintaining and improving network performance – to the extent that consumers are willing to pay for such improvements. However, the STPIS provides only limited incentives for distributors to maintain and improve customer service. The STPIS provides an incentive for distributors to answer fault line telephone calls within 30 seconds.³ In submissions, stakeholders generally agreed that this call answering parameter provided a narrow incentive for maintaining and improving customer service performance.

Our CSIS will create an incentive for distributors to maintain and improve customer services not covered by the STPIS, or other mechanisms, when desired by customers.

We received 11 submissions on our draft customer service incentive scheme. Each of the submissions supported the development of a CSIS. Most submissions supported the development of a principles based CSIS as per our draft scheme.⁴

The CSIS will allow us to set targets for distributor's customer service performance and require distributors to report on performance against those targets. Under the CSIS distributors may be financially penalised or rewarded depending on how they perform against their customer service targets.

By working in this way, the CSIS may be used to fund customer service improvements. This may be preferential to funding customer service improvements through our determinations – which may not link the funding to the delivery of outputs. Distributors will only receive revenue through the CSIS when there are measureable customer service improvements.

Stakeholder submissions have also articulated that customer preferences may vary, based on demographics, geography, or how the network has historically operated. New technology is also changing the way customers interact with distributors. In response to these submissions, we have developed the draft CSIS as a platform for distributors to engage with their customers, understand their needs, and select parameters that reflect those needs. This flexibility will enable the CSIS to respond to the evolution customer engagement and the introduction of new technologies.

³ AER, Explanatory Statement: Final Decision Amendment to the Service Target performance incentive scheme, November 2018, p. 37.

⁴ AusGrid, Customer Service Incentive Scheme Draft Decision – Ausgrid submission, Feb 2020, p. 4. AusNet Services, Customer Satisfaction Incentive Scheme – Response to AER's Draft Decision, February 2020. ENA, Customer service incentive scheme draft decision, February 2020. Ergon Energy, Energex, Draft Customer Service Incentive Scheme, February 2020. TasNetworks, Submission to AER re Draft Customer Service Incentive Scheme, February 2020. Consumer Challenge Panel sub-panel 17, CCP17 response to the AER Explanatory Statement for a Draft Customer Service Incentive Scheme (December 2019), February 2020. Red Energy, Draft Customer Service Incentive Scheme, February 2020.

3 Design of the CSIS

The CSIS is principles-based and allows distributors to propose different 'incentive designs'. For the CSIS to be applied, incentive designs must meet the schemes principles. We will not apply an incentive design unless a distributor can demonstrate that its customers support the incentive design through genuine engagement.

3.1 Why a principles based CSIS?

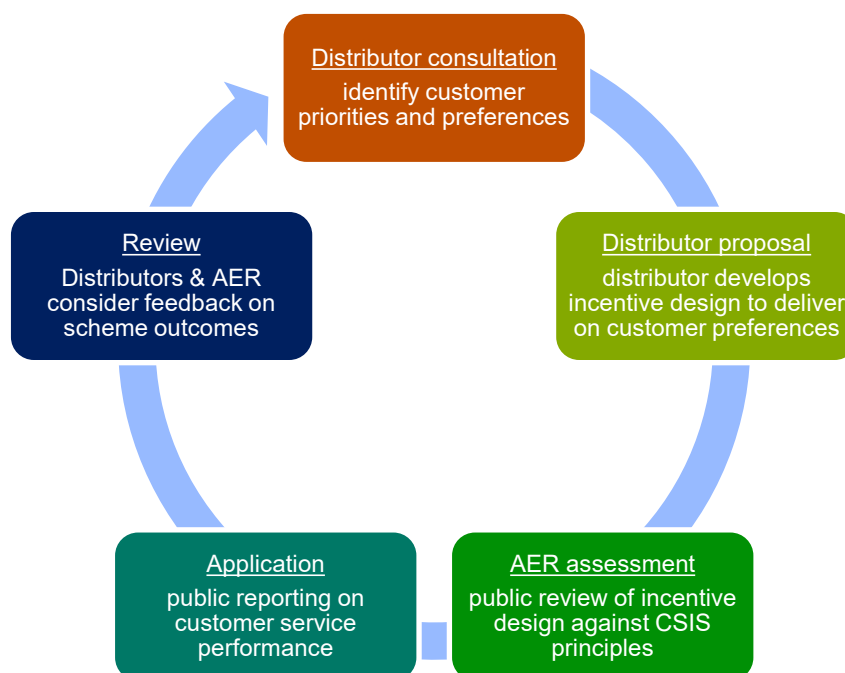
A prescriptive scheme (like the STPIS) specifies precisely what is incentivised as well as how penalties and rewards are calculated. An alternative option is to have a principles-based CSIS, which would allow distributors to propose bespoke performance parameters, measurement methodologies, assessment approaches, and penalties or rewards.

Typically, we have used prescriptive schemes that specify the components that can apply to a distributor, and the method of calculating penalties and rewards. The STPIS takes this approach. This is simple to implement and provides certainty to stakeholders. However, it does not provide much flexibility. As a result, we consider that this approach is appropriate where the same measures are likely to deliver benefits to customers of all distributors and are likely to remain relevant over a long period. However, the ways in which distributors interact with their customers is evolving. At this stage we think that a prescriptive approach to customer service incentives is inappropriate.

Under the principles based approach, the CSIS has principles that must be met by distributors in order for the scheme to be applied. These principles are targeted at improving customer experience. Distributors can identify, in consultation with their customers, incentive designs that would meet those principles. This allows us to apply different parameters to different distributors. We consider that this approach is preferable where it is likely that customer preferences will differ across distributors, and may change over time.

Figure 1 illustrates how the CSIS will work in practice. Distributors must take the lead in engaging with customers. The distributor could then develop an 'incentive design' based on that engagement for our consideration. We would then assess the distributor's proposed incentive design against the principles in the scheme.

Figure 2 Application of the CSIS



3.2 How do the principles work?

The final CSIS divides the principles into four 'elements' that reflect the necessary components of an incentive schemes. These elements cover:

- performance parameters – what customers want to be incentivised under the scheme
- measurement methodology – how performance is measured
- assessment approach – how performance is rated
- financial component – how penalties/rewards are calculated and applied

We outline the principles for each of these four scheme elements below.

3.2.1 Performance parameters

The relevant principles for performance parameters are that each performance parameter must be an aspect of the customer experience component of the DNSP's standard control services;

- (a) that the customers of the DNSP particularly value and want improved, as evidenced by genuine engagement with, and support from, the DNSP's customers,
- (b) that is substantially within the control of the DNSP, and
- (c) for which the DNSP does not already have an incentive under another incentive scheme or jurisdictional arrangement.

The purpose of the first principle is to ensure that the incentive design will address services that customers' value. We have decided not to prescribe how customer value might be

demonstrated. We want distributors to take ownership of their consultations and undertake them in a manner that best fits their customers. However, to demonstrate customer support we expect that distributors would consult broadly, using a number of different consultation approaches, to cover each of their customer classes. As set out in CCP17's submission, the CSIS should be applied equitably across the distributors range of customer groups, including vulnerable household customers, small business, and C&I businesses.⁵ Further, we expect that customers will be provided with more than one opportunity to provide input.

The second principle directs incentive designs to target services that are substantially in the control of a distributor. This will ensure that the incentive designs do not reward or penalise distributors for outcomes that are outside their control.

The third principle ensures that the incentive design will not duplicate existing incentives. Duplication may over-incentivise a distributor to pursue certain outcomes. To avoid this, we consider performance parameters should not duplicate incentives that distributors may already have under state or territory schemes.

The Brotherhood of St Laurence submitted "for the scheme to be most useful, we also suggest a focus on areas that are identified by customers as needing improvement, and that represent a current source of dissatisfaction."⁶ We have made an amendment to the final scheme to ensure that it targets areas that customers want improved.

3.2.2 Measurement methodology

Once the distributor has identified performance parameters that their customers' value, the next step is to consider how to measure performance. The measurement methodology principles govern this. The relevant principles for measurement methodology are that for each performance parameter, the proposed measurement:

- (d) accurately measures the features of the performance parameter,
- (e) is sufficiently independent, in that it is either conducted by an independent third party or based upon an independently developed methodology,
- (f) is compiled in an objective and reliable manner with data retained in a secure and logically indexed database, and
- (g) produces results that could be audited by an independent third party.

These principles are intended to ensure that the measurement methodology appropriately reflects the performance parameters. Principle d) requires the methodology to accurately measure the aspect of performance that is of value to customers. For instance, customer satisfaction in relation to complaints is a performance parameter, and a suitable measurement methodology may be to survey customers on how their complaints are dealt with, as opposed to the number of complaints lodged, which is unsuitable

Principle e) requires that the measurement be sufficiently independent, in that it is either; administered by an independent third party or based on an independently developed

⁵CCP17, Small Scale Incentive Scheme for Customer Service (Customer Service Incentive Scheme - CSIS) CCP17 response to the AER Explanatory Statement for a Draft Customer Service Incentive Scheme (December 2019), March 2020, p. 13.

⁶ Brotherhood of St Laurence, Submission regarding the AER's Draft Customer Service Incentive Scheme, February 2020.

methodology. If we take the example above, the distributor may need to use a third-party survey provider under an agreement that maintains the independence of the survey. This will provide confidence to stakeholders that the measurement will reflect performance.

Third, principles (f) and (g) effectively require the distributor to retain data in a way that can be independently reviewed, including by a third party auditor. It is necessary to ensure that the data may be audited to ensure the integrity of the scheme. However, the benefits of assurance and costs of costs must be weighed against each other. We have not specified the level or type of assurance. Distributors need to set this out in their incentive designs.

3.2.3 Assessment approaches

The assessment approach principles cover how performance is evaluated and then translated into an expression of improvement or deterioration which can be used to determine a reward or penalty. These principles establishes a baseline or neutral level of performance. We consider that, as a default, the historical performance of the distributor should be set as the performance target. However, we have not prescribed this in the scheme as customers may desire a different base level of performance or historical performance data may not be available. These principles also govern that performance targets only reward genuine improvement in line with customer preferences.

3.2.4 Financial component

The financial component covers how an incentive design delivers penalties or rewards for a given level of performance. Our objective is that penalties and rewards under the CSIS are commensurate with customer benefits and do not provide an incentive for distributors to over-invest in customer service.

The financial component of the CSIS covers the overall revenue at risk and the incentive rate. The overall revenue at risk sets the maximum amount of revenue that a distributor can gain or lose under the incentive design. The incentive rate determines the degree to which we will adjust a distributor's revenue based on a given level of performance.

Both components are required to be in line with the value that customers attribute to the level of service improvement or degradation observed. They also tie the incentive rate to the value customers place on those improvements or degradations.

4 Considerations in making this final decision

Our final CSIS is similar to our draft CSIS but contains amendments made in response to issues raised in submissions. In this section we outline how we have responded to submissions on the draft CSIS.

Supporting social license

CCP17 suggest a fifth objective, which they would make the top objective, which “provides incentives to energy distribution businesses to build and extend their social licence to operate”.⁷ Social license – or social license to operate – at its simplest, refers to the acceptance granted to a company or organisation by the community.

Distributors should not require an incentive to maintain their social license to operate. However, we consider that the CSIS will give effect to this objective. This is because, in proposing, consulting on, and applying the scheme a distributor must:

- Genuinely engage with their customers covering the perspectives of different parts of its customer base and
- Develop parameters to incentivise (or fund) delivery of services in accordance with the preferences of their customers

We will only apply the CSIS if it is supported by a distributor's customers as demonstrated through genuine engagement. We consider that by engaging with customers and then delivering services in accordance with their preferences distributors will uphold their social license to operate.

Contingencies for significant events

AusNet Services submitted that the CSIS should allow for 'exclusion clauses' to be proposed by a distributor where appropriate.⁸ Under an exclusion clause, part or all of the scheme, may be suspended so that a distributor or its customers are not adversely affected by significant circumstances outside of their control. The Service Target Performance Incentive Scheme (STPIS) has a number of specific exclusion clauses covering network interruptions outside of a networks control.⁹

The advent of the 2019-20 bushfire season and COVID-19 pandemic makes it clear that the scheme should contain appropriate contingencies for exceptional circumstances. In exceptional circumstances it may not be appropriate to apply incentives to customer service performance, or penalise customers and/or distributors for circumstances outside of their control. We have amended the scheme so that exclusions may apply. However, when and how exclusions are applied is a matter a distributor and its customers should decide having regard to the performance parameters they have developed.

⁷ Consumer Challenge Panel sub-panel 17, CCP17 response to the AER Explanatory Statement for a Draft Customer Service Incentive Scheme (December 2019), February 2020, pp 5–6.

⁸ AusNet Services, Customer Satisfaction Incentive Scheme – Response to AER's Draft Decision, February 2020, p.3.

⁹ AusNet Services, Electricity distribution network service providers Service target performance incentive scheme – Version 2.0, November 2018, p.22.

We note that the scheme includes a number of existing protections that should be taken into account when considering exclusions. The risk of the scheme is already mitigated by the cap on revenue at risk of 0.5 per cent. Further, under clause 4.3(1) of the scheme, we may suspend the application of the scheme if necessary. We would apply this clause if we consider circumstances under the application of the scheme would be contrary to the scheme's objectives.

The cap on revenue at risk

Distributors, consumer representatives and retailers all submitted that the appropriate level of revenue at risk is 0.5 per cent.¹⁰ In light of this feedback we have capped the revenue at risk under the scheme at 0.5 per cent of revenue.

Prescription in the scheme

Though most submissions supported a flexible, principles based CSIS, some submissions suggested elements of the scheme be prescribed:

- Ausgrid suggested that distributors could be required to incorporate one quantitative and one qualitative metric. This could be implemented in stages, as the business and the scheme evolves;¹¹
- The Brotherhood of St Laurence submitted that the scheme should be designed to provide consistent and comparable metrics between distribution businesses.¹²

In accordance with the weight of submissions, we have decided not to prescribe these elements of the CSIS. The benefit of applying similar metrics is that they would allow for cross-business comparisons of performance. However, consistent parameters would not allow for incentives to be tailored to the needs of individual distributor's customers. Consistent metrics may also not be sufficiently flexible to respond to changes in the electricity market. However, the scheme does not preclude the application of consistent parameters if that is what customers want. In future, taking into account stakeholder feedback on the application of the CSIS, we may also identify parameters that should be applied consistently across distributors.

Customer Service Benchmarking Australia ('CSBA') made a detailed submission on how to ensure surveys used for the CSIS have integrity. CSBA's recommendations include the following points:

- the feedback about an interaction ought to be collected as closely as practicable to real time;
- the volume of feedback collected needs to generate statistically reliable data to an agreed confidence interval;
- the sweet spot is 95%+/-5% Standard Error – any higher is cost prohibitive;

¹⁰ Brotherhood of St Laurence, Submission regarding the AER's Draft Customer Service Incentive Scheme, February 2020, p. 2. TasNetworks, Submission to AER re Draft Customer Service Incentive Scheme, February 2020, p. 2. Red Energy, Draft Customer Service Incentive Scheme, February 2020, p. 2.

¹¹ AusGrid, Customer Service Incentive Scheme Draft Decision – Ausgrid submission, Feb 2020, pp. 3–4.

¹² Brotherhood of St Laurence, Submission regarding the AER's Draft Customer Service Incentive Scheme, February 2020.

- stability is needed in the measuring/assessment process between periods to underscore the validity of the results;
- subtle changes in wording, scales, collection method, choosing whether or not to incentivise responses and a plethora of design considerations can materially impact scores; and
- the auditing process will need to allocate substantial time auditing process year on year – not just the results.

We consider that the recommendations made by CSBA would be consistent with the principles of the scheme if surveys are used. We would expect that distributors using surveys would apply such assurance measures.

Asymmetry of information¹³

ENGIE submitted that there is an asymmetry of information in favour of distributors, who are best positioned to determine the difficulty of achieving targets, and how much it is likely to cost to outperform a target. Allowing distributors to propose parameters may provide them with excess power, so the AER should set the parameters of the CSIS. Further, the results of customer engagement should be used to inform, rather than to directly shape, the application of the CSIS.¹⁴ Similarly, the Brotherhood of St Laurence submitted that an independent external customer survey, or set of measures should be used to develop the scheme's service metrics, rather than distributor-led customer engagement processes.

We expect distributors to take responsibility for their customer engagement, ensuring it is honest, open and transparent. One of the benefits of the scheme is that it will motivate distributors to engage with their customers. Should the AER set parameters, the scheme may not promote this engagement.

However, we ultimately will decide whether or not to apply the CSIS and which parameters to apply. We will only apply the CSIS if it is supported by customers as demonstrated through genuine engagement.

Retailer participation in consultation¹⁵

We agree that retailers should be invited to participate in consultation on the development of incentive designs where the CSIS may affect their services. This is particularly relevant where the interests of retailers and consumers align and less relevant where the services don't involve retailers. We would not consider that customer engagement on the scheme would be genuine unless stakeholders involved in the services are invited to provide input.

Abolishing the customer service component of the STPIS¹⁶

¹³ ENGIE, Draft Customer Service Incentive Scheme, 14 February 2020, pp. 1-2. Brotherhood of St Laurence, Submission regarding the AER's Draft Customer Service Incentive Scheme, February 2020, p. 3.

¹⁴ ENGIE, Draft Customer Service Incentive Scheme, 14 February 2020, pp. 1-2. Brotherhood of St Laurence, Submission regarding the AER's Draft Customer Service Incentive Scheme, February 2020, p. 3.

¹⁵ ENGIE, Draft Customer Service Incentive Scheme, 14 February 2020. p. 2. Red Energy, Draft Customer Service Incentive Scheme, February 2020, p.1.

¹⁶ Red Energy, Draft Customer Service Incentive Scheme, February 2020.

Red Energy submitted that the AER should abolish the customer service component of the STPIS given the CSIS. The customer service component of the STPIS is outside of the scope of this consultation. However we will not apply the customer service component of the STPIS in tandem with the CSIS unless there is strong customer support to do so. We would cap the total revenue at risk under both sets of parameters at 0.5 per cent.

Further detailed submissions

Ausgrid submitted that there is merit in considering an online page where the scheme components of each business can be publicly shared, as transparency of customer service metrics is important to achieving equity across customers in different locations.¹⁷ We agree that there should be reporting on the outcomes of the CSIS. We will provide this in our annual performance reports. We will also publish raw performance data from each of the distributors in a central location.

AusNet Services suggested that the end of the regulatory period would be a better point at which the scheme should stop applying (rather than 'beyond the DNSP's next regulatory period').¹⁸ We have made this suggested amendment.

CitiPower, Powercor and United Energy submitted the wording clause 3.1(1)(d) the wording should reflect that distributors provide evidence that customers broadly support rather than agree with the incentive design.¹⁹ We acknowledge that the requirement for distributor to demonstrate customers 'agree' that the scheme element principles have been met is ambiguous and may be difficult to demonstrate. We have changed the wording to 'support' an incentive design. We consider that 'Broadly support' may allow for the views of minority customer cohorts to be outweighed, when the perspectives of all customer cohorts ought to be taken into account. The notion (and evidence) of support will interact with the requirement that incentives target areas that customers want improved.

CitiPower, Powercor and United Energy submitted that limiting distributors to an incentive design as part of a regulatory proposal may delay the potential benefits customers could receive through the CSIS. They proposed that the AER remove 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.²⁰ We may not reopen a determination in order to make a new incentive. However, under the scheme, subject to our approval, a distributor may submit an incentive design at an alternative time to the submission of its regulatory proposal. This may allow CitiPower, Powercor and United Energy to submit a proposal to apply the scheme in their 2021-26 period. We also note that distributors may consult on and implement 'paper trials' of the scheme – without the application of penalties or rewards applied through an AER determination – at any time.

CSBA submitted that there is a role for the regulator to review the data sharing/data platforms of distributors and consider committing to a single view of customer to deliver a

¹⁷ Ausgrid, Customer Service Incentive Scheme Draft Decision, February 2020, p. 2.

¹⁸ AusNet Services, Customer Satisfaction Incentive Scheme – Response to AER's Draft Decision, February 2020, p. 3.

¹⁹ CitiPower, Powercor and United Energy, Customer Service Incentive Scheme, February 2020, p.1.

²⁰ CitiPower, Powercor and United Energy, Customer Service Incentive Scheme, February 2020, p.1.

better energy experience for customers. This is akin to the way that personal information is being handled sensitively with the Myhealth concept – there is room for considering an Energy profile that travels with individuals.²¹ This may be beneficial but we note that the collection and storage of customer data is a complex and sensitive topic. The data sharing/data platforms of the distributors and how this data should be treated, is a significant consideration. Consultation on this should involve all jurisdictional governments and is beyond the scope of this scheme.

Energy Queensland submitted that the final CSIS should provide clarity as to when it will apply to each DNSP and a clear indication as to the criteria for nominating baseline targets and historical data.²² The earliest that the CSIS may apply to a distributor is at the start of that distributor's regulatory period. However, 'paper trials' (without penalties or rewards) of the scheme may be applied. The scheme will only apply after consultation by the distributor and approval by the AER.

Energy Queensland anticipates that the CSIS will increase operational expenditure. Therefore, Energy Queensland would seek to undertake further consultation with its customers to gauge their willingness to pay for improvements before assessing its ability to claim a reward under the scheme.²³ We support Energy Queensland's intention to consult with its customers on their willingness to pay for improvements and consider this aligns with the objectives of the scheme.

TasNetworks has expressed some concerns that the scheme may become a penalty-only scheme. This is because distributors may reach a level of performance against individual performance parameters where customers no longer value improvement or further improvement exceeds the willingness of customers to pay for that improvement.²⁴ 'Penalty only' does not acknowledge the rewards a distributor may have received up until that point. Further if customers are unwilling to pay for further improvements, but do not want a degradation in customer service, then a penalty only scheme is appropriate.

The Consumer Challenge Panel made a number of detailed submission on the draft CSIS. We outline these, along with our consideration of the submissions in the table below.

Table 1 AER consideration of the CCP17's submission

CCP submission ²⁵	AER considerations
<p><i>The principles in the CSIS should be reconsidered. The CCP17 proposed eight principles for the development and implementation of the CSIS:</i></p> <p><i>Focus must be not only on the NEO, but shorter-term impacts matter too:</i></p>	<p>We agree and consider that the CSIS gives effect to these objectives.</p>

²¹ CSBA, Draft Customer Service Incentive Scheme (Electricity Distribution Networks), February 2020, p. 5.

²² Energy Queensland, Draft Customer Service Incentive Scheme, February 2020, pp. 1-2.

²³ Energy Queensland, Draft Customer Service Incentive Scheme, February 2020, pp. 1-2.

²⁴ TasNetworks, Submission to AER re Draft Customer Service Incentive Scheme, February 2020, pp. 1-2.

²⁵ CCP17 response to the AER Explanatory Statement for a Draft Customer Service Incentive Scheme, February 2020.

The focus must be on not only the National Energy Objective (NEO), but shorter-term impacts matter too. (The short term can impact on the long-term interests of consumers.)

The flexibility of the principles based CSIS is that it can deal with both short term and long term concerns of customers. For example, the CSIS may apply an incentive to emerging services provided by distributors that a prescriptive scheme with set parameters may not. For example, our STPIS cannot accommodate AusNet's proposed customer service parameters.

Use the best evidence available

There can be a tension between using the best available evidence and delivering the services customers want. For example, businesses may collect good information on the number of telephone calls answered in 30 seconds. However, customers might not want this to be incentivised. They may rather an incentive for the businesses to answer their queries in a helpful manner - something on which a distributor may not have great information. Delivering the services customers want is the priority. Distributors should use the best evidence available in developing incentive designs to deliver the services that customers want. This is promoted through the requirement to incentivise genuine improvement.

Objective fairness between businesses

The scheme is objectively fair between businesses as it is the same for all distributors. However, the scheme may be applied in a different manner to distributors. However, this is necessary to accommodate the differing preferences of customers across distributors.

Responsiveness for individual businesses

The principles-based format allows for different incentives to be applied depending on a distributor's circumstances. The CSIS does not prescribe any specific parameters but rather allows a distributor and its customers to develop parameters that suit their circumstances.

Different distributors may require different incentives. A network with underdeveloped customer relation management systems may require an incentive to improve this. Another distributor may require an incentive to develop new communication channels that better suit their customers. The CSIS does not prescribe what needs to be incentivised. Rather, that is for a distributor to identify in consultation with its customers.

Transparency

To apply the scheme distributors must openly and transparently consult with their customers.

	We will publish data on the each of the distributor's performance under the scheme.
Fairness between different consumer groups	As part of the process of developing incentive designs the CSIS requires distributors to set out how they have balanced competing customer interests. We will not apply the scheme if we consider that significant customer groups have been excluded from consultation or that their interests have not been adequately addressed.
Adaptable to changing circumstances	The principles-based nature of the scheme makes it adaptable to changing circumstances. The principles allow for incentives tailored to the current desires of customers.
Trust and goodwill are needed to produce outcomes that work for all parties	The requirement for 'genuine engagement' entails trust and goodwill be applied in consultation on the scheme.
<i>There should be two additional measurement criteria:</i>	
Be replicable meaning that the methodology is clear and that the results achieved could be replaced by another party applying the same methodology.	We agree with CCP17's point and consider that the current measurement principles give effect to the CCP's proposed measurement criteria. These principles require that performance parameters are
Be published in a manner that is timely and readily accessible to consumers, consumer representative groups and other stakeholders.	<ol style="list-style-type: none"> 1) compiled in an objective and reliable manner with data retained in a secure and logically indexed database, and 2) produces results that could be audited by an independent third party. <p>We will publish raw performance data shortly after we receive it from distributors. We will present the outcomes of the scheme in our performance reports.</p> <p>We acknowledge that the CSIS may not be readily accessible to representative groups and other stakeholders. This is a challenge and something that we will continue to work on.</p>
Criterion three should include that a 'composite measure or index that has been developed with and accepted by strong consumer interests, may be accepted.'	We confirm that this is possible under the principle as it stands. Criterion 3 does not prescribe any specific type of performance parameter and would allow for performance parameters to be a composite measure or index (so long as customers support the use of such a measure).

An additional criterion be added: 'Set realistic targets for improvement over an agreed timeframe'.

We agree and have ensured that the principles provide that performance targets incentivise genuine improvement in line with the value of the identified service improvement to the DNSPs customers

Where appropriate, where there is broader community support, a CSIS should include particular measures to assist customers on poorer feeders, customers in specific geographic locations and possibly communities with high proportions of people from different cultural backgrounds.

We agree and confirm that this is allowed under the scheme. The scheme will allow for such a parameter so long as it can be demonstrated that customers support its application.

Another scheme objective should be included:
Promotes transparency and understanding throughout the NEM regarding a distributor's customer service initiatives.

We agree that the scheme should promote transparency and consider that the scheme delivers on this objective. The scheme requires consultation on the scheme to be open and transparent. We will report on the outcomes of the scheme. This will promote transparency and understanding regarding a distributor's customer service initiatives.

The AER should develop a statement of CSIS trial objectives and specify a review and evaluation process that meets the principles that the CCP proposed, enabling time for review, reflection and adjustment if preferable during the course of the trial.

We agree that the scheme should be reviewed. By publishing and analysing the outcomes of the scheme in our performance reports we hope to facilitate review of the scheme.
We consider that the schemes objectives are a good starting point as they set out what we are trying to achieve. However, at this stage we consider that it is premature to set out how the CSIS should be reviewed.