



Andrew Ley
Australian Energy Regulator
GPO Box 520
Melbourne
Victoria 3001
By email: regulatoryinnovation@aer.gov.au

14 February 2020

Dear Mr Ley,

Draft Customer Service Incentive Scheme

ENGIE appreciates the opportunity to respond to the Australian Energy Regulator (AER) in response to the Draft Customer Service Incentive Scheme (CSIS).

The ENGIE Group is a global energy operator in the businesses of electricity, natural gas and energy services. In Australia, ENGIE has interests in generation, renewable energy development, and energy services. ENGIE also owns Simply Energy which provides electricity and gas to more than 720,000 retail customer accounts across Victoria, South Australia, New South Wales, Queensland, and Western Australia.

Importance of the AER having control of the scheme

ENGIE supports the basic goal of the CSIS, i.e. to financially incentivise distribution businesses (DNSPs) to perform against certain customer service targets developed in conjunction with customers. We agree with the AER that the current incentive scheme, the STPIS, is very narrow in its focus on call answering times.

We consider that the governance of the CSIS needs a few tweaks in order to make it more robust and reflective of stakeholder preferences. Specifically, while customer and DNSP input is very important for setting appropriate incentives and incentive rates, it should be the AER that determines the parameters of the CSIS. The draft CSIS appears to be predicated on a propose-respond model, where the DNSP decides what it wants to be incentivised on, what the metric is, how the baseline is set and what rate the penalty and rewards are set at. This then puts the onus on the AER (and other stakeholders) to develop a robust objection to any of these parameters or to accept the DNSP's proposal. Since there is an asymmetry of information in favour of the DNSP, who best knows





how easy or hard the targets really are, and how much it is likely to cost to beat the target, this approach places too much power in the hands of the DNSP. Accordingly, it should be the AER that sets the parameters of the CSIS at the draft determination stage and then the DNSP and other stakeholders can make representations on whether those parameters should be changed. This approach is more consistent with the way other incentives, such as the cost incentives, are determined.

Retailers are customers too

The CSIS rightly gives customers and their representatives an important role in providing input into the development of the specific activities and metrics to be incentivised. As usual in these cases, there is an implication that “customers” means “end users”. The NEM’s regulatory framework has created a triangular relationship between DNSPs, retailers and end users such that retailers are also the customers of DNSPs – in particular, they are the party that actually pays network charges. So, it should be made explicit in the CSIS and in any other regulatory processes where DNSPs are required to consult with customers that retailers are invited to participate as well. For the avoidance of doubt retailer engagement is an adjunct to end user engagement not a substitute. Further, just as end users have a *right* to be consulted but not an *obligation* to participate in consultation, the same principle should apply to retailers. Retailers already face a heavy regulatory burden and have to prioritise their limited resources accordingly. But some retailers may choose to prioritise participation in the CSIS from time to time and there should be no barrier to their doing so.

Should you have any queries in relation to this submission please do not hesitate to contact me on (03) 9617 8415.

Yours sincerely,

A handwritten signature in blue ink, appearing to read "Jamie Lowe".

Jamie Lowe

Head of Regulation