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Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulatory (AER)
GPO Box 3131
Canberra ACT 2601

Sent via email: exportservicesreview@aer.gov.au.

Dear Dr Funston,

AER Draft Export Service Incentive Scheme

Endeavour Energy appreciates the opportunity to provide this feedback to the AER's draft Export Service Incentive Scheme (ESIS). We believe the incentive framework should provide a financial incentive for the efficient provision of export services. In lieu of a standardised and prescriptive scheme, we support the introduction of a flexible, principles-based ESIS as the mechanism to provide this incentive.

Importantly, a bespoke ESIS would require Distribution Network Service Providers (DNSP) to liaise closely with their customers to co-design a scheme that is tailored to specific circumstances and data capabilities of a DNSP and reward(penalise) service improvements(declines) only where driven by consumer priorities and preferences.

Similar to the Customer Service Incentive Scheme (CSIS), the application of an ESIS would be subject to customer support noting the principles underpinning the draft ESIS reflect those which apply to the CSIS. We consider this alignment is sensible as it would facilitate effective consultation and engagement processes and better equip customers to consider the relative merit and assess the robustness of the proposed metrics and measurement methodologies for each small-scale incentive scheme (SSIS) collectively.

Nevertheless, some amendments and clarifications should be considered for the final ESIS that would better incentivise DNSPs to deliver positive outcomes for export customers. For instance:

- Increasing the ESIS revenue at risk from 0.5% to 1% of the annual revenue requirement (ARR) would better utilise the incentives provided by SSISs, noting the combined financial reward or penalty of the ESIS and CSIS is capped at 1% of the ARR.[1] This would be relevant where customer support for the ESIS is generally stronger than the CSIS for which a revenue at risk less than 0.5% has been proposed (if at all).

- The application of a CSIS or the customer service component of the Service Performance Target Incentive Scheme (STPIS) should not disqualify any proposed ESIS from also having customer service-like measures. That is, the ESIS should allow performance parameters that are also conventionally considered as a measure of customer service but which are only pertinent to an export service and/or export customers (e.g. CER connection application approval times).

[1] NER, cl. 6.6.4(d)(1).

- Irrespective of the mix of customer service or technical measures of a proposed ESIS, the final ESIS (or alternatively the ESIS explanatory statement) should confirm that - unlike the CSIS - there is no equivalent requirement or expectation that the revenue at risk should be offset from the customer service component of the STPIS.

- The draft requirement for any export measurement methodology to be administered by an independent third party or based on an independently developed methodology should be relaxed. Whilst this principle may be appropriate for the CSIS where a variety of established and accessible customer service performance methodologies are available, equivalent industry developed or academic-based export measurement methodologies could be limited owing to the nascent, variety and bespoke nature of prospective export service measures.

  In these circumstances, DNSPs should have the flexibility to leverage from subject matter expertise and capabilities within their business to establish an objective and impartial approach to measuring performance. Where an inhouse methodology is proposed, the ESIS consultation processes would provide an opportunity to test the impartiality of the reporting process and act as a safeguard to ensure the robustness, validity and integrity of the performance measure.

We also note the AER's preliminary intention to allow the ESIS to apply to the 2024-29 electricity distribution determination processes[2] has not been confirmed in either the final report or the draft ESIS explanatory statement. For the avoidance of doubt, we would welcome the AER clarifying that the ESIS would be available to these respective DNSPs.

Furthermore, we accept that the AER's approval of a ESIS proposal should be conditional on there being strong support from customers and robust data to support the performance targets. However, we also believe the AER should be cognisant of the compressed timeframes these affected DNSPs have to satisfy these requirements.

With less than six months between the final ESIS being published and the submission of revised regulatory proposals for the 2024-29 period to the AER, a condensed ESIS consultation process would be unavoidable. In our view, this process should not be directly compared to the likely more extensive engagements underpinning CSIS proposals when evaluating the level of customer support for the ESIS. In other words, the AER's acceptance of any proposed ESIS for the 2024-29 period should not be influenced by an expectation that the depth and quality of customer engagement and evidence of customer endorsement match that of the CSIS.

To discuss our submission further please contact Joe Romiti, Regulatory Analyst at [redacted]

Yours sincerely,

[redacted]

Colin Crisafulli
Head of Network Regulation

[2] AER, Incentivising and measuring export service performance, Draft report, November 2022, p.24