evoenergy

Attachment 4: Incentive schemes

Regulatory proposal for the ACT electricity distribution network 2024–29

January 2023

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4.1. Overview

This attachment sets out Evoenergy's proposed application of incentive schemes for the 2024–29 regulatory control period. Incentive schemes are an important part of the regulatory framework, and encourage Distribution Network Service Providers (DNSPs) to incur efficient operating and capital expenditure while maintaining reliability and appropriate levels of customer service. The schemes provide a DNSP with temporary financial rewards for spending below its expenditure allowance and improving its service quality. In some instances, a DNSP may incur a financial penalty if it fails to meet set targets. Ultimately, incentive schemes help reduce prices and maintain network service quality. In this way, incentive schemes are an effective mechanism for promoting the long-term interests of customers.

The Australian Energy Regulator (AER) is required to publish its proposed approach to incentive schemes in its Framework and Approach paper. The AER published the Framework and Approach paper for Evoenergy on 29 July 2022,[1] which set out the following incentive schemes for the 2024–29 regulatory period:

- Efficiency Benefit Sharing Scheme (EBSS);
- Capital Expenditure Sharing Scheme (CESS);
- Service Target Performance Incentive Scheme (STPIS);
- Demand Management Incentive Scheme (DMIS) and Demand Management Innovation Allowance Mechanism (DMIAM); and
- Customer Service Incentive Scheme (CSIS).

Evoenergy supports the AER's position and considers that these incentive schemes will help provide balanced incentives for the electricity network to operate in the long-term interests of consumers.

The remainder of this attachment explains Evoenergy's proposal for implementing these incentive schemes for the 2024–29 regulatory period.

4.2. Efficiency Benefit Sharing Scheme

The EBSS is designed to provide DNSPs with a continuous incentive throughout the regulatory control period to achieve the lowest efficient levels of operating expenditure (opex). It does so by sharing efficiency gains and losses between a DNSP and its customers.

The standard regulatory framework allows a DNSP to keep any difference between the actual opex it incurs in any year and its opex allowance until the end of a regulatory period. However, without an EBSS, the incentive to deliver efficiency gains would diminish towards the end of a given regulatory period as the period for which gains are retained becomes shorter. The EBSS provides a consistent incentive to deliver efficiency improvements throughout the regulatory period by allowing the DNSP to retain a share of the efficiency gains for five years following the year in which the gains are made, regardless of when the gains are made.

In its recent draft decision for its review of incentive schemes, the AER concluded that the EBSS has successfully driven opex efficiency gains in conjunction with the AER's revealed cost opex forecasting approach and its approach to benchmarking.[2] The AER's draft decision is to retain the EBSS.

[1] Australian Energy Regulator, *Framework and Approach Evoenergy (ACT) Regulatory control period commencing 1 July 2024*, 29 July 2022
[2] Australian Energy Regulator, *Review of incentives schemes for networks*, December 2022, p.12

Table 1 outlines the estimated EBSS carryover amounts for the 2024–29 regulatory period associated with Evoenergy's performance in the current regulatory period (2019–2024). Evoenergy forecasts a revenue decrement of $4.3m ($ June 2024) under the EBSS, reflecting Evoenergy's performance in the 2019–24 regulatory period. Carryover amounts for 2022/23 and 2023/24 are based on current estimates, which will be replaced by actuals when this data becomes available.

Revenue carryover amounts have been calculated in accordance with the AER's EBSS model, as detailed in Workbook 3 of Evoenergy's Regulatory Information Notice (RIN) Response.[3]

Table 1 Estimated EBSS carryover amount 2024–29 ($ million, June 2024)

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Efficiency Benefits Sharing Scheme	–0.8	–2.4	–1.5	0	0.3	**–4.3**

As explained in Attachment 2: Operating Expenditure, Evoenergy's opex forecast for the 2024–29 regulatory period is based on its revealed costs. Evoenergy consequently proposes to apply the EBSS in the 2024–29 regulatory control period in the same manner as in the current 2019–24 regulatory period. This is consistent with the AER's Framework and Approach paper for Evoenergy.[4]

4.3. Capital Expenditure Sharing Scheme

The CESS provides financial rewards for DNSPs when they are able to achieve efficient savings in their capex below the regulatory allowance. The CESS also imposes financial penalties where actual capex exceeds the allowance. Without a CESS, a DNSP faces a declining incentive to reduce its capex over the regulatory period. Consumers generally benefit from improved efficiency through lower regulated prices in future periods.

Under the CESS, a service provider currently retains 30 per cent of any underspend or overspend, while consumers retain 70 per cent of underspend or overspend. This means that for a one dollar saving in capex, the service provider keeps 30 cents of the benefit while consumers keep 70 cents of the benefit.

Revenue adjustments for the CESS are included in the 'building blocks' used to calculate the annual revenue requirement for a DNSP for a regulatory period. Table 2 outlines the CESS adjustments from the current regulatory period (2019–24) to be applied within the building block model for the 2024–29 regulatory period. Evoenergy forecasts a revenue increment of 0.47m ($ June 2024) under the CESS, reflecting Evoenergy's performance in the 2019–24 regulatory period. The CESS amounts for 2022/23 and 2023/24 are based on current estimates, which will be replaced by actuals when this data becomes available.

Revenue adjustments have been calculated in accordance with the AER's CESS model, as detailed in Workbook 4 of Evoenergy's RIN Response.[5]

[3] Evoenergy, RIN Response – Workbook 3 Efficiency benefits sharing scheme
[4] Australian Energy Regulator, *Framework and approach Evoenergy (ACT) Regulatory control period commencing 1 July 2024*, 29 July 2022, p. 12
[5] Evoenergy, RIN Response – Workbook 4 Capital expenditure sharing scheme

Table 2 Estimated CESS adjustments 2024–29 ($ million, June 2024)

	2024/25	2025/26	2026/27	2027/28	2028/29	Total
Distribution	0.18	0.18	0.18	0.18	0.18	**0.89**
Transmission	-0.08	-0.08	-0.08	-0.08	-0.08	**-0.42**
Total	0.09	0.09	0.09	0.09	0.09	**0.47**

Notes: totals in the table do not sum due to rounding. Unrounded numbers have been used in models.

The AER recently reviewed incentive schemes for network businesses and has indicated that it considers a change in the CESS sharing ratio appropriate going forward. In particular, the AER has proposed implementing the Bright-Line Tiered Test.[6] This includes:

- 30 per cent sharing ratio for any underspend of up to 10 per cent of the forecast capital expenditure allowance in the previous regulatory control period;
- 20 per cent sharing ratio for any underspend that exceeds 10 per cent of the forecast capital expenditure allowance in the previous regulatory control period; and
- 30 per cent sharing ratio for any overspending of the forecast capital expenditure allowance in the previous regulatory control period.

In the Framework and Approach paper, the AER outlined its intent to apply the CESS to Evoenergy for the 2024–29 regulatory period but noted that any changes made to the CESS as a consequence of its current review should be applied to Evoenergy for the 2024–29 regulatory period.

Evoenergy proposes to apply the CESS in the 2024–29 regulatory period in line with the outcome of the AER's incentive review, consistent with the Framework and Approach paper.

4.4. Service Target Performance Incentive Scheme

The STPIS is designed to provide a financial incentive for DNSPs to maintain and improve their service performance. It works alongside the EBSS and CESS to ensure that cost savings are not achieved at the expense of lowering customer service quality. At the same time, a DNSP can be financially rewarded for improving its service performance while maintaining expenditure levels within its allowance. Rewards and penalties under the STPIS are calculated by reference to how much customers value various aspects of service quality, ensuring that the benefits of the scheme ultimately flow to customers.

The STPIS operates as part of the AER's 'building block' determination. Financial rewards (or penalties) over a regulatory period are added to (or subtracted from) a DNSP's annual revenue requirement, lagged by two years.

[6] Australian Energy Regulator, *Review of incentives schemes for networks*, December 2022, p. 21

The STPIS comprises two measures:

- A service standards factor (S-factor) reward (or penalty) for improved (or diminished) service compared to predetermined targets for reliability and quality of supply and customer service.
- A guaranteed service level (GSL) component that requires DNSPs to make direct payments to customers who experience service below a predetermined level.

The AER's review of incentives schemes has confirmed that the STPIS has successfully contributed to improved service performance and that the AER intends to retain the scheme.[7]

Clause 6.1.3(4) of the National Electricity Rules (the Rules) requires that a regulatory proposal must contain a description of how a DNSP proposes that the STPIS should apply in the relevant regulatory period. The remainder of this section addresses Evoenergy's proposed application of the scheme, the relevant scheme parameters, and performance targets.

4.4.1. Application

Evoenergy proposes to apply the STPIS in the 2024–29 regulatory period in accordance with the scheme parameters set out in the Framework and Approach paper and similar to how the scheme is applied in the current regulatory period (2019–24). In particular, Evoenergy proposes to apply the most recent STPIS Version 2.0, which the AER published in December 2018.[8]

Evoenergy's reasons for proposing the STPIS remain unchanged from the current regulatory period (2019–24). Specifically, Evoenergy considers that the STPIS:

- provides a financial incentive for Evoenergy to maintain and improve its service performance;
- serves the long-term interest of Evoenergy's customers by linking scheme rewards and penalties to how much customers value various aspects of service quality, helping maintain customers' preferred balance between price and service levels; and
- interacts with the CESS and EBSS to provide a balanced incentive for achieving service improvements without undesirable impacts on network expenditure.

Proposed parameters

Consistent with the Framework and Approach paper, Evoenergy proposes to apply the following STPIS parameters in the 2024–29 regulatory period:

- set revenue at risk at ± 5 per cent;
- segment the network according to urban and short rural feeder categories;
- apply the system average interruption duration index (SAIDI) and system average interruption frequency index (SAIFI);
- set performance targets based on Evoenergy's average performance over the past five regulatory years;
- apply the method in Clause 3.3 of STPIS Version 2.0 for excluding specific events from the calculation of annual performance outcomes and performance targets; and
- apply the latest published values of customer reliability (VCR) values set by the AER to determine incentive rates for SAIDI and SAIFI.

[7] Australian Energy Regulator, *Review of incentives schemes for networks*, December 2022, p. 32

[8] Australian Energy Regulator, *Electricity distribution network service providers service target performance incentive scheme Version 2.0*, November 2018

Similar to the current regulatory period (2019–24), Evoenergy proposes that the GSL component of the STPIS will not apply to Evoenergy in the 2024–29 regulatory period. Evoenergy is already required to comply with ACT jurisdictional GSLs contained within Schedule 1 of the ACT Consumer Protection Code.[9]

Evoenergy proposes that the telephone answering parameter (which currently operates under STPIS) be moved to the CSIS for the 2024–29 regulatory period. This will allow all customer service-based incentives to be treated consistently under the one scheme. Accordingly, Evoenergy proposes to exclude the telephone answering parameter from STPIS in the 2024–29 regulatory period. This approach corresponds to the AER's position in the Framework and Approach paper.

Excluded events and exclusion thresholds

The STPIS allows certain events to be excluded from the calculation of S-factor revenue adjustments. These include events beyond a DNSP's control, such as load shedding, transmission network failures, and government directions in an emergency. These events are specified under Clause 3.3 of STPIS.

The STPIS also excludes the effects of certain extreme weather events (Major Event Days) that have the potential to affect the STPIS performance of DNSPs significantly. Over the period of 2017/18 to 2021/22, Evoenergy experienced six Major Event Days (MEDs).

The AER's approach to calculating the exclusion threshold for Major Event Days uses the '2.5 beta' method as set out in Appendix D of the STPIS Version 2.0. This approach excludes natural events with more than 2.5 standard deviations greater than the mean of the log normal distribution of five regulatory years' SAIDI data.

Evoenergy currently applies the 2.5 beta threshold for Major Event Days and proposes to continue applying this approach for the 2024–29 regulatory period.

Network segmentation

Evoenergy's network is segmented into urban and short rural feeder types. Evoenergy has developed its feeder classification for the 2024–29 regulatory period using the definitions contained in Appendix A of the STPIS. An urban feeder is defined as a feeder that is not a central business district (CBD) feeder and has a three year average maximum demand over the three year average feeder route length greater than 0.3 MVA/km. A short rural feeder is a feeder which is not a CBD or urban feeder, with a total feeder route length of less than 200km.

Evoenergy's proposed network segmentation is shown in Table 3. The network type was determined using a three year average feeder length and maximum demand from 2019/20 to 2021/22.

[9] *Utilities (Consumer Protection Code) Determination 2012*, July 2012, p. 34-36

Table 3 Proposed network segmentation for 2024–29

Network type	Number of feeders	Share of network customers
CBD	0	0.00%
Urban	194	75.34%
Short rural	47	24.66%
Long rural	0	0.00%

4.4.2. Proposed performance targets

Evoenergy proposes that the reliability targets for unplanned SAIDI and unplanned SAIFI be calculated based on available data from the prior five regulatory years. For this submission, the targets reflect the five year average performance over the period from 2017/18 to 2021/22, the most recent five year period for which actual data are available.

Evoenergy's historical performance and proposed targets are shown in Table 4 below.

Table 4 Historical reliability performance

	2017/18	2018/19	2019/20	2020/21	2021/22	Target (average)
Unplanned SAIDI						
Urban	30.296	31.426	29.654	32.462	48.632	34.494
Short Rural	34.658	39.875	47.359	58.385	52.912	46.638
Unplanned SAIFI						
Urban	0.457	0.523	0.452	0.472	0.845	0.550
Short Rural	0.569	0.662	0.598	0.737	0.868	0.687

Note: consistent with STPIS Version 2.0, the performance results have been adjusted to remove excluded events and Major Event Days.

Performance targets and reliability expenditure

Section 3.2.1 of the STPIS requires that performance targets are modified for any reliability improvements included in a DNSP's expenditure program and are expected to result in a material improvement in supply reliability.

Evoenergy's completed and proposed reliability projects in the 2019–24 and 2024–29 regulatory periods are summarised in Table 5 below. In the 2019–24 regulatory period, Evoenergy expects to spend $3.4m on reliability projects for overhead and ground assets. A similar amount is proposed for the 2024–29 regulatory period.

Evoenergy clarifies that this capital expenditure is not expected to improve its reliability performance beyond current levels. The quantum of investment shown in Table 5 below is less than 1 per cent of Evoenergy's proposed capital expenditure for the 2024–29 regulatory period. Therefore, the expenditure would not have a material impact on overall reliability outcomes for the STPIS, which are based on network wide performance for urban and short rural feeders. [10] For example, Evoenergy's reliability performance under the STPIS did not improve over the 2019–24 period, notwithstanding the expenditure shown in Table 5. As a result, Evoenergy is not proposing to modify its performance targets in respect of the proposed and completed reliability expenditure.

Table 5 Completed and proposed reliability projects ($ million)

Category	2019–24	2024–29 (proposed)
Overhead assets	1.89	$2.85
Ground assets	0.18	2.67
Total	**2.07**	**5.51**

4.4.3. Incentive rates

Evoenergy's proposed incentive rates for 2024–29 have been calculated consistent with Section 2.3.3 of the STPIS. The proposed incentive rates are set out in Table 6. The incentive rate for unplanned SAIDI is expressed as a percentage per unit of unplanned SAIDI, measured as the difference in minutes from the target. Similarly, the incentive rate for unplanned SAIFI is expressed as a percentage per unit of unplanned SAIFI, where unplanned SAIFI is measured in increments of 0.01 interruptions from the target.

The VCR rate applied in these calculations is $42,120/MWh ($2019), consistent with the AER's Value of Customer Reliability Review published in December 2019.[11] For this proposal, Evoenergy has

[10] For example, Evoenergy's reliability performance under the STPIS did not improve over the 2019–24 period, notwithstanding the expenditure shown in Table 5.
[11] Australian Energy Regulator, *Values of Customer Reliability – Final Report on VCR Values*, December 2019, p. 71

escalated the VCR value to June 2024 using forecast inflation ($50,638).[12] Evoenergy will update its incentive rates once updated inflation data become available.

Table 6 Proposed incentive rates for STPIS

Reliability parameter	Urban	Short rural
Unplanned SAIDI	0.07679%	0.02513%
Unplanned SAIFI	3.21196%	1.13765%

4.5. Demand Management Incentive Scheme and Demand Management Innovation Allowance

The Framework and Approach paper notes that the AER intends to apply the DMIS and DMIAM to Evoenergy in the 2024−29 regulatory period.[13]

The DMIS provides incentives for the implementation of demand management projects that are efficient and contribute to resolving a network constraint. In deciding whether a project is efficient, the AER requires DNSPs to test the demand management services market.

Evoenergy proposes that the DMIS be applied in the 2024–29 regulatory period in the same way as in the current regulatory period (2019–24). Evoenergy will identify suitable DMIS projects during the course of the 2024–29 regulatory period. This is consistent with the intent of the incentive scheme.

Evoenergy also proposes that the DMIA be applied in the 2024–29 regulatory period in the same way as in the current regulatory period. The DMIA is a research and development fund that complements the DMIS. Table 7 below shows Evoenergy's proposed DMIA amounts for the 2024–29 regulatory period. Evoenergy notes that any unused funding will be returned to customers in the 2029–34 regulatory period in the event that Evoenergy does not identify suitable research and development initiatives.

The DMIA amounts have been calculated consistent with the AER's DMIA guidelines.[14] This provides annual funding of $200,000 ($2016/17) plus 0.075 per cent of the unsmoothed annual revenue requirement, excluding annual adjustments for changes in the cost of debt and other factors.

Table 7 Proposed DMIA amounts ($ million, 2024/25)

	2024/25	2025/26	2026/27	2027/28	2028/29
DMIA	0.40	0.41	0.40	0.40	0.40

[12] Actual inflation data were used to escalate the VCR from December 2019 to June 2022 (8.52 per cent) Evoenergy used to forecast inflation of 10.79 per cent from June 2022 to June 2024, based on the Reserve Bank of Australia's Statement of Monetary Policy for November 2022.
[13] Australian Energy Regulator, *Framework and approach Evoenergy (ACT) Regulatory control period commencing 1 July 2024*, 29 July 2022, Section 4.4
[14] Australian Energy Regulator, *Demand Management Innovation Allowance Mechanism*, December 2017

4.6. Customer Service Incentive Scheme

The 2024–29 regulatory period is the first period for which Evoenergy proposes applying the CSIS. The CSIS encourages engagement between electricity DNSPs and their customers to provide services consistent with customer preferences. Under the CSIS, Evoenergy can propose customer service performance targets and will be financially rewarded (or penalised) depending on how it performs against the targets. The AER introduced the CSIS in July 2020 as a small-scale incentive scheme.[15]

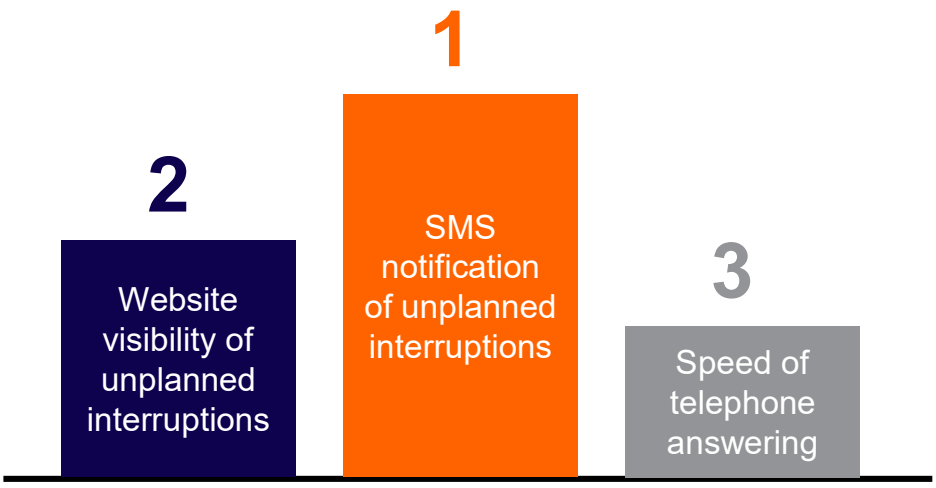
Rewards and penalties arising from the CSIS are applied through a 'H-factor' in the revenue control mechanism for standard control services. In each regulatory year, annual revenue (collected from customers through tariffs) is increased or decreased based on changes in customer service from year to year. The increase or decrease in revenue is capped each year at a set amount (the 'revenue at risk') set in the AER's distribution determination.

A key aspect of the CSIS is that it is a 'principle-based' scheme. In other words, the scheme can be tailored to meet the specific preferences and priorities of Evoenergy's customers. Evoenergy's proposed CSIS has been informed by substantial consultation and engagement with customers. Evoenergy's approach to consultation in determining the proposed CSIS can be summarised as follows:

- May 2021: meeting with Evoenergy's Energy Consumer Reference Council (ECRC) to gain their endorsement to engage with a community panel on a CSIS.
- December 2021: providing the community panel with an understanding of incentive schemes and possible options for the CSIS.
- February 2022: confirming the community panel's understanding of the CSIS and ensuring Evoenergy has correctly understood what is important to consumers.
- July 2022: Collaborating with the community panel to co-design measures, including determining the number of measures and the importance of each measure.

The three matters ranked as most important by the community panel are shown in Figure 1.

Figure 1 Evoenergy community panel ranking of customer service measures



[15] Australian Energy Regulator, *Customer Service Incentive Scheme*, July 2020

Consistent with customer feedback, Evoenergy's proposed CSIS is designed to promote improvements in these three measures. The proposed design for each measure is set out below, covering the following details:

- **Performance parameter definition**: what customers want under the scheme.
- **Measurement methodology**: how performance is measured.
- **Assessment approach**: how performance is rated.
- **Financial component:** how penalties/rewards are calculated and applied**.**

Evoenergy proposes a total revenue at risk of 0.5 per cent for the CSIS, consistent with the AER's Customer Service Incentive Scheme Guideline.[16] Based on customer feedback, Evoenergy proposes that the SMS notification parameter will have the highest revenue at risk (0.2 per cent), while the other two parameters will each have a revenue at risk of 0.15 per cent.

The proposed design for each CSIS parameter is explained in the following subsections.

4.6.1. SMS notification of unplanned interruptions

Short Message Service (SMS) notifications for unplanned interruptions was identified by Evoenergy's community panel as the most important customer service measure out of the three measures proposed for the CSIS. This new functionality is being introduced by Evoenergy in response to strong customer feedback, and is expected to become fully operational in 2023 following system upgrades.[17]

Evoenergy proposes introducing SMS notifications for unplanned interruptions as a CSIS parameter from 1 July 2025 (the second year of the 2024–2029 regulatory period) to allow for appropriate baselining of performance levels following the system's implementation. This is expected to provide two years of reliable historical data to set performance targets for the remainder of the regulatory period. Accordingly, Evoenergy would not receive any penalties or rewards under the CSIS in respect of SMS notifications for 2024/25.

The sections below explain the key elements of Evoenergy's proposed CSIS parameter for SMS notifications for unplanned interruptions.

Performance parameter definition

This parameter will apply to SMS notifications of unplanned, sustained interruptions where:

- at least two customers are affected;[18] and
- there is at least one affected customer with a valid mobile phone number registered with Evoenergy.

To be eligible to receive an SMS notification from Evoenergy, a customer must register a valid mobile phone number with their retailer, and the retailer must successfully notify Evoenergy of this information as per the Australian Energy Market Operator's (AEMO) service level procedures through the Market Settlement and Transfer Solutions (MSATS) system. Only customers who are eligible to receive an SMS notification from Evoenergy will be included in the performance calculations for this CSIS parameter.

[16] Australian Energy Regulatory, *Customer Service Incentive Scheme,* July 2020

[17] Evoenergy has provided SMS notifications of planned interruptions to customers with a valid mobile number since 2020. Upgrades to Evoenergy's Advanced Distribution Management System (ADMS) in November 2022 have enabled automated access to affected customer information, allowing timely SMS notifications of unplanned outages.

[18] Evoenergy does not have access to interruption information for individual premises as Type 4 meters have not been rolled out to all premises in the ACT. Furthermore, as a distribution business, Evoenergy does not have access to data from installed Type 4 meters.

Subject to the above, Evoenergy proposes to apply the relevant definitions for unplanned and sustained interruptions and the defined exclusions, as set out in the AER's Distribution Reliability Measures Guideline.[19] This includes interruptions that have a duration longer than three minutes.

Measurement methodology

Performance will be measured as the percentage of eligible, confirmed, unplanned, and sustained interruptions with an SMS notification sent within x minutes. Where x will be determined based on Evoenergy's average performance over the two year period preceding 1 July 2025, when the parameter is proposed to be introduced.

The time measurement for notifying an interruption will commence from the time that an incident is marked as 'confirmed' in the Advance Distribution Management System (ADMS) by the Network Controller. This requires manual intervention to confirm alarms and alerts received via the Supervisory Control and Data Acquisition system (SCADA) and customer calls to ensure unplanned interruptions are legitimate, sustained, and customer-impacting incidents. The time measurement will conclude once all SMSs for eligible customers are marked as sent in Evoenergy's Outage Management System (OMS).

We propose to measure our performance using a combination of ADMS and OMS data. The ADMS information verifies that an unplanned outage has occurred; identifies when it occurred and the customers that have been affected. The OMS provides data on the customers and the time when SMS notifications were sent for the interruption.

Evoenergy intends to provide the underlying data to the AER so that it can audit the calculations underpinning this measure.

Assessment approach

Evoenergy proposes to include the SMS notification parameter in the CSIS from 1 July 2025, the second year of the 2024–2029 regulatory period, to allow sufficient time for baselining performance levels following the implementation of the system in 2023.

Evoenergy proposes to calculate performance against the target on an annual basis. Performance will be calculated as the percentage difference between actual performance and the target level of performance.

The performance target will be determined based on Evoenergy's average performance over the two-year period preceding 1 July 2025. For the avoidance of doubt, the first reward/penalty for this parameter will be based on Evoenergy's actual performance in 2025/26 relative to the target level. This amount will be included in Evoenergy's allowable revenue in 2027/28 through the 'H-factor' in accordance with the revenue control mechanism.

Financial component

Evoenergy proposes that a 0.2 per cent of revenue at risk be applied to this measure in the 2024–29 regulatory period. The proposed 0.2 percent is higher than the 0.15 proposed for the other two measures because SMS notification has been identified as the most important measure for customers out of the three metrics Evoenergy proposes including in the CSIS.

Evoenergy proposed incentive rate is a 0.04 per cent adjustment to revenue for every one per cent change in performance relative to target levels. This is consistent with the incentive rates historically

[19] Australian Energy Regulator, *Distribution Reliability Measures Guideline*, November 2018, Sections 3.2 and 3.3

used under STPIS for the telephone answering parameter and would align with incentive rates approved by the AER for Victorian DNSPs.

4.6.2. Website visibility of unplanned interruptions

Evoenergy maintains a webpage that shows a near real-time map of planned and unplanned interruptions across the ACT region, called the 'outages map'.[20] The community can use the outages map to see indicative information about known reported unplanned and planned interruptions in the ACT, including estimated timeframes for restoration. Evoenergy's consumer engagement found that customers ranked the speed of visibility of interruptions on Evoenergy's website as the second most important CSIS parameter. The high customer ranking is reflected in the number of unique views to the outages map, which have increased by 20% each year since 2019. There were more than 232,000 visits to the outages map in 2022, compared to 886,000 total visits across Evoenergy's website. In the months of January 2022 and November 2022, when Evoenergy experienced a large number of outages, unique visits to the outages map comprised more than 40% and 70% of all Evoenergy website traffic, respectively.

Evoenergy proposes introducing a CSIS measure for website notifications for unplanned interruptions from 1 July 2024. Evoenergy has operated its outages map on the website since January 2018, however recent upgrades to Evoenergy's ADMS (implemented in November 2022) have resulted in improvements in the speed of new interruptions being displayed on the website. Accordingly, Evoenergy is currently re-baselining its performance and expects to provide the AER with historical data and updated performance targets in its response to the AER's draft distribution determination. This will ensure that the CSIS targets are set at an appropriate level which reflects recent ADMS upgrades and process changes.

The sections below explain the key elements of Evoenergy's proposed CSIS parameter for the visibility of unplanned interruptions on Evoenergy's website.

Performance parameter definition

This parameter will be based on similar definitions to Evoenergy's proposed SMS notification parameter. This parameter will apply to notifications of unplanned, sustained interruptions on Evoenergy's website, affecting at least two customers.

Subject to the above, Evoenergy proposes to apply the relevant definitions for unplanned and sustained interruptions and the defined exclusions as set out in the AER's Distribution Reliability Measures Guideline.[21] This includes interruptions that have a duration longer than three minutes.

Measurement methodology

The proposed measurement methodology for this parameter is the percentage of unplanned, sustained interruptions where Evoenergy has updated its outages map within x minutes. As noted above, Evoenergy is currently re-baselining its performance for this measure following system upgrades and process changes implemented in November 2022. Evoenergy will propose the threshold target (number of minutes) for this parameter in its response to the AER's draft determination.

The time measurement for notifying an outage on the website will commence from when the incident is marked as 'confirmed' in ADMS by the Network Controller. The time measurement will conclude once the incident has been successfully loaded as an active outage on Evoenergy's website and is visible to the public.

[20] https://www.evoenergy.com.au/residents/emergencies-faults-outages/outages
[21] Australian Energy Regulator, *Distribution Reliability Measures Guideline*, November 2018, Sections 3.2 and 3.3

Similar to the SMS notification performance measure, Evoenergy proposes to use ADMS data, which provides information on when an interruption has been confirmed and the extent of the interruption. ADMS data, together with website platform data on when the outage map was updated, allows us to calculate this performance measure objectively and transparently. Evoenergy intends to provide the underlying data to the AER so that it can audit the calculations underpinning this measure.

Assessment approach

Evoenergy proposes introducing this parameter as part of the CSIS from 1 July 2024. Evoenergy will provide the AER with its proposed targets for this measure in its response to the AER's draft determination to allow sufficient time for baselining performance following system upgrades in November 2022. The target will be based on Evoenergy's average performance over the available historical period, measured as the percentage of eligible outages notified within the time threshold on Evoenergy's website.

Evoenergy proposes to calculate performance against the target on an annual basis. Performance will be calculated as the percentage difference between actual performance and the target level of performance.

Financial component

Evoenergy proposes that 0.15 per cent of revenue at risk be applied to this measure in the 2024–29 regulatory period. The proposed revenue at risk is lower than the 0.2 per cent proposed for the SMS notification measures since the speed of updating the outage map has been identified as the second most important matter for customers out of the three proposed CSIS metrics.

Evoenergy proposed incentive rate is a 0.04 per cent adjustment to revenue for every one per cent change in performance relative to target levels. This is consistent with the incentive rates historically used under STPIS for the telephone answering parameter and would align with incentive rates approved by the AER for Victorian DNSPs.

4.6.3. Speed of telephone answering

Evoenergy has historically included the telephone answering parameter as part of the STPIS. For the 2024–29 regulatory period, Evoenergy proposes moving the telephone answering parameter to the CSIS. This will allow all customer service-based incentives to be treated consistently under the one scheme. This approach corresponds to the AER's position in the F&A.

Apart from moving the parameter to CSIS, Evoenergy is not proposing any changes to the telephone answering parameter and proposes that it will continue to operate in the same way as in the 2019–24 regulatory period.

Table 8 below provides a summary of the proposed CSIS measure for the speed of telephone answering.

Table 8 Summary of proposed CSIS measure for the speed of telephone answering

Measure	Description
Performance parameter definition	The telephone answering parameter is proposed to be introduced under the CSIS consistent with the definitions currently applied under the STPIS. The parameter is defined as the percentage of calls to Evoenergy's fault line answered within 30 seconds, excluding Major Event Days.
Measurement methodology	Percentage of calls to Evoenergy's fault line answered within 30 seconds, excluding Major Event Days.
Assessment approach	Targets for the telephone answering parameter will be based on average performance over the last five regulatory years. Performance will be calculated annually based on the percentage difference between the target and actual performance.
Financial component	Evoenergy proposes an incentive rate of 0.04, consistent with the incentive rate for the telephone answering parameter specified Section 5.3.2 of the STPIS. That is, for every 1 per cent change in performance relative to the target level, Evoenergy's revenue will be adjusted by 0.04 per cent, capped at 0.15 per cent of revenue ('revenue at risk').

Evoenergy proposes to set its performance target based on the average performance over the past five regulatory years. Table 9 below outlines Evoenergy's historical call numbers and the percentage of calls answered within 30 seconds between 2017/18 and 2021/22, excluding Major Event Days.

Table 9 Telephone answering parameter performance 2017/18–2021/22, excluding Major Event Days

	2017/18	2018/19	2019/20	2020/21	2021/22	Average
Number of calls	18,945	17,225	17,424	17,100	21,614	**18,462**
Calls were answered within 30 seconds	81.47%	79.74%	79.96%	74.29%	68.34%	**76.76%**

Evoenergy will provide updated performance data in its response to the AER's draft determination once performance data for 2022/23 are available.

4.6.4. Regulatory compliance

The AER's final CSIS sets out the requirements Evoenergy must meet when submitting a proposed CSIS (the 'incentive design proposal requirements').[22] Evoenergy notes that the content of this attachment contains the information required to satisfy these requirements. Specifically, Evoenergy is required to demonstrate how the proposed CSIS:

- will achieve the scheme objectives, as defined in clause 1.4 of the final CSIS; and
- meets the incentive design criteria defined in clause 3.1 of the final CSIS.

Compliance with scheme objectives

Section 1.4 of the final CSIS sets out the scheme objectives. In summary, the objectives of the scheme are that it:

- is consistent with National Electricity Objective (NEO);
- is consistent with clause 6.6.4 of the NER (which relates to the design of small-scale incentive schemes);
- achieves consistency with the above requirements by aligning the incentives of DNSPs with the customer service preferences of their customers; and
- promotes transparency and understanding regarding a DNSP's customer service initiative.

Evoenergy considers that its proposed CSIS is consistent with CSIS objectives. Evoenergy's proposed CSIS has been designed with significant input from the community panel and provides a financial incentive for Evoenergy to improve on matters important to customers. As such, Evoenergy considers that its proposed CSIS will promote the long-term interest of its customers and is therefore consistent with the NEO. It also aligns Evoenergy's incentives with the customer service preferences of its customers.

Further, Evoenergy's proposed CSIS is consistent with clause 6.6.4 of the NER since it:

- provides Evoenergy with a reward for an improvement in services provided to its consumers, and a penalty for a deterioration in services;
- provides a financial incentive to improve on services that are important to our customers;
- does not distort other incentives Evoenergy has under the NER;
- is consistent with the capital expenditure objectives and operating expenditure objectives, as targets have been set with regard to actual performance levels, thereby providing Evoenergy with an incentive to improve on existing service levels, and
- is transparent, thereby promoting understanding of our customer service initiatives.

Compliance with incentive design criteria

Section 3.1 of the final CSIS sets out the incentive design criteria. Evoenergy's proposed CSIS is compliant with the incentive design criteria as follows:

- The proposed revenue adjustment is consistent with those set out in Appendix A of the final CSIS.
- Evoenergy has set out the four elements required by the criteria: performance parameters, measurement methodology, assessment approach, and the financial component.
- The proposed CSIS has been co-designed by the community panel and has strong customer support.

[22] Australian Energy Regulator, *Customer Service Incentive Scheme*, July 2020, Section 3.3

- The proposed timing of the CSIS does not continue beyond the 2029 fiscal year.
- The sum of revenue at risk is ± 0.5 per cent of total revenue, which is within the upper and lower limit.

In each regulatory year, Evoenergy will report to the AER on its performance for the three proposed measures. Table 10 below shows how summary data for the three measures will be reported. Evoenergy will also provide the underlying data for each parameter to the AER each year, allowing the calculations to be verified.

Table 10 Template for reporting annual CSIS performance

	2017/18	2018/19	2019/20	2020/21	2021/22
SMS notification of unplanned interruptions					
Percentage of eligible, confirmed, unplanned, and sustained interruptions with an SMS notification sent within x minutes					
Website notification of unplanned interruptions					
Percentage of unplanned, sustained interruptions where Evoenergy has updated its outages map within x minutes.					
Speed of telephone answering					
Percentage of calls to Evoenergy's fault line answered within 30 seconds					

Notes: performance data will exclude Major Event Days, and other exclusions set out in the AER's Distribution Reliability Measures Guideline.[23] Underlying data and calculations will also be provided to the AER each year once available.

[23] Australian Energy Regulator, *Distribution Reliability Measures Guideline*, November 2018, Section 3.3

Abbreviations

Abbreviation	Meaning
ADMS	Advanced Distribution Management System
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
CBD	Central Business District
CESS	Capital Expenditure Sharing Scheme
CSIS	Customer Service Incentive Scheme
DMIAM	Demand Management Innovation Allowance Mechanism
DMIS	Demand Management Incentive Scheme
DNSP	Distribution Network Service Provider
EBSS	Efficiency Benefit Sharing Scheme
ECRC	Energy Consumer Reference Council
GSL	Guaranteed Service Level
MED	Major Event Days
MSATS	Market Settlements and Transfer Solutions
NEO	National Electricity Objective
OMS	Outage Management System
Opex	Operating Expenditure

RIN	Regulatory Information Notice
SAIDI	System Average Interruption Duration Index
SAIFI	System Average Interruption Frequency Index
SCADA	Supervisory Control and Data Acquisition
SMS	Short Message Service
STPIS	Service Target Performance Incentive Scheme (STPIS)
VCR	Values of Customer Reliability