

19 August 2019

Mr Chris Pattas
Australian Energy Regulator
regulatoryinnovation@aer.gov.au

Via email

Dear Mr Pattas

RE Small Scale Incentive Scheme for Customer Service

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Regulator's (AER) Issues Paper on *Small Scale Incentive Scheme for Customer Service*.

As the Transmission Network Service Provider (TNSP), Distribution Network Service Provider (DNSP) and jurisdictional planner in Tasmania, TasNetworks is focused on delivering safe and reliable electricity network services while achieving the lowest sustainable prices for Tasmanian customers.

TasNetworks supports Energy Networks Australia's submission and would like to make the following comments with a particular focus on the Tasmanian context.

Our vision is to be trusted by our customers to deliver today and create a better tomorrow. To build this trust, TasNetworks is committed to respectfully engaging with customers and improving customer service. One of our strategic goals is to care for our customers and make their experience easier. We have inbuilt processes to achieve this, including seeking feedback through a range of different engagement methods. For example, in preparing this submission we sought feedback from stakeholders who actively participate in our Policy and Regulatory Working Group (PRWG), a group we have been engaging with since late-2014 on a broad range of topics.

Incentive schemes are an integral part of the regulatory framework and as such TasNetworks is supportive of the AER's efforts to review the current customer service component of the Service Target Performance Incentive Scheme (STPIS). While, fault centre call response times are a useful indicator of a business' focus on customer service and is consistent with our strategic goals, this is only one of a number of potential measures. Our customers and

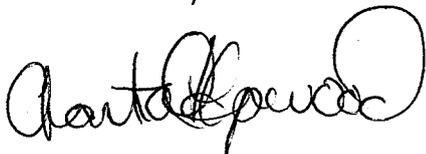
stakeholders have told us that a customer service incentive scheme (CSIS), based on the quality of the service customers receive, would be a preferable measure of customer service. However, TasNetworks does have some concerns around how such a CSIS would be implemented and the metrics that could be applied.

TasNetworks conducts customer surveys as a way of gathering feedback and furthering initiatives within the business. Through self-initiated surveys, TasNetworks has identified areas where customers would like to see improvement. For example TasNetworks' Voice of the Customer Program stemmed from customer feedback and has resulted in the delivery of a range of initiatives demonstrating our care for our customers and aimed at making their experience easier.

While TasNetworks acknowledges the value of well-designed customer satisfaction surveys, we do have concerns in how they could be applied to a CSIS. For example, for the more qualitative measures of customer service, TasNetworks questions how accurately they reflect performance solely under the control of a network service provider. Performance measures should be developed and trialled in a way that enables continuous improvement, innovation and meets the needs and preferences of customers. TasNetworks is also unsure of how much customers are willing to pay for any improvement (or be reimbursed for any deterioration) in performance against these metrics. Without these preconditions TasNetworks questions the appropriateness of using customer satisfaction surveys as a measure within a CSIS.

TasNetworks' responses to individual questions are provided below and we welcome the opportunity to discuss this submission further with you. Should you have any questions, please contact Tim Astley, Team leader NEM Strategy and Compliance, via email tim.astley@tasnetworks.com.au or by phone on (03) 6271 6151.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chantal Hopwood', with a large, stylized flourish at the end.

Chantal Hopwood
Leader Regulation

QUESTIONS FOR CONSULTATION

Question 1: Do the AER's incentive schemes provide sufficient incentives for distributors to provide customer services as desired by customers?

The current customer service measure of the STPIS, based around answering a call to the fault centre within a 30 second timeframe, does not provide sufficient incentives for distributors to provide the desired level of customer services expected by customers. This customer service measure focuses on just one aspect of the customer experience and then only for the subset of customers that are contacting the business via phone. Through the PRWG we know that customers want resolution to their problems and not just a fault call centre response time within 30 seconds. While the current measure provides an incentive to respond quickly to a call to the fault centre, it does not necessarily mean the issue was resolved to the customer's satisfaction.

Question 2: What would be necessary preconditions for applying the trial customer service incentive scheme (CSIS)? Is broader customer support a necessary prerequisite, and how could broad customer support be demonstrated?

For an effective trial CSIS the measurable aspects of customer service would need to be understood, including which ones customers most value and an established baseline performance level to report against. This would require extensive consultation with customers and time for the baseline performance to be recorded.

An understanding of how much customers are willing to pay for an improvement in performance would be another precondition. With similarities to the Value of Customer Reliability (VCR), this can be a challenge to accurately measure without biasing responses. It is vital to ensure the CSIS is not incentivising expenditure to improve performance that exceeds the perceived benefit to customers.

Question 3: How should we determine the revenue at risk if applying a CSIS?

The current scheme provides sufficient incentives for TasNetworks to maintain good levels of service and the same level of revenue at risk would be sufficient to incentivise a focus on providing good service under a CSIS.

Question 4: Are financial incentives alone sufficient to improve customer service outcomes? Should any CSIS also involve public reporting of customer service performance?

TasNetworks aims to provide a positive customer experience. The main driver for TasNetworks customer focussed improvements has primarily been the result of our self-initiated surveys and not based on the financial implications of the current customer service component of the STPIS.

TasNetworks maintains a customer centric approach. In TasNetworks' Customer Engagement Framework there are several levels at which the business seeks customer engagement and participation on particular issues. TasNetworks identifies the appropriate

level of engagements on a case by case basis, however, customer engagement is not just limited to surveys, but can include focus groups, forums, public meetings and workshops.

Reporting should be voluntary and responsive to the feedback received from customers. This enables flexibility in the approach, particularly in the trial phase, to continuously improve and innovate on the performance metrics.

Question 5: Are customer surveys a good basis for an incentive? If so, what processes should be in place to ensure the robustness of the data used to calculate rewards/penalties under the incentive scheme?

TasNetworks finds that well-designed customer surveys are a useful tool in gauging the customer experience. However, there are limitations to how much we respond to fluctuations in the data. We are aware that many customers in Tasmania are not clear as to who is responsible for each part of the supply of energy. There have been times when our customer satisfaction and engagement scores have been impacted by issues outside of our control. Having an understanding of the broader context allows us to monitor the results from surveys and respond when we are confident of true underlying changes.

For customer surveys to be used in an incentive scheme the cost of conducting the survey must be commensurate with the benefit to customers. TasNetworks currently manages the costs of surveys by only surveying customers that have had interaction with TasNetworks, and to date this keeps survey costs to a minimum.

Customer surveys alone are not a good basis for incentive schemes. A CSIS that rewards/penalises performance requires robust data capture and analysis to ensure an appropriate level of transparency and accountability. Self-reporting of performance measures encourages a customer centred culture and builds trust with our customers.

Question 6: How could the AER decide what parts of a scheme should be consistent across all distributors and what parts of a scheme should be flexible?

TasNetworks agrees that to be consistent across all distributors would be difficult. In order to assess and compare distributors it would be necessary to have the same metrics being measured across all jurisdictions. Given the different arrangements and operating environment across the NEM consistency may be an unachievable goal. Consequently, it would not be possible to effectively compare results between any two distributors if the same factors have not been taken into consideration.