

12 February 2020

Sarah Proudfoot
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Via email: regulatoryinnovation@aer.gov.au

Dear Ms Proudfoot

RE: Submission to AER re Draft Customer Service Incentive Scheme

TasNetworks appreciates the opportunity to make a submission to the Australian Energy Regulator (**AER**) regarding the draft Customer Service Incentive Scheme (**CSIS**) published by the AER on 17 December 2019. TasNetworks agrees with many of the stakeholders who lodged submissions in response to the issues paper released by the AER in July last year that the lone customer service measure incorporated into the current Service Target Performance Incentive Scheme, based around the time taken to answer incoming calls to fault centres, does not reflect customers' preferences or recognise the broader range of outcomes that make up good customer service.

TasNetworks welcomes the AER's decision to trial a principles-based CSIS, rather than implement a more prescriptive scheme. The flexibility this approach affords recognises that the preferences of customers does differ between networks and will allow Distribution Network Service Providers (**DNSPs**) to select the customer service parameters that are of most relevance to their customers when framing the terms of their CSIS. The AER's proposed approach will also enable changing customer preferences to be captured over time and factored into each DNSP's CSIS.

TasNetworks considers that limiting the amount of revenue at risk to 0.5 per cent is appropriate at this time, particularly given the trial nature of the CSIS implementation. We also support the use of incentives as well as penalties for DNSPs, rather than a penalty only scheme. We note, however, that as DNSPs reach a level of performance against individual performance parameters such that customers no longer value improvement, or further improvement exceeds the willingness of customers to pay for that improvement, the CSIS may effectively become a penalty only scheme. Therefore, over time the scheme will need to

be reviewed and evolve, to provide DNSPs with incentives to maintain service levels and ensure that service levels do not deteriorate as result of efforts to achieve efficiency gains.

Overall, however, we are supportive of the approach set out in the draft CSIS and its accompanying Explanatory Statement, and look forward to working with the AER in developing a CSIS to apply to TasNetworks' delivery of standard control services in the 2024 to 2029 regulatory control period. Should you have any questions regarding the views expressed in this submission, please contact William (Billy) Godwin, Revenue and Price Regulation Team Leader at william.godwin@tasnetworks.com.au or on 0419 556 796.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Chantal Hopwood'. The signature is fluid and cursive, with a large loop at the end.

Chantal Hopwood
Leader Regulation