

Draft Decision

SA Power Networks Electricity Distribution Determination 2025 to 2030 (1 July 2025 to 30 June 2030)

Attachment 12 Customer Service Incentive Scheme

September 2024

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12 Customer Service Incentive Scheme

The Customer Service Incentive Scheme (CSIS)¹ is designed to encourage electricity Distribution Network Service Providers (DNSPs) to engage with their customers and provide customer service in accordance with their preferences. The CSIS allows us to set targets for DNSP customer service performance and require DNSPs to report on performance against those targets. Under the CSIS, DNSPs may be financially rewarded or penalised depending on how they perform against their customer service targets.

A DNSP's performance parameters must be an aspect of the customer experience component of the DNSP's standard control services that customers particularly value and want improved, as evidenced by genuine engagement with, and support from, the DNSP's customers.² Further details on how the performance targets, weightings, and revenue at risk should be formed are set out in section 3.2 of the CSIS.

DNSPs are 'natural' monopolies, which means that they do not face competition from other networks.³ In the absence of economic regulation, DNSPs do not face the same incentives to deliver price and quality of service outcomes that customers prefer. The CSIS creates an incentive for DNSPs to maintain and improve customer services not covered by the Service Target Performance Incentive Scheme (STPIS), or other mechanisms, when desired by customers. If a DNSP does not propose, or we do not accept, a CSIS, we apply the customer service (telephone answering) parameter of the STPIS.

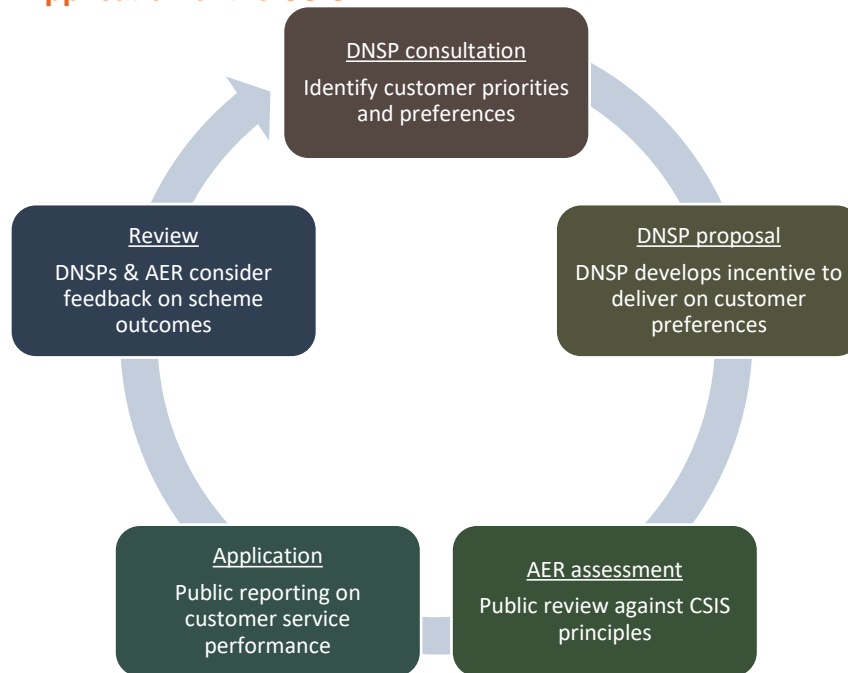
The CSIS is a flexible 'principles based' scheme that can be tailored to the specific preferences and priorities of a DNSP's customers. This flexibility will allow for the evolution of customer engagement and adapt to the introduction of new technologies. The principles of the scheme target it at customer preferences and provide safeguards to ensure penalties/rewards under the scheme are commensurate with improvements/detriments to customer service. Figure 12.1 illustrates how the CSIS works in practice.

¹ AER, [Customer Service Incentive Scheme](#), July 2020.

² AER, *Customer Service Incentive Scheme*, July 2020, clauses 3.2(1) and 3.2(2).

³ Productivity Commission, *Electricity Network Regulatory Frameworks, inquiry report no. 62*, 2013, p. 65.

Figure 12.1 Application of the CSIS



Source: AER, *Explanatory Statement Customer Service Incentive Scheme*, July 2020, p. 4.

Under the principles-based approach, the CSIS has principles that must be met by DNSPs for the scheme to be applied. These principles are targeted at improving the customer experience. DNSPs can identify, in consultation with their customers, incentive designs that would meet those principles. This allows us to apply different parameters to different DNSPs. Importantly, we will not apply an incentive design unless a DNSP can demonstrate that its customers support the incentive design through genuine engagement.

12.1 Draft decision

Our draft decision is to not accept SA Power Networks' proposed CSIS and instead apply the customer service (telephone answering) parameter of the STPIS Version 2.0.

In our July 2023 Framework and Approach (F&A) paper, we stated that we would not apply the customer service (telephone answering) component of the STPIS if SA Power Networks proposes, and we accept, a CSIS for the 2025–30 regulatory control period (period).⁴

SA Power Networks submitted a CSIS with its 2025–30 regulatory proposal; however, in July 2024 it notified us that it had identified data integrity issues with the first CSIS measure (first call resolution). The CSIS' compromised reliability means we are unable to accept it.

Throughout August, SA Power Networks made progress in re-engaging with its customers in relation to a revised CSIS that includes a different measure. We anticipate that SA Power Networks will provide an updated CSIS with its revised proposal in December 2024.

⁴ AER, [Framework and approach SA Power Networks Regulatory control period commencing 1 July 2025](#), July 2023, p21.

Our expectations for SA Power Networks’ revised proposal are set out in set out in section 12.4.

12.2 SA Power Networks' proposal

12.2.1 Initial proposal

For the 2025–30 period, SA Power Networks proposed to remove the customer service component of the STPIS and replace it with a CSIS. SA Power Networks’ proposed CSIS consisted of 2 customer service metrics designed to ensure customer service delivery was improved in these areas:

- faster resolution of customer enquiries
- keeping customers informed during unplanned outages.

SA Power Networks’ proposed revenue at risk for the CSIS was $\pm 0.5\%$ of allowable annual revenue.⁵

The details of SA Power Networks’ originally proposed CSIS are set out in Table 1 below:

Table 1 SA Power Networks’ original CSIS proposal⁶

Scheme	Proposed measure	Proposed target	Proposed weighting	Proposed revenue at risk per annum
CSIS	% of customer general enquiry calls resolved on the first customer contact	54%	30%	$\pm 0.15\%$
	% of field crew status updates of ‘arrived on site’ sent to customers via SMS and website communications during unplanned power interruptions	59%	70%	$\pm 0.35\%$

12.2.2 Changes to initial proposal

In July 2024, SA Power Networks notified the AER that it had identified data integrity issues with its proposed first measure, compromising its reliability.

In August 2024, SA Power Networks took 2 options to its stakeholders for feedback:

⁵ SA Power Networks, [Attachment 11 – Customer Service Incentive Scheme 2025–30 Regulatory Proposal, January 2024](#), p.7.

⁶ SA Power Networks, [Attachment 11 – Customer Service Incentive Scheme 2025–30 Regulatory Proposal, January 2024](#), p.7.

- **Option 1:** Submit a revised CSIS that replaces the first call resolution measure with one that measures the percentage of faults and emergency calls answered within 30 seconds. The originally proposed second parameter would be maintained.
- **Option 2:** Replace the CSIS with the telephone answering parameter of the STPIS, only measuring the percentage of faults and emergency calls answered within 30 seconds. SAPN would continue to collect data to ensure there is good baseline data for a CSIS in the 2030–35 period.

Details of the 2 options are set out in tables 2 and 3 below:

Table 2 Alternative Option 1 – Apply a modified CSIS

Scheme	Proposed measure	Proposed target	Proposed weighting	Proposed revenue at risk per annum
CSIS	% of faults and emergency calls answered within 30 seconds	88.3%	30%	±0.15%
	% of field crew status updates of ‘arrived on site’ sent to customers via SMS and website communications during unplanned power interruptions	59%	70%	±0.35%

Table 3 Alternative Option 2 – Apply the telephone answering parameter of the STPIS

Scheme	Proposed measure	Proposed target	Proposed weighting	Proposed revenue at risk per annum
STPIS	% of faults and emergency calls answered within 30 seconds	88.3%	100%	±0.50%

SA Power Networks informed the AER that its Customer Advisory Forum overwhelmingly endorsed Option 1, and that it would submit a revised CSIS proposal in December 2024.

12.3 Assessment approach

We will apply a DNSP’s proposed incentive design to a distribution determination under the CSIS if we consider it:

- will achieve the CSIS objectives,
- meets the incentive design criteria, which includes the principles of the CSIS, and
- is accompanied by a proposal that meets the incentive design proposal requirements.

12.4 Reasons for draft decision

Under the CSIS design criteria, the measurement methodology requires that each performance parameter's features be accurately measured⁷ and compiled in an objective and reliable manner.⁸ Given the data issues associated with SA Power Networks' first call resolution parameter, we cannot approve SA Power Networks' original CSIS proposal as it does not meet the incentive design criteria.

Clause 5.1(b) of the STPIS states that the telephone answering parameter of the STPIS will apply during a regulatory control period except where the AER determines otherwise in its distribution determination.⁹ As noted above, in our F&A we stated that we would not apply the customer service (telephone answering) component of the STPIS if SA Power Networks proposes, and we accept, a CSIS for the 2025–30 period.¹⁰ Without a CSIS the customer service (telephone answering) parameter of the STPIS Version 2.0 will apply.

Demonstrating that customers support an incentive design through genuine engagement is essential to CSIS approval. SA Power Networks' customer engagement on the CSIS commenced in 2021 and continued as recently as August 2024. We acknowledge SA Power Networks' long-term and broad engagement on its original CSIS proposal.

Robust data integrity is also significant in CSIS development. We note SA Power Networks' identification and notification of the data issues associated with first call resolution.

We are encouraged to see that SA Power Networks plans to include a measure for faults and emergency calls answered within 30 seconds. We consider that strong performance against this measure continues to offer significant customer benefit and protection.

We have observed that SA Power Networks has made some progress in developing and engaging on a revised CSIS per tables 2 and 3 above. However, we cannot meaningfully assess SA Power Networks' proposed alternative options without receiving a full revised proposal and evidence of stakeholder engagement and endorsement, as set out in clause 3.3 of the CSIS.

Therefore, our draft decision is to not accept SA Power Networks' CSIS and instead apply the customer service (telephone answering) parameter of the distribution STPIS Version 2.0.

We anticipate receiving an updated CSIS with SA Power Networks' revised proposal in December 2024 and will re-assess the scheme design, customer endorsement and data assurance.

We note that some stakeholders have expressed their concern that SA Power Networks' CSIS is too limited in scope and leaves out other areas of importance to them including

⁷ AER, [Customer Service Incentive Scheme](#), July 2020, clause 3.2(3)(a).

⁸ AER, [Customer Service Incentive Scheme](#), July 2020, clause 3.2(3)(c).

⁹ AER, [Electricity distribution network service providers, Service target performance incentive scheme, Version 2.0](#), November 2018, clause 5.1(b).

¹⁰ AER, [Framework and approach SA Power Networks Regulatory control period commencing 1 July 2025](#), July 2023, p21.

customer satisfaction and communication around connections. In its Community Advisory Forum (CAF) and Reset Advisory Group meetings SA Power Networks indicated that while it is open to expanding the CSIS in future regulatory periods, it does not yet have enough measurable data to set a reliable baseline and target for these parameters. We do not expect SA Power Networks to include parameters it does not have sufficient data for; however, we encourage it to work closely with its stakeholders to develop a CSIS that is broader in scope in line with customer preferences in the next regulatory period.

The scheme requires that, for each performance parameter, the incentive design sets performance targets that incentivise genuine improvement¹¹ and, for the financial component, the incentive design provides rewards or penalties that are established in a transparent process involving genuine customer consultation.¹² Noting CCP30 questioned whether SA Power Networks' targets are challenging enough¹³, we expect SA Power Networks to provide sufficient evidence that its targets are appropriately challenging and supported by its customers.

Additionally, we attended the CAF meeting on 14 August 2024 and at this meeting we noted that the CAF was reluctant to adopt any measures that would drive investment. We will seek confirmation that a number of SA Power Networks' proposed expenditure business cases (including but not limited to 5.12.19¹⁴ and 5.12.10¹⁵) would not materially improve the second CSIS parameter. We encourage stakeholder submissions on this matter.

12.4.1 Conclusion

Given the data issues SA Power Networks identified in its initially proposed CSIS and because it has not yet submitted a complete revised proposal, we cannot accept its CSIS. For the draft decision, we will therefore apply the telephone answering parameter of the STPIS.

We strongly encourage stakeholders to provide feedback, as it will contribute to our assessment of SA Power Networks' revised proposal.

¹¹ AER, [Customer Service Incentive Scheme](#), July 2020, clause 3.2(4)(b)(i).

¹² AER, [Customer Service Incentive Scheme](#), July 2020, clause 3.2(5)(e).

¹³ Consumer Challenge Panel 30, [Advice to the AER regarding the SA Power Networks' regulatory proposal 2025-30, Response to Issues Paper](#), 28 May 2024, p.19.

¹⁴ SA Power Networks, [Business case: ICT Non-Recurrent Customer Technology Program: Customer Notification System Replacement, 2025-30 Regulatory Proposal, Supporting document 5.12.19](#), January 2024.

¹⁵ SA Power Networks, [ICT Business case: Non-recurrent: Click Replacement, 2025-30 Regulatory Proposal, Supporting document \[5.12.10\]](#), January 2024.

Shortened forms

Term	Definition
AER	Australian Energy Regulator
CAF	SAPN's Community Advisory Forum
CSIS	Customer service incentive scheme
DNSP	distribution network service provider
SAPN	SA Power Networks
STPIS	Service target performance incentive scheme
