Jemena Electricity Networks (Vic) Ltd

2026-31 Electricity Distribution Price Review Regulatory Proposal

Attachment 07-03

Customer Service Incentive Scheme

Table of contents

List of tables

List of figures

List of appendices

Abbreviations

DNSPs	Distribution Network Service Providers
AER	Australian Energy Regulator
JEN	Jemena Electricity Networks (Vic) Ltd
CSIS	Customer Service Incentive Scheme
ERG	Energy Reference Group
STPIS	Service Target Performance Incentive Scheme
ICT	Information Communications and Technology
EBSS	Efficiency Benefit Sharing Scheme
CESS	Capital Expenditure Sharing Scheme
CSAT	Customer Satisfaction Survey
EDCoP	Electricity Distribution Code of Practice

Overview

The customer service incentive scheme creates an economic incentive to provide good customer service

Electricity Distribution Network Service Providers **(DNSPs**) are 'natural' monopolies, meaning they do not face competition from other networks. Without competition to act as an external driver, DNSPs may not be incentivised to deliver the quality of service, price and/or reliability which their customers expect. In order to encourage DNSPs to align with their customers' expectations, the Australian Energy Regulator (**AER**) applies a number of incentive schemes to DNSPs. These incentive schemes use a financial reward if these customer expectations are met, and a penalty if they are not.

In the 2026-31 regulatory control period (next regulatory period), Jemena Electricity Networks (Vic) Ltd (**JEN**) proposes to introduce a Customer Service Incentive Scheme (**CSIS**) to encourage greater alignment between us and our customers when it comes to providing customer service. The decision to apply this scheme, and the proposed measures used to assess our performance were developed through a two pronged engagement approach with our Customer Voice Groups, Peoples' Panel and Small/Medium Business Customer Engagement, and JEN's Energy Reference Group (ERG).

JEN's proposed metrics reflect key moments in the customer journey

Our proposed CSIS focuses on improving customer outcomes and moves us from a scheme focusing on only one metric, telephony answering, to a broad based approach of four customer service metrics, including;

- **Fault-line telephone answering:** This measure is currently captured under the Service Target Performance Incentive Scheme (**STPIS**). JEN is proposing to retain this metric under the CSIS; it will continue to reward or penalise JEN based on the number of calls to our fault-line which are answered within 30 seconds.

- **SMS unplanned outage notification:** Number of minutes between the start of an unplanned outage and JEN's Information Communications and Technology (**ICT**) systems sending an SMS message advising impacted customers of the outage.

- **Planned outages:** Measuring customer satisfaction with the planned outage experience. This metric reflects; the totality of notifications across all channels, ability to meet the forecast outage times, impact of the outage on the customer's home/business and their interactions with JEN's field crew. This metric will be captured via an online survey.

- **New connections:** Measuring customer satisfaction with their connection journey. This metric reflects; ease of application, wait time, communications, simplicity of process, and their interactions with JEN's field crew. This metric will be captured via an online survey.

JEN proposes that +/-0.5% of our annual revenue be placed at risk under this scheme.

The remainder of this document will outline how JEN's proposed CSIS was designed, the metrics we intend to include and the revenue at risk.

1. Introduction

1.1 The CSIS encourages good customer service

DNSPs are natural monopolies, meaning they do not face competition from other networks. Without competition to act as an incentive, network service providers may not deliver the quality of service, price, and/or reliability which their customers expect. In order to encourage DNSPs to align with their customers' expectations, the AER applies a number of incentive schemes to DNSPs through its price reset determination, which ensure a financial reward if these customer expectations are met, and a penalty if they are not.

In July 2020, the AER published their final decision on the CSIS.[1] This scheme was introduced to encourage DNSPs to provide holistic customer service, at a level consistent with their customers' preferences. This acts as a balance to the Efficiency Benefit Sharing Scheme (**EBSS**) and Capital Expenditure Sharing Scheme (**CESS**), both of which encourage DNSPs to reduce their expenditure. The CSIS is designed to ensure that the pursuit of efficiency savings is not at the expense of customer service.

Although eligible to apply the CSIS in our current regulatory period (2021 – 2026), JEN did not pursue this due to lack of customer support at proposal development stage. Customers at that time were of the view that the telephone answering parameter, included in the STPIS, was an adequate incentive to drive strong customer service. Additionally, our 2021 – 2026 customer engagement people's panel felt excellent customer service should be a matter of fact, rather than subject to an incentive mechanism.

Engagement with our customers in preparation for the next regulatory period highlighted that it may be timely to introduce a more holistic customer service incentive scheme, which captures additional metrics, to reflect the changing nature of the relationship our customers have with JEN. Once we secured support for implementing a CSIS, additional targeted engagement with JEN's ERG informed the design of our proposed CSIS and the weights to apportion the value of each measure to the revenue at stake.

[1] AER, *Final Decision Customer Service Incentive Scheme*, July 2020

2. A customer centric design approach

2.1 Customers expressed a desire for strong customer service

As part of developing our 2026–31 price reset proposal, JEN conducted an extensive customer engagement process. Table 2 – 1 below lists the various forums in which this engagement took place, and the purpose of each group.[2]

Table 2-1: JEN Engagement Groups

Engagement Group	Description of the engagement
Energy Reference Group (ERG)	An expert energy panel that discussed complex issues and provided clear, independent advice and recommendations that have the long-term interests of customers in mind.
People's Panel	A panel which included approximately 50 diverse customers who make up a statistical representation of customers in our network area.
Customer Voice Groups	Six customer voice groups, including up to 18 members, met four times. These groups included customers with lived experience of disability, mental health concerns, multicultural backgrounds, young people, first nations and seniors. Each group had a senior leader from Jemena to help champion the group to connect, listen and understand their needs. The groups each provided advice and insights to the People's Panel for their consideration in making recommendations given their unique needs.
Customer research	A bespoke survey for 1,000 residential customers from across our network for the price review to gain a broad spectrum of views and data points.
Joint Victorian engagement	Joint engagement sessions with Victorian electricity distribution businesses across the topics of framework and approach, affordability and equity, reliability and resilience, network tariffs and customers experiencing vulnerability.
Small to medium sized businesses	Small business forums, surveys and in-depth interviews/meetings with diverse small to medium sized businesses across our network.
Large commercial and industrial customers	Surveys, large user forum and in-depth meetings to engage with large commercial customers.
Developers	A survey of housing developers and designers to understand their needs.
Electricity retailers	Bespoke engagement with electricity retailers and retailer bodies, including retailer forums, surveys, in-depth interviews/meetings and engagement with customers affected by family violence.
Local councils	Surveys, in-depth interviews/meetings and Local Council Forums to understand the needs of local councils and the communities they service.
Customer Council	JEN's ongoing customer engagement forum. Although the purpose of this body is not to inform the price reset, they were provided with ongoing oversight of the engagement program and a dedicated workshop on the price review.

Throughout the course of this multifaceted engagement, participants continued to demonstrate strong support for excellence in customer service, consistent with the messages heard from the People's Panel commissioned for customer engagement in the current regulatory period. Across the groups, some key tenets of excellent customer service emerged, namely;

- Ongoing improvement to service standards across the board.
- Ensuring excellence at all levels, benchmarked with our peers.

[2] Further details on JEN's engagement process can be found in *JEN 2026-31 Proposal,* chapter 2

- Focusing on key performance indicators that are transparent, monitored, tracked and communicated publicly.
- Providing opportunities for feedback and performing internal reviews to identify opportunities for improvement to service standards.

2.2 JEN considered a range of potential metrics

JEN assessed over thirty potential CSIS metrics against the criteria outlined in Table 2 – 2.

Table 2-2: Evaluation criteria

Criteria	Description of criteria
Importance to customers	Metrics should reflect aspect of JEN's services which are important to customers. As the purpose of the scheme is to ensure customer service is compatible with customer preferences, it would be inappropriate to incentivise JEN to improve areas which are not important to customers.
Measurable Historic Data	Historic data must be available in order to set a meaningful target value for the metric. By using verifiable historic data to set performance targets, we can be sure JEN is only rewarded for genuine improvements in service, as compared to the current state.
Controllable	It would be inappropriate for JEN to be incentivised/penalised for a metric that is beyond our control. It is important that JEN can respond to any signal shown by the metric measures and improve the service if the measure starts to fall.
Trend Risk	We must account for any possible known or unknown events that may affect the historic data which is used to set the performance target.
Clearly Definable	Each metric should be clearly definable to both JEN and our customers.
Interactions with other incentive schemes	Metrics which overlap with incentive schemes which JEN is already subject to would not be appropriate for inclusion within the CSIS. For example, as the Essential Service Commission's Guaranteed Service Level scheme already captures late/missed appointments, it would not be appropriate to capture this service metric under the CSIS too.

2.3 We also engaged with our Energy Reference Group

In July 2024, following on from the recommendations made by our customers, JEN held a 'deep-dive' session with our ERG to seek their views on our proposed CSIS design. The intention of this session was to seek feedback on the more technical aspect of our CSIS and ensure it reflected the long term interests of customers. This group assisted JEN in forming a comprehensive incentive scheme from the sentiments shared by customers.

The ERG confirmed the chosen metrics provided a meaningful measure of customer service. Feedback from the group, particularly around the weightings assigned to each metric, were incorporated into the scheme's design in order to best reflect customers' expectations on how we measure customer service.

The group also endorsed JEN's approach to the CSIS and recognised that it aligns with customers' expectations to incorporate accountability measures and benchmarking into our customer service.

3. Chosen metrics

In light of these six assessment criteria, JEN and our customers consider the following four metrics to be the most suitable for inclusion in the CSIS, each of these metrics can be benchmarked against our peers. JEN intends to update our target for each of these metrics using the latest available data at revised proposal stage.

Fault-line telephone answering

Figure 3 - 1: Percentage of calls answered within 30 seconds

The percentage of calls to JEN's fault line telephone which are answered within 30 seconds.

During the current regulatory control period, JEN has been assessed on this metric as part of the STPIS. Whilst JEN is proposing to replace this aspect of the STPIS with a CSIS, as we and our customers still see value in measuring our performance against it.

We will continue to measure telephony answering as per the STPIS methodology; we use a five year average of our performance to measure JEN's success against this metric. Currently, this places our target at 74%.

This measure is included in Citipower, Powercor, United Energy and Evoenergy's CSIS for the current regulatory period.

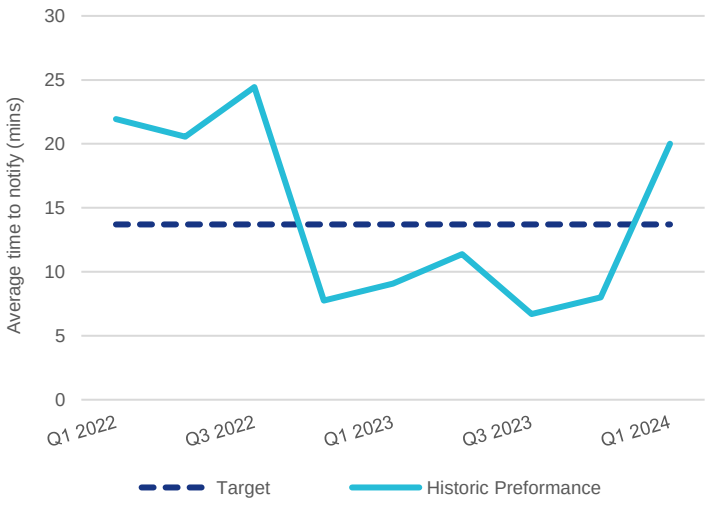
SMS unplanned outage notification

Figure 3 - 2: JEN's SMS unplanned outage notification

The average number of minutes between the start of an unplanned outage and when JEN's ICT systems sends an SMS message to impacted customers advising them of the outage.

This metric is valuable to customers as the notification provides information about the outage, including estimated restoration times. Earlier access to this information allows customers to better plan their response to the outage.

The data used to calculate this average is extracted from JEN's ICT systems, including our Outage Management System (OMS). For calculation purposes, this measure will include:



- Sustained interruption at a point of supply that has a duration longer than three minutes;
- The start time of the sustained interruption will be taken to be when the interruption is initially recorded in JEN's OMS;
- The time of the first 'New Unplanned Outage' SMS notification sent to an impacted customer will be taken to be when JEN's ICT systems record the message as being sent by our communications platform; and
- The count of unplanned sustained interruptions.

Momentary interruptions (of three minutes or less), outages on Major Event Days and other outliers will be excluded from this measure.

Given the availability of time series data we intend to use to measure our success against this metric, the current target has been calculated using a two-year average of our historic performance. Currently this places JEN's

target at 13.7 minutes. As additional data will be available at revised proposal stage, we intend to extend this average to a three-year period.

The performance of unplanned outage SMS notifications are included in Citipower, Powercor, United Energy and Evoenergy's CSIS for the current regulatory period, however the measurement methodology and assessment approach is slightly different to that proposed for JEN's CSIS. This difference does not limit the ability to benchmark the performance in this measure against JEN's peers.

Customer Satisfaction (CSAT) Survey

JEN contracts an external research provider to conduct CSAT surveys across a number of core customer journeys, including outages and connections. At the completion of a journey, JEN customers are invited to participate in a CSAT survey to rate their satisfaction with JEN on a scale of 0 (extremely dissatisfied) to 10 (extremely satisfied) and to provide qualitative feedback about their experience.

The primary objectives of these surveys are to measure customer satisfaction, understand the customer experience, identify areas for improvement, and track our performance over time

.

This survey provides auditable data and a statistically significant measure of our proposed subjective CSIS measures.

See Appendix A–1 for an extract from these surveys.

Planned Outages

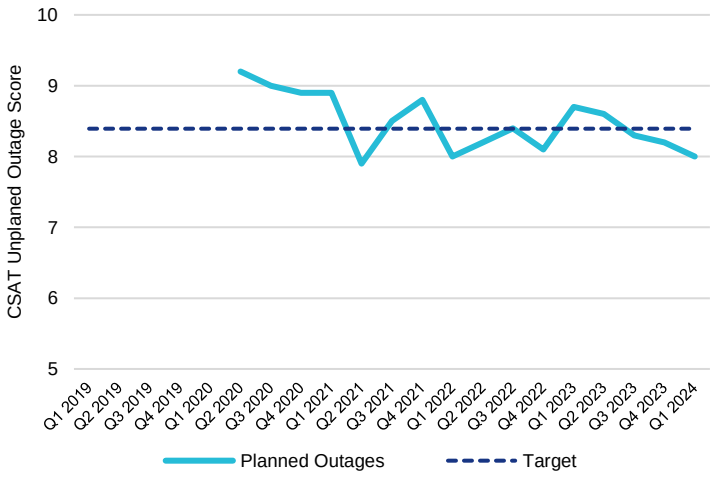
A measure of how satisfied JEN's customers are with their planned outage experience

This measure is derived from responses to JEN's customer satisfaction (**CSAT**) survey. As part of this survey, respondents who have experienced a planned outage are asked to rank their satisfaction levels on a scale of 0 to 10 based on how well JEN handled the outage.

While the Electricity Distribution Code of Practice **(EDCoP**) sets minimum requirements around customer notification of planned outages,[3] this metric reflects the holistic customer experience of the outage, including;

- the totality of notifications across all channels,
- ability to meet the forecast outage times,
- impact of the outage on the customer's home/business, and;
- any interactions they may have with JEN's field crew.

Figure 3 - 3: JEN's Planned Outage CSAT Score



The data used to calculate this measure is collected through our CSAT. The survey question is available in Appendix A.

[3] Essential Services Commission, *Electricity Distribution Code review – customer service standards*, November 2020

Planned outages CSAT can be benchmarked against our peers as it is included in TasNetworks', Endeavour Energy's and Ausnet's CSIS.

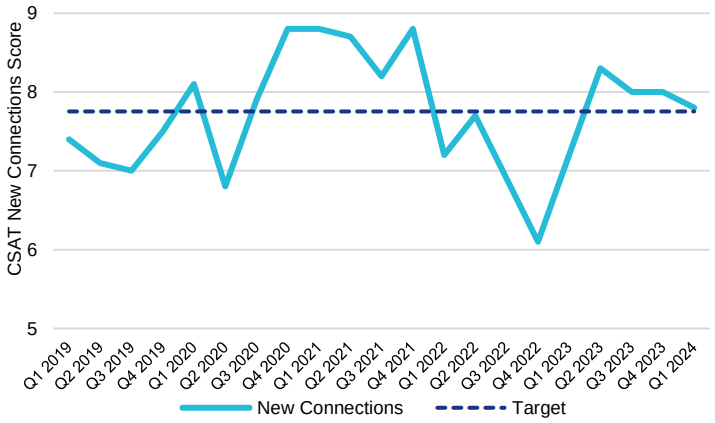
New Connections

A measure of how satisfied JEN's customers are with their connection journey.

This metric reflects the experience a customer has with the whole new connection journey including;

- application process,
- wait time,
- communications with JEN,
- simplicity of process, and;
- any interactions they may have with JEN's field crew

Figure 3 - 4: JEN's New Connections CSAT Score



The data used to calculate this measure is collected through our CSAT. The survey question is available in Appendix A–1.

We intend to measure our success against this metric using a five year average of our historic performance, currently this places JEN's target at 7.75 out of 10.

JEN's New Connections CSIS score an be benchmarked against our peers as it is included in TasNetworks' and Ausnet's CSIS.

A high level overview of each of the metrics is included in Table XX below

Table 3-1: Proposed CSIS Metrics

Metric	Definition	Weighting	Measure	Target
SMS unplanned outage notification	Average number of minutes between the start of an unplanned outage and the time that JEN's ICT systems send an SMS message to impacted customers advising them of the outage.	25% of total revenue at risk	Minutes	13.7 minutes
Fault-line telephone answering	Percentage of phone calls to JEN's fault-line which are answered within 30 seconds.	25% of total revenue at risk	Percentage of calls answered within 30 seconds	64.24%
Planned outages	Average customer satisfaction score with the planned outage experience.	25% of total revenue at risk	CSAT score	8.39
New connections	Average customer satisfaction score with the connection journey.	25% of total revenue at risk	CSAT score	7.75

4. Revenue impacts

4.1 Revenue at risk

JEN is proposing to remove the telephone answering parameter from the STPIS and place +/- 0.5% of our annual revenue at stake under the scheme. This approach is line with the requirements of the small scale incentive scheme[4] and the AER's CSIS Explanatory Statement.[5]

The total revenue at risk has been split equally between all four metrics. This reflects the relative importance of each of these metrics to our customers and the key services we provide to our customers.

4.2 Revenue adjustment calculation

JEN proposes that any revenue adjustments will be calculated using the method set out in Appendix A of the AER's CSIS Explanatory Statement, this is consistent with clause 3.1 of the AER's CSIS incentive design criteria. Our proposed annual reporting model, which we intend to use to calculate adjustments to allowed revenue can be found in *'JEN - Att 07-02M - CSIS model - 20250131 – Public*.

[4] NER 6.6.4 (d).

[5] AER, Explanatory Statement Customer Service Incentive Scheme, July 2020.

5. JEN's proposed CSIS meets the AER's requirements

We have designed our proposed CSIS to satisfy the requirements of the National Electricity Rules (**NER**) and National Electricity Objective (**NEO**). We consider that our engagement with the ERG, and the broad consultation on this scheme with our customers demonstrates significant customer support for our proposed scheme. Furthermore, our proposed scheme is consistent with the AER's Scheme Objectives and design criteria. Each of the matters the AER must have regard to, and the reason we consider the proposed scheme satisfies these requirements, is set out in Table 5-1 and Table 5-2 below, respectively.

Table 5-1: Summary of compliance with the scheme's objectives[6]

Scheme Objective	Clause	How Proposed CSIS Meets This
Is consistent with the national electricity objective in section 7 of the National Electricity Law (NEL)	1.4.1	The proposed CSIS is consistent with the NEO by incentivising improved outcomes for customers, which is in their long-term interests. It also provides a more holistic understanding of customer service, taking into account the expanded communication channels they may wish to use to contact JEN.
DNSPs should be rewarded or penalised for efficiency gains or losses in respect of their distribution systems	1.4.2(a)	The proposed CSIS provides an incentive for JEN to improve customer service, when the cost of the improvement is lower than the value of the improvement to customers. This represents an efficiency gain.
The rewards and penalties should be commensurate with the efficiency gains or efficiency losses in respect of a distribution system, but a reward for efficiency gains need not correspond in amount to a penalty for efficiency losses	1.4.2(b)	The proposed CSIS includes reward for customer service improvements and penalties for reductions in customer service performance, that is to say, it is a symmetrical incentive scheme.
The benefits to electricity consumers that are likely to result from efficiency gains in respect of a distribution system should warrant the rewards provided under the scheme and the detriments to electricity consumers that are likely to result from efficiency losses in respect of a distribution system should warrant the penalties provided under the scheme	1.4.2(c)	The proposed CSIS aims to improves service outcomes to customers in the form of better connection and planned outage experiences, quicker unplanned outage notification, and a larger proportion of customer calls answered within 30 seconds. The incentive rates for each of these measures were agreed with our ERG on the basis that any rewards under the CSIS would be warranted, given their importance to customers.
The interaction of the scheme with other incentives that DNSPs may have under the rules	1.4.2(d)	The proposed CSIS will replace the customer service component of the current STPIS. We have carefully considered other incentive schemes; the CSIS is not interacting with any other incentive scheme currently in place.

[6] AER, *Customer Service Incentive Scheme*, Clause 1.4, July 2020

Scheme Objective	Clause	How Proposed CSIS Meets This
The capital expenditure objectives and the operating expenditure objectives	1.4.2(e)	The proposed CSIS aligns with both the capital expenditure and operating expenditure objectives by incentivising efficient outcomes in providing services to our customers.
Achieves clauses 1.4(1) and 1.4(2) by aligning the incentives of DNSPs with the customer service preferences of their customers	1.4.3	The proposed CSIS was designed in close collaboration with our customers, as outlined in Section 2.
Promotes transparency and understanding throughout the National Electricity Market (NEM) regarding a DNSP's customer service initiatives.	1.4.4	The proposed CSIS metrics provide transparency for our customers on priority areas, which we will focus on improving during the next regulatory period.

Table 5-2: Summary of compliance with the AER's incentive design criteria[7]

Design Criteria	Clause	How the Proposed CSIS Meets the Incentive Design Criteria
The incentive design must calculate any revenue adjustment using the method set out in Appendix A unless the AER is satisfied that another approach will better achieve the scheme objectives.	3.1.1(a)	As outlined in Section 3.2 above, any adjustments made to revenue will be made using the method set out in Appendix A of the CSIS Explanatory Statement.
The incentive design must set out each of the scheme elements, which are: i) Performance Parameters, consisting of the metrics of customer service performance subject to the incentive design, ii) Measurement Methodology, consisting of a description of how performance against the performance parameters will be measured and the assurance arrangements that will apply to the measurement, iii) Assessment Approach, consisting of a performance target and a method for evaluating measured performance against performance targets, and iv) Financial Component, consisting of an overall revenue at risk, an amount of revenue at risk for each performance parameter, and a means of setting the incentive rate for each performance parameter.	3.1.1(b)	Table 5 - 1 above sets out each of the four parameters included in the scheme, the applicable performance parameters, measurement methodology, assessment approach and the revenue at risk for each metric.

[7] AER, *Customer Service Incentive Scheme*, Clause 3.1, July 2020

Design Criteria	Clause	How the Proposed CSIS Meets the Incentive Design Criteria
Each of the scheme elements must satisfy the corresponding principles outlined in clause 3.2,	3.1.1(c)	Each of the scheme elements meets the requirements as set out in clause 3.2; • Each metric is an aspect of the customer experience component of JEN's standard control services. • JEN's customers value these metrics and support their inclusion into the incentive scheme. • The metrics are within JEN's control and are not subject to any other incentive scheme. • Each measure can be independently reviewed and audited. • Our proposed target is based on JEN's historic performance. • JEN's proposed incentive rates reflect a qualitative view of the overall value to customers. Further details on the above can be found in Section 2.
Customers of the DNSP strongly support the application of the incentive design	3.1.1(d)	Our proposed CSIS was developed closely with our ERG and People's Panel and business customers, as set out in Section 2 above.
The incentive design must not continue beyond the end of the DNSP's next regulatory period. For clarity, the AER may, at a regulatory determination, make a decision to apply an identical incentive design for a second time to a DNSP,	3.1.1(e)	JEN does not currently have a CSIS in place and, therefore, is not seeking to continue an existing incentive scheme. Our proposed CSIS will only apply to the next regulatory period. We intend to evaluate our proposed CSIS to ensure it is meeting customer expectations and targeting metrics which are meaningful for them.
The incentive design must place a valid amount of revenue at risk. The revenue at risk will be valid if, by default, the maximum revenue increment or decrement (the revenue at risk) for each performance parameter in aggregate for each regulatory year within the regulatory control period is 0.5% of the DNSP's annual revenue requirement or less. That is, the sum of the H-factors associated with all performance parameters must lie between +0.5% (the upper limit) and –0.5% (the lower limit).	3.1.1(f)	Total revenue at risk under the proposed CSIS is +/- 0.5% of our annual revenue requirement. This has been split evenly with 0.125% at risk for each of the proposed measures as set out in Section 3.1 above.

Appendix A
CSAT Details

Jemena
bringing energy to life

A1. Applicable CSAT questions

Figure A1 - 1: Wording of 'New Connections' CSAT question

5%

Jemena
bringing energy to life

This survey will take about **3 minutes**. **Upon completion of the survey**, you will go into a draw to win **a $200 eGift card**. For full T&Cs, click here.

We really appreciate your feedback!

These questions relate to the electricity connection for [not answered] [not answered], [not answered]

Thinking about the entire process of your recent **electricity connection** service experience, how satisfied were you with…?

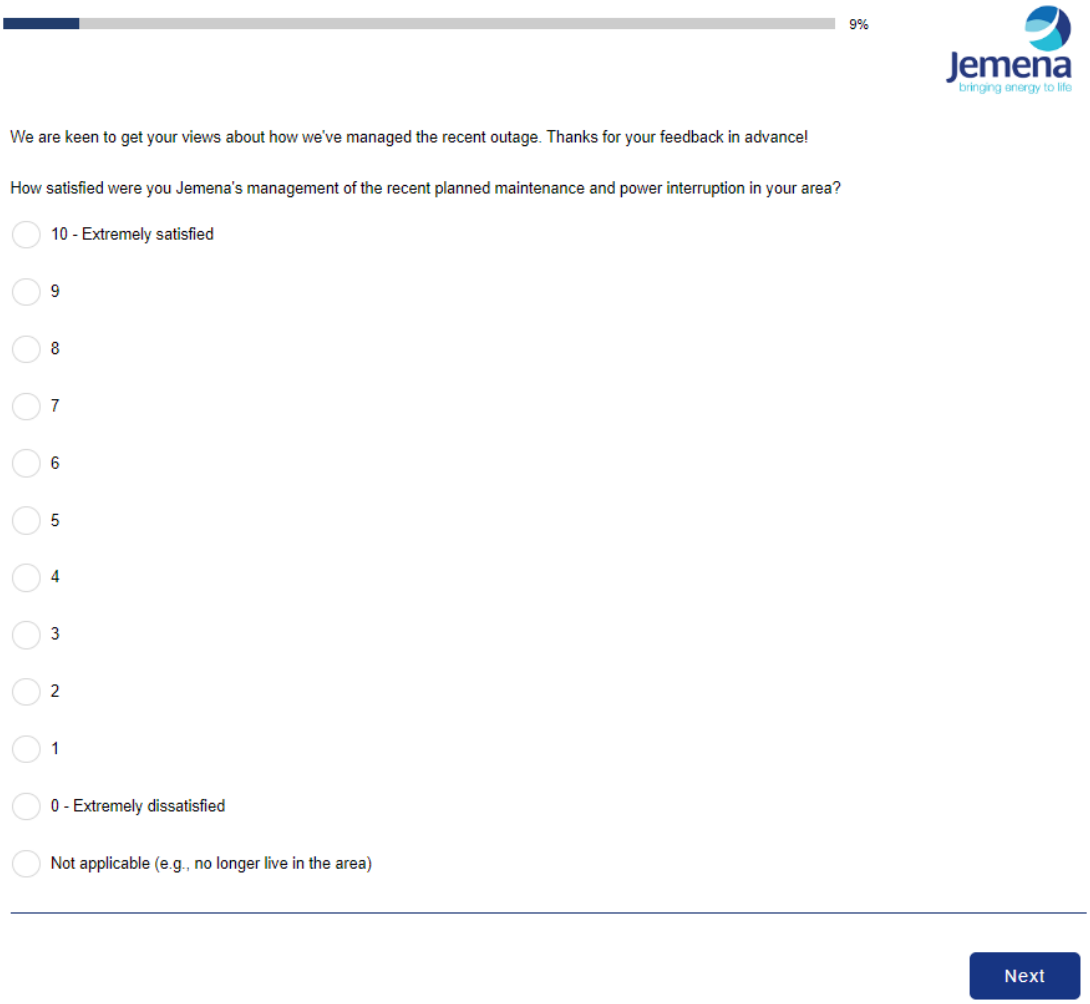
If you only dealt with one of the organisations, please select "Not applicable" where appropriate.

	Not applicable – minimal or no dealings with them	0 - Extremely dissatisfied	1	2	3	4	5	6	7	8	9	10 - Extremely satisfied
Jemena	○	○	○	○	○	○	○	○	○	○	○	○
Energy Retailer	○	○	○	○	○	○	○	○	○	○	○	○

Next

The information collected is for internal research only for the purpose of improving our services. Before taking the survey, please read through our Privacy Policy or contact Jemena here. By participating in this survey, you consent to the transfer of the information you submit to our other entities within the Jemena group of companies in Australia.

Figure A1 - 2: Wording of 'Planned Outage' CSAT question



A2. Number of CSAT responses

Figure A2 - 1: Number of CSAT Planned Outage question responses

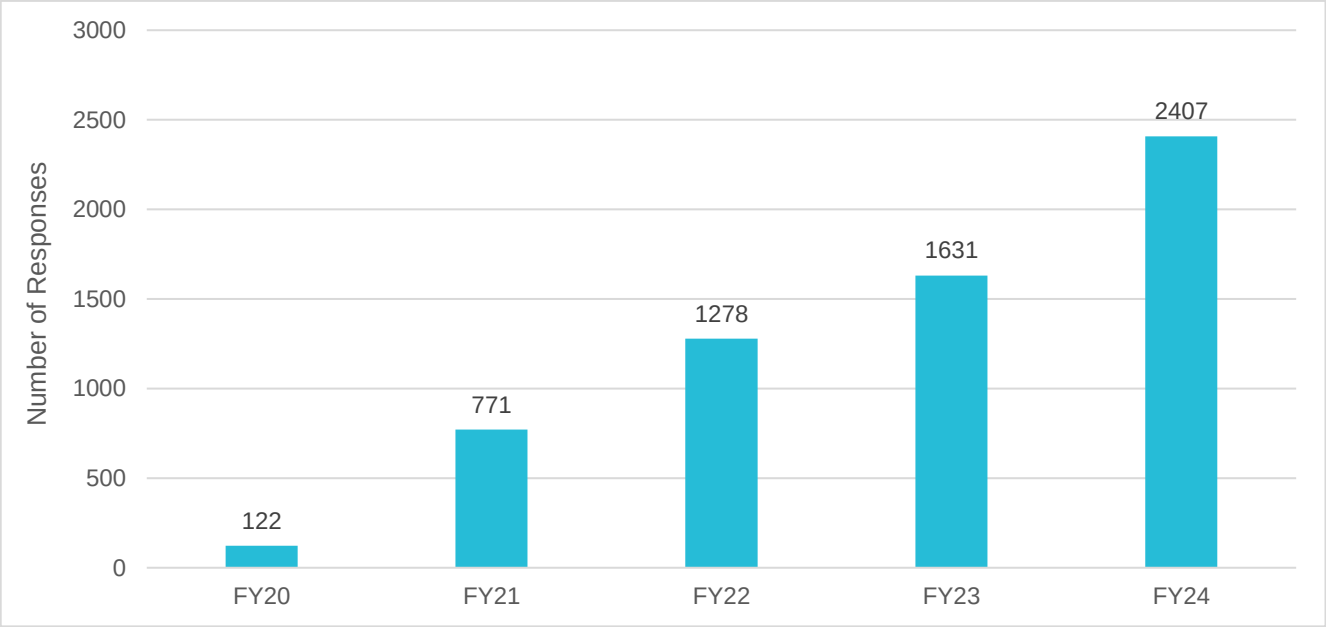


Figure A2–1: Number of CSAT New Connections question responses