

AER Decision

AusNet Services Customer
Service Incentive Scheme
performance parameter
suspension for 2021-22
regulatory year

March 2023

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1 Purpose of this paper

This paper presents our decision to suspend the ‘complaints’ performance parameter, in accordance with clause 4.3 (1) of the customer service incentive scheme (CSIS) for the 2021–22 regulatory year, for AusNet Services (AusNet).¹

We have decided to suspend the customer satisfaction complaints performance parameter (complaints performance parameter) because the data used to measure performance has not been correctly collected by AusNet. As such, we are unable to accurately measure AusNet’s performance. Suspending the complaints parameter means this aspect of the CSIS does not operate for 2021–22 and AusNet is not eligible for the reward that they had claimed for this period.

1.1 Background

The CSIS 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 DNSPs’ customer service performance and require them 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.²

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 are to target customer preferences and provide safeguards to ensure penalties/rewards under the scheme are commensurate with improvements/detriments to customer service.

The CSIS was developed and published in July 2020.³ The CSIS (and associated incentive design/performance parameters) has been applied to AusNet under its distribution determination for the 2021–26 regulatory control period.⁴

Further information on the CSIS is detailed on our website at:

<https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/customer-service-incentive-scheme/final-decision>.

Further information regarding our decision on AusNet’s CSIS is detailed on our website at:

<https://www.aer.gov.au/system/files/AER%20-%20Final%20decision%20-%20AusNet%20Services%20distribution%20determination%202021%E2%80%9326%20-%20Attachment%2012%20-%20Customer%20Service%20Incentive%20Scheme%20-%20April%202021.pdf>.

¹ AER, *Final Customer Service Incentive Scheme*, July 2020, section 4.3.

² AER, *Explanatory Statement Customer Service Incentive Scheme*, July 2020, p. 4.

³ AER, *Final Customer Service Incentive Scheme*, July 2020.

⁴ See Attachment 12 of the AER’s final decision for AusNet Distribution Determination 2021–26.

On 10 March 2023 we decided to suspend the complaints performance parameter (for scheme participant AusNet) under 4.3 of the CSIS, for the 2021-22 portion of the regulatory control period. Further information on this suspension is in this paper.

2 AER's decision

2.1 Legal framework

Rule 6.6.4 of the National Electricity Rules permits us to develop and publish a 'small scale incentive scheme' to provide DNSPs with incentives to provide services in a manner that contributes to the achievement of the National Energy Objectives.

The CSIS has been applied to AusNet for the 2021-26 regulatory control period under AusNet's current distribution determination.⁵

Clause 4.3 of the CSIS provides that any time during the regulatory control period in which an incentive design applies to a DNSP, we may suspend an incentive design, or a given performance parameter, for either the remainder of the regulatory control period or a portion of the regulatory control period.

We consider suspension under clause 4.3 is that the customer complaints performance parameter would not apply to AusNet for the relevant period (which can be for the remainder of the regulatory control period or a portion of the regulatory control period).⁶

In making a suspension decision under subclause 4.3(1), we must be satisfied that the incentive design, relevant performance parameter (or the measurement methodology, assessment approach or financial component applicable to the relevant performance parameter) are no longer compliant with the incentive design criteria: subclause 4.3(2).

Before deciding to suspend, we consulted with AusNet pursuant to clause 4.3(5) and considered AusNet's responses and submissions in making this decision.

2.2 AER Assessment

AusNet Services CSIS

In its CSIS incentive design (approved by us in April 2021⁷), AusNet proposed four 'performance parameters' to be incentivised including:

- Communication on unplanned outages: to improve its communication on unplanned outages reflected by customers ratings on its communications in respect to that unplanned outage. For this parameter AusNet and its Customer Forum (which was formed to achieve a more customer focussed electricity distribution price determination) agreed on a reward/penalty of \$484,246 (0.08 per cent of revenue) for each 1-point improvement/degradation in customer satisfaction annually.⁸
- Communication on planned outages: to improve its communication on planned outages reflected by customers ratings on its communications in respect to that planned outage.

⁵ See Attachment 12 of the AER's final decision for AusNet Distribution Determination 2021–26.

⁶ CSIS, clause 4.3.

⁷ AER, *Final Decision CitiPower, Powercor and United Energy Distribution Determination 2021 to 2026, Attachment 12 Customer service incentive scheme*, April 2021, p. 7.

⁸ The purpose of the Customer Forum is to be the formal counterparty in negotiation with AusNet Services and to, as far as possible, reach agreement with AusNet Services on its regulatory proposal prior to the submission of the regulatory proposal to the AER in January 2020. It was made up of 5 members.
<https://www.aer.gov.au/networks-pipelines/new-reg/ausnet-services-trial>.

For this parameter AusNet and its Customer Forum agreed on a reward/penalty of \$484,246 (0.08 per cent of revenue) for each 1-point improvement/degradation in customer satisfaction annually.

- Customer service for new connections to gauge customer's satisfaction with its connection process. For this parameter AusNet and its Customer Forum agreed on a reward/penalty of \$484,246 (0.08 per cent of revenue) for each 1-point improvement/degradation in customer satisfaction annually.
- Customer service in managing complaint: to capture satisfaction with how escalated customer disputes have been resolved. For this AusNet and its Customer Forum agreed on a reward/penalty of \$242,123 (0.04 per cent of revenue) for each 1-point improvement/degradation in customer satisfaction annually.

For each parameter, customer satisfaction is measured using a survey where customers rate AusNet's customer service with a score between 0 and 10, where 0 is 'extremely dissatisfied' and 10 is 'extremely satisfied'.

Issues with the Complaint performance parameter

Throughout the assessment process for the 2021-22 CSIS we corresponded with AusNet to seek assurance on the accuracy of the measurements for the performance parameters.

While we observed that the three other parameters are operating in accordance with the CSIS incentive design, we held concerns with the complaints parameter.

We consider that AusNet complaints data outcome reported to us in 2021–22 is inconsistent with the incentive design outlined in its distribution determination for the CSIS.

The complaints data submitted to us contained irregular pattern of data (near zero complaints data from February to June 2022). In February 2022, AusNet changed providers to collect data on customer complaints. A reporting issue occurred that meant phone numbers weren't being collected and/or correctly reported. From February 2022, customers who lodged their complaints were not contactable to provide their feedback on how the complaint was resolved. Consequently, the number of complaints sample data provided reduced to zero (or near zero) over the February to June 2022 period.⁹

The change in the form resulted in a process different from that in place when the target was initially set. This change (and the subsequent change in the complaints data and skewing of the outcome in the parameter) compromises the accuracy and reliability of the measurement for this performance parameter as required per CSIS clauses 3(a) and 3(c).

Applying a reward to AusNet based on its proposed complaints performance parameter outcome following the change in approach to the underlying method would be at odds with principles underpinning the CSIS. Specifically, the skewing of the result in this way and the subsequent reward conflicts with the CSIS principle that only efficiency gains warrant rewards (CSIS clause 1.4.2(c)).

⁹ CBSA, email to AER re: E: Annual compliance of Ausnet CSIS for FY2021-22, 13 February 2023; AusNet Services, email to AER re: Embargoed copy of AER decision to suspend AusNet's CSIS 'complaints' performance parameter; 20 March 2023.

Further, the change in the way the parameter outcome is determined has the potential to undermine transparency and understanding promoted by the CSIS (clause 1.4.4).

We are therefore satisfied that the complaints performance parameter is no longer compliant with the incentive design criteria.

We consulted with AusNet prior to making this decision pursuant to clause 4.3(5) of the CSIS.¹⁰ For the purposes of consultation we do not consider there to be other persons that may be affected by, or have an interest in, this suspension decision.

Conclusion

In accordance, with clause 4.3(1) of the CSIS, our decision is to suspend AusNet's complaints performance parameter for a portion of the regulatory control period, being the regulatory year 2021–22.

¹⁰ AER, email to AusNet Services re: Annual assessment of CSIS for FY2021-22, 22 February 2023.