

12 February 2020

Ms Sarah Proudfoot  
General Manager, Consumers and Markets  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Ms Proudfoot,

### **Customer Satisfaction Incentive Scheme – Response to AER’s Draft Decision**

AusNet Services appreciates the opportunity to respond to AER’s draft decision on the proposed Customer Satisfaction Incentive Scheme (CSIS). Under the New Reg process, AusNet Services reached agreement with a Customer Forum on key aspects of its regulatory proposal for its 2022-26 electricity distribution regulatory control period. This included the development of a CSIS to strengthen incentives for networks to improve customer satisfaction. The CSIS was formally proposed to the AER by AusNet Services and its Customer Forum in March 2019. Following our proposal, the AER commenced consulting on the scheme in accordance with the Small Scale Incentive Scheme provisions in the NER.

The AER’s draft decision has proposed a principles-based incentive scheme rather than a prescriptive one. This allows distributors to propose bespoke performance parameters, measurement methodologies and assessment approaches. We strongly support the AER’s principles-based approach to implementing this scheme. A principles-based scheme provides flexibility and will allow a variety of approaches to be tried and assessed. This approach will allow for ongoing evolution and improvement in the CSIS. In addition, as the draft CSIS is largely based on the design of the STPIS, the mechanics of the scheme are well understood.

#### ***Application of the CSIS in AusNet Services’ Regulatory Proposal***

AusNet Services proposed a CSIS as part of our regulatory proposal for the 2022-26 regulatory period. We proposed that the following four performance parameters are measured under the CSIS:

- Customer Satisfaction – Unplanned outages;
- Customer Satisfaction – Planned outages;
- Customer Satisfaction – New Connections (Basic and Standard); and
- Customer Satisfaction – Complaints.

These performance parameters are key interactions or experiences that customers have with us and so improving satisfaction with these interactions should deliver real benefits to our customers. We have also agreed the incentive rate, revenue at risk and deadbands to apply to each of these



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parameters with the Customer Forum. The proposed CSIS is consistent with the AER's draft CSIS, and any outstanding details of its application can be worked through during the regulatory review process.

We have also provided a few comments on the draft scheme in the appendix below. If you have any queries about any of the positions outlined in this response, please do not hesitate to contact Michael Larkin on 03 9695 6346.

Yours sincerely,

A handwritten signature in black ink that reads "C. Eddy". The signature is written in a cursive style with a long horizontal stroke extending to the right.

Charlotte Eddy  
**Manager Economic Regulation**

**Table 1 Comments on draft CSIS**

| Clause No. | Clause   | Comment   |
|------------|--|---|
| 3.1(1)(e)  | The incentive design must not continue beyond the DNSP's <b>next regulatory determination</b> . 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, and | The end of the regulatory period would be the better point at which the scheme should stop applying.  |
|            | Exclusions   | <p>AusNet Services proposal for the 2022-26 regulatory period does not propose any exclusions as we did not consider this necessary within our scheme design (noting that a provision to suspend the scheme exists).</p> <p>However, the draft CSIS does not allow for exclusions to be proposed by any DNSP (or AusNet Services in a future regulatory period).</p> <p>As there may be scheme designs where an exclusion clause is appropriate it is preferable to draft this flexibility into the scheme now, rather than this being a constraint on scheme design in the future.</p> |