

22 July 2019

Submission on AER's proposed Customer Service Incentive Scheme

Via email: [regulatoryinnovation@aer.gov.au](mailto:regulatoryinnovation@aer.gov.au)

Attention: Mr Chris Pattas

Dear Mr Pattas,

When it comes to customer service, more is not necessarily better. Like network capacity, the prudent and efficient level of customer service is a level which meets standards without costing any more than necessary to do so. If DNSPs are deficient in meeting their obligation to provide adequate customer service, then the AER should already be enforcing the Rules and bringing those DNSPs into compliance. If DNSPs are satisfying the minimum requirements for prudent and efficient customer service, then there is no reason to ask for anything more. Rather than paying DNSPs bonuses for doing their jobs, fines should be imposed on DNSPs that fail to meet minimum reasonable standards, and DNSPs should be *forbidden* from investing too much in customer service, since that would be inefficient.

Incentive schemes have produced little, if any, value for consumers historically. They should be replaced with penalties for non-compliance, enforceable under the Rules, with *penalties*, not bonuses for exceeding minimum standards. Current Demand Management bonuses under the DMIS and DMIA can be 5% or more of total revenues per annum, which drives up network prices by the same amount. I'd rather not pay 5% more for networks to pretend to be innovating, and I'd rather not pay for this proposed gold-plated customer service nonsense.

This proposal is more evidence that New Reg is not going to lead to efficient outcomes for consumers.

Best regards,

John Herbst

South Australia