



Customer Service Incentive Scheme

Response to stakeholder submissions

1 Introduction

We would like to thank stakeholders who made submissions on our proposed Customer Service Incentive Scheme (CSIS). Overall, we are pleased with the positive feedback we received. We strongly believe that we have our customers' support for the scheme, obtained through multiple rounds of customer engagement.

The Consumer Challenge Panel (CCP17) noted their support of our proposal and that they regard the proposal as a fair representation of priorities gleaned from sound consumer engagement. The CCP17 considered that our three proposed measures accurately reflect the customer service priorities of our customer engagement. The CCP17 also noted the effectiveness of our customer engagement, as below:

CCP17 considers that, in spite of the constraints imposed by COVID-19, the CPU¹'s engagement on the proposed CSIS has been of high quality, very effective and that clear customer preferences have been revealed.²

Energy Consumers Australia's (ECA) advisors, Spencer&Co, highlighted that our proposed scheme is tailored to areas of most value to our customers and that they consider the scheme elements appropriate as to only reward for service that is superior to a standard level of good service. We also received feedback from the Victorian Community Organisation (VCO) noting that our proposed metrics are reasonable and are a likely reflection of customer priorities.

This document summarises and responds to key themes from our stakeholder submissions with regards to areas of improvement or further clarification. The key points raised by stakeholders were as follows:

- Definition and measurement methodology for planned outages
- Baseline targets for the proposed SMS notification performance parameter
- Baseline targets for planned outages
- The information within the SMS notifications for unplanned outages
- The interaction of our proposed CSIS with existing regulatory instruments
- The maximum revenue at risk for combined CSIS and STPIS
- Outcome based incentives
- Property access

In section 3 we have also summarised changes to our CSIS models relative to our original submission.

¹ CitiPower, Powercor, United Energy

² CCP17 Advice to Australian Energy Regulatory - Application of Customer Service Incentive Scheme for CitiPower, Powercor and United Energy 1 July 2021 - 30 June 2026, page 8

2 Key themes

2.1 Definition and measurement methodology for planned outages

Our CSIS submission proposed a performance parameter focused on reducing planned outages across the Powercor and United Energy networks. We proposed the performance parameter be measured through the planned outage System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI). We also proposed the definitions of SAIDI and SAIFI and the definition of planned outages be set consistent with the AER's Distribution Reliability Measure Guideline, which is also consistent with reporting requirements in CitiPower, Powercor and United Energy's Final AER Regulatory Information Notice - Appendix F Definitions (2019).

The CCP17 requested further clarification on the definition and measurement methodology for planned outages including the geographic range and time period that is referenced by this measure.

We agree with the CCP that more clarity is required regarding the geographic range and reference period. We therefore propose the SAIDI and SAIFI definitions in the CSIS be updated to include the following statements:

- The measure covers the **whole of network** and excludes **momentary interruptions** [bold items to be measured in accordance with the AER's distribution reliability measures guideline]
- The measure will be reported annually in the AER's Regulatory Information Notice templates.

We also note that our performance against all three of the CSIS metrics measures will be assessed annually against the baseline targets using the proposed CSIS annual compliance model (attached to this submission).

2.2 Baseline targets for the proposed SMS notification performance parameter

One of the performance parameters included in our proposed CSIS is the percent of SMS notifications sent to customers within 6 minutes or less of an unplanned outage.

The CCP17 noted they consider the baseline targets to be moderately low for the SMS notification for unplanned outages parameter and suggested that a greater improvement would be more desirable for customers.

Red Energy/Lumo Energy also suggested more aggressive targets for the SMS notifications for unplanned outages.

The submission from VCO noted that the targets and rewards need to be set at appropriate levels to incentivise improvements, not generate additional revenue for the status quo.

We did not make it clear in our CSIS submission the extent of the stretch target we have set ourselves in relation to sending SMS notifications for unplanned outages. The table below presents our current performance (shown as %) of sending SMS notifications within 6 minutes or less from the start of an unplanned outage to our customers, compared to our proposed baseline target under the CSIS.

Table 1: Current performance verse proposed baseline targets

Network	Current performance*	Proposed baseline target
CitiPower	27%	57%
Powercor	12%	63%
United Energy	5%	60%

* measured over 18 months from 1 January 2019 - 30 June 2020

As shown, our proposed baseline targets are a significant increase relative to today's performance. We have since presented to the CCP17 and ECA on our regulatory revised proposal where we made the extent of our CSIS stretch targets clearer.

After clarification, Spencer&Co noted that the targets proposed by CitiPower, Powercor and United Energy for SMS unplanned outage communication appear to be stretch targets with <30% of current communications meeting the proposed 6-minute target.

2.3 Baseline targets for planned outages

Our proposed baseline targets for reducing planned outages is based on historical performance over the financial years 2015/16 to 2019/20.

Spencer&Co's submission encouraged the businesses to assess whether practices adopted during COVID-19 to minimise disruptions to customers have introduced a step change in planned outage 'standard performance' and whether the targets should stretch performance further so as to only reward superior performance based on the new standard performance.

In response to the work-from-home directive during COVID-19, we have sought to mitigate the impacts of our customers of planned outages, including:

- rescheduling more planned outages to afterhours to reduce planned outage impacts on customers during the day. This response improves customer outcomes but does not impact our planned SAIDI and SAIFI performance. Shifting planned outages to afterhours also involves considerable costs as we incur afterhours labour rates, it is therefore not an efficient long-term solution for our customers
- trailing the use of technologies such as generators, midspan isolators and bypass cables. These technologies provide temporary solutions to mitigate the number and duration of planned outages and involve incurring operating costs each time the solution is deployed. None of these solutions are of a permanent nature and therefore past deployment does not improve planned outage performance in the future
- improving the communications of planned outages by improving the content and frequency of our planned outage SMS and updating our website to include our planned outage schedules. We will continue these activities into the future post COVID-19. Neither activities impact planned outage SAIDI and SAIFI performance.

We also note that we updated our planned outage targets prior to our submission to include data up to 30 June 2020, which includes the first half of the COVID-19 period. We therefore do not consider any further adjustment to our planned outage targets to account for COVID-19 activities is warranted.

2.4 The information within the SMS notifications for unplanned outages

Red Energy/Lumo Energy noted it would benefit customers if SMS notifications explained the reason for the unplanned outage and an approximate time for when power would be restored.

We agree that it is meaningful to improve on the quality of information being provided to our customers during an unplanned outage. To address this, in our CSIS proposal we made a commitment to ensure the quality of SMS messages is not compromised. We proposed the incentive scheme requires SMS notification are only counted if they contain an estimated time of restoration (ETR), the website for the outage map and the cause (if known).

2.5 The interaction of our proposed CSIS with existing regulatory instruments

Red Energy/Lumo Energy noted the importance that the proposed CSIS does not overlap with other regulatory instruments rewarding distributors for achieving an outcome that is prescribed in regulation.

The VCO's submission noted their concern that distribution network business should not be generating additional revenue for the status quo.

We can confirm there is no overlap with the Victorian Electricity Distribution Code (Code) or other regulatory instruments which relates to our proposed CSIS. From 1 July 2021, the Code now requires us to send notifications to customers of planned outages by their preferred form of communication, including SMS. We note that this regulatory requirement relates to planned outages while our proposed CSIS relates to SMS notifications for unplanned outages. We also note that, planned outages are much easier for us to prepare notification for as they are proactive in nature and therefore pre-planned, in terms of location and customers impacted. Conversely, our CSIS is for the speed of sending SMS for unplanned outages which is significantly more challenging as our response to unplanned outages is reactive in nature meaning we cannot pre-plan and pre-assess the customer impacts. We also have much less information about the location and extent of the outage and likely rectification times.

2.6 Maximum revenue at risk for combined CSIS and STPIS

Red Energy/Lumo Energy noted that the maximum revenue at risk for the CSIS and the customer service component of the STPIS remain relatively small, i.e. +/-0.5% of a distributor's annual revenue.

We can confirm that the maximum revenue at risk for our proposed CSIS is 0.5%. We propose nil revenue at risk for the customer service component of the STPIS. This is consistent with the AER's Customer Service Incentive Scheme Guideline. The table below presents the breakdown of revenue at risk across our proposed performance parameters within the CSIS and the customer service component of the STPIS for clarity.

Table 2: Revenue at risk

	CitiPower	Powercor	United Energy
SMS notifications for unplanned outages	0.25%	0.15%	0.15%
Planned outages duration and frequency	N/A	0.15%	0.15%
Telephone answering	0.25%	0.20%	0.20%
Customer service component of the STPIS	0%	0%	0%
TOTAL revenue at risk	0.5%	0.5%	0.5%

2.7 Outcome based incentives

The VCO noted that our proposed metrics are reasonable and are a likely reflection of customer priorities. Their submission said metrics that are easily measurable will provide a more accurate indication of improvement than sample data collected through a survey. The VCO submission also noted that metrics identified through our engagement program are similar to those nominated by AusNet Services' customers. Given this similarity, they highlighted an opportunity to standardise these schemes.

We agree with the VCO that outputs-based incentives ensure the best outcome for customers and therefore we have focused our proposed CSIS performance parameters on directly measurable outcomes for our customers.

In relation to standardising CSIS schemes between networks, any standardising of the scheme away from our proposed CSIS performance parameters would be contrary to the feedback we received from customers. For

example, our customers placed a low value on us improving input measures relating to their 'effort' for dealing with us, while AusNet Services' customer forum supported a similar survey based 'satisfaction' measure. Standardising CSIS schemes between networks would also be inconsistent with the AER's CSIS Guideline and Explanatory Statement which requires that the distributor's customers support the proposed scheme.

2.8 Number of power outages and property access

A submission to our proposed CSIS from a customer outlined their frustrations with Powercor regarding:

- a high number of power outages
- access to property without sufficient notice.

Our Customer Resolutions team has worked with the customer on their concerns (via the ombudsman) and come to a resolution. The ombudsman referral has been addressed and closed.

We take our customer complaints seriously and are committed in providing more bespoke services for our rural customers. As such, we have initiated a review of customer property access arrangements due to be completed by end Feb that includes:

- review and update of our property access guidelines
- review of data systems and storage of 'customer considerations' notes in our spatial and data systems
- procedures to notify customers of property access requirements.

3 CSIS model updates

Following our original CSIS proposal submission to the Australian Energy Regulatory (**AER**) we have made minor updates to our CSIS model. The updated models are attached, and all changes are highlighted in green. The changes are also described below.

As per section 2.1, following stakeholder feedback we revised the definition for planned outages to be consistent with the AER's Distribution Reliability Measures Guideline. As such, we have excluded momentary interruptions (three minutes or less) in the planned SAIDI and planned SAIFI measures. We note that the impact of excluding momentary interruptions is very small.

Secondly, we have built in a revenue at risk cap that ensures the revenue at risk cannot be over 0.15% per network for SAIDI and SAIFI combined. In our original submission we had unintentionally applied a 0.15% cap for SAIDI and a 0.15% cap for SAIFI. We have made the change to ensure the cap of 0.15% is for the sum of SAIDI and SAIFI. We apologise for this and have confirmed the other built in revenue caps across performance parameters and networks are correct.