



TREASURER

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Mr Andrew Reeves
Utilities Commissioner
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Dear Mr Reeves

Thank you for your letter advising of the *Review of Options for Implementation of a Customer Service Incentive Scheme for Electricity Customers* and inviting submission to the Options Paper.

Introduction of a customer service incentive scheme which is designed to improve service performance in the electricity industry is supported in principle. In particular, there appears to be a strong prima facie case for the introduction of a Guaranteed Service Level (GSL) scheme in the Territory, particularly given the current market structure in the Territory and the dominance of a single service provider, which potentially diminishes the incentive to maintain and improve service standards over time.

However, the merit of implementing a Financial Incentive Scheme (FIS) in the Territory is not as obvious at this stage, given the experience to date in other jurisdictions regarding the effectiveness of such schemes appears to be inconclusive.

I understand that submissions to the Australian Energy Regulator in 2007 from Tasmania and South Australia noted that similar financial incentive schemes implemented in these jurisdictions had been ineffective in driving improved performance, primarily due to a lack of consistent historical data, difficulties in accurate forecasting, and delays in processing data which contributed to incorrect baseline assumptions and targets. These factors are also likely to be issues in implementing the scheme in the Territory.

On this basis, it would seem sensible for further analysis of the costs and benefits of a FIS to be undertaken. In this regard, I advise that Treasury would be available to assist both with this process and in the design of a GSL scheme.

I look forward to receiving a copy of the Final Report in July 2010.

Yours sincerely



DELIA LAWRIE

19.5.10

