

Principles

3.7 In designing any standards-of-service framework to achieve the nominated objectives, the Commission accepts as a fundamental point that it must weigh the costs of implementation against the benefits accruing to electricity consumers.

3.8 As to other principles to be considered when designing a standards-of-service framework, the South Australian regulator has proposed a number of key principles,³ including:

- **Provide appropriate level of incentives** – the framework should not duplicate other regulatory incentives. Including measures that are dealt with elsewhere in the broader regulatory framework may be seen as double counting.
- **Customer preference** – the framework should reflect, to the extent possible, the preferences of electricity consumers with respect to service.
- **Reflect performance areas influenced by the service provider** – the framework should relate to measures that the service provider can influence. A service provider should not be judged, or penalised, for standards of service problems outside its control.
- **Based on reliable data that is not costly to obtain** – the cost of obtaining reliable information must be clearly justified by the benefits to be gained. In some instance, a sampling method may be used to reduce the cost of collection.
- **Must not create perverse incentives** – the framework should provide the desired impact on standards of service without introducing a possibility of ‘game playing’.

3.9 The NSW regulator has also identified a number of key principles. While there is some understandable overlap with the SA list, the additional perspective is useful:⁴

“The aims of a framework that incorporates QoS (Quality of Service) into price regulation could be to:

- *take a comprehensive view of service quality, drawing on electricity consumer needs and wants and the capacity of utilities to meet these;*
- *provide incentives for utilities to meet QoS expectations that are efficient and enhance consumer welfare, with costs that are commensurate with benefits to consumers;*
- *enhance equity, providing incentives to provide a suitable level of QoS for all electricity consumers as well as electricity consumers that may be experiencing particular QoS issues at present;*
- *incorporate a methodology that is robust, well understood, and balances the interests of stakeholders, preferably building on the experience of others where relevant;*
- *ensure that the incentives for the regulated business regarding QoS performance are consistent with incentives in other aspects of the regulatory regime and do not weaken or conflict with more general protection provided at law; and*
- *base approaches adopted upon support obtained from stakeholders, including consumers, industry and other regulators.”*

3.10 The Commission believes these principles are equally relevant in an NT context. In making a judgment on the set of measures which underpin a standards-of-service framework, the Commission is likely to consider the above

³ SAIIR (now ESCOSA), *Service Standards for 2005 to 2010 Discussion Paper*, February 2002, p.17.

⁴ IPART, *The Incorporation of Service Quality in the Regulation of Utility Prices* (Research Paper No. 17), March 2001, p.24.