

17 October 2019

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### Draft Decision Paper – Value of Customer Reliability

Dear Mr Feather,

Energy Networks Australia welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) on the Draft Decision Paper, Value of Customer Reliability (VCR).

Energy Networks Australia is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Energy Networks Australia supports the AER's work on the development of a consistent and robust VCR methodology that delivers consistent and stable VCRs, this will facilitate efficient network investment decisions for essential electricity network services.

It is critical that the VCR methodology must provide clear values for the different customer segments, outage types, ambient temperature conditions, and locations and clear methodologies on how these values should be combined and used. It is also important that the Australian Energy Market Operator (AEMO), the Reliability Panel, the Independent Pricing and Regulatory Tribunal (IPART) etc who use VCRs in network planning or in assessing reliability and market settings consider that the AER's VCR values are fit for purpose and relate to the energy-at-risk conditions for which they are being applied. In the previous AEMO VCR review the National Electricity Market (NEM) wide VCR was approximately \$33/kWhr.<sup>1</sup> With increasing reliance on electricity for

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<sup>1</sup> AEMO Value of Customer Reliability Review, Final Report, Sept 2014, Table 1, p2

electrified transport infrastructure and increasing digitisation of services as well as community expectations it is important to ensure values are sense checked.

Before the AER releases the final decision, Energy Network Australia would welcome a workshop with the practitioners, particularly network planners and reliability engineers, who will use these new VCR values. This would be helpful in clarifying any issues of application in the final decision to develop a common understanding on implementation and make the final Decision as user friendly as possible.

### ***Improvements to methodology***

Energy Networks Australia has welcomed the extensive engagement the AER has undertaken with the Value of Customer Reliability Consultative Committee (VCRCC) and has a few suggestions on the methodology before it is finalised:

- » Ausgrid has previously suggested that there be a category for transport infrastructure e.g. airports, road tunnels and trains etc. This appears to have been overlooked in the segmentation and would benefit from a separate category given the significant levels of infrastructure spending currently being undertaken by governments and the significant community impacts should this infrastructure not be able to operate. This is no different to identification of data centres as a separate category which represents the reliance of a range of services on digital infrastructure. Energy Network Australia assumes that customers within the transport infrastructure category have been part of the surveys undertaken to date, this should enable a separate category of VCR in this first national set of VCRs;
- » Detail on exactly what is being published and any criteria to assign the data to a network segment so it is consistently applied would be useful;
- » The confidence range should accompany the determined VCR values. This information will be applied by NSPs, for example in the conduct of sensitivity analysis when undertaking Regulatory Investment Test (RIT) processes; and
- » The AER has provided some questions that enable survey responses above the \$22 price cap. In the final decision it would be useful to clarify the range and distribution of responses around this \$22 cap and the rationale for exclusion of any outliers.

### ***High impact long duration VCRs***

Energy Network Australia is supportive of the AER efforts to develop wide area long duration outage (WALDO) VCRs to represent more significant outage events which impact a large number of customers in a jurisdiction, these can occur due to storm, major bushfire events etc.

Energy Networks Australia is supportive of the development of WALDO VCRs and the macroeconomic approach the AER intends to develop by the end of Q1 2020. These values will take into account costs beyond an individual affected by an outage, such as economy-wide, flow-on costs, or other costs borne by society. Therefore, ensuring these values are available for inclusion in the 2020 final ISP and for NSP RITs is important. In particular the VCRs should relate to the conditions under which the

energy-at-risk is being incurred. For example if the energy-at-risk is only being incurred on days of extreme heat, then the VCRs applied to the energy-at-risk should relate to this ambient temperature condition.

***Engagement with network planners and third party practitioners in November prior to final decision***

Before the final decision Energy Networks Australia suggest that the AER hold a workshop with the network planners and third party practitioners. This will provide the practitioners with an opportunity to review and discuss the initial estimated VCR's and the information that will be provided in the final decision to ensure reasonably consistent application and integration within the RIT processes and annual network planning reports. For example, Transmission Network Service Providers (TNSPs) will need data from Distribution Network Service Providers (DNSPs) to build up VCR's for various network segments before the segmented VCRs can be used in network planning processes.

The draft decision notes that the AER is collecting consumer responses in survey results on momentary outages and intends not to progress with further analysis of this data in this review, although this may inform future reviews. If this position were to change in the current review NSPs would welcome further discussion with the AER before the final decision as it will be important to understand the context of what is being proposed and how it will be used by NSPs.

The AER has also requested DNSPs to provide historical outage data by network feeder to enable the AER to calculate the probability weighted VCR by each outage scenario. Energy Networks Australia members are comfortable to assist the AER with this data request, however once the AER has undertaken their analysis and development of figures it would be useful to discuss with the practitioners the benefit of these particular VCR values and how they are to be used:

- Feeders can be retired, rebuilt or new feeders developed over time, the list is not static and some issues have already arisen with the outage data provided by feeder reported in the Regulatory Information Notices (RINs) vs the current network snapshot;
- RIN data on feeder outages provided to the AER, only represents the feeders that have customers attached, not the feeders that link to other parts of the network e.g. sub transmission network which can still be subject to reliability outages;
- RIN data on feeder outages provided to the AER, does not represent the individual customer experience for outages where supply is progressively restored over time. For instance, for feeder faults, the outage period for the last customer restored is recorded, but not those restored earlier, meaning that the information can be misinterpreted in the VCR calculation;
- The VCR segmentation appears to be by climate zone and remoteness and not by a NSPs local area so we query how the probability weighted data will be used; and

- A past feeder outage may not represent the probability and impact of the replacement of a specific piece of aged network equipment which the RIT requires in its calculations. Energy Networks Australia would appreciate further clarification on how this data will be applied and whether it is being appropriately used in the final VCR numbers being produced by the AER.

### ***Transition***

The AER's draft decision does not provide much information on the transition process. In the engagement workshop with network planners and practitioners it may be useful to clarify how the new VCRs will be included into planning for current network revenue proposals and current RITs, taking into account the two release dates for VCRs and their impact on STPIS.

The following could be considered from a practicality perspective at the workshop and to the extent needed outlined in the AER's final decision:

- Revenue proposals about to be submitted to the AER in early 2020 adopt the current AEMO VCR's and network plans are updated in the revised revenue proposal with both the AER's initial VCRs and the WALDOs;
- Timing is too late for SAPN and EQ revenue proposals which have AER final decision in April 2020, they should continue under the current VCR's and the RITs use the new AER VCRs once they are known;
- RITs that have already commenced public consultation, such as Group 1 ISP projects, should continue on the basis of the current VCR's, RITs which commence publication consultation after 1 Jan 2020 and after 31 March 2020 should use the new AER VCRs and the WALDOs respectively;
- These arrangements would also provide a useful measure of reasonable process for annual updates and also the next 5 yearly step change;
- It is expected that the 2020 final ISP will have had sufficient time to incorporate the new VCRs and WALDOs when it is published in June 2020. This would provide consistency of data with the subsequent TNSP RIT processes.

Energy Networks Australia looks forward to AER's continued engagement with NSPs and the transition to the new VCR and the development of the WALDO's in early 2020.

Should you have any queries on this response please feel free to contact Verity Watson, [vwatson@energynetworks.com.au](mailto:vwatson@energynetworks.com.au).

Yours sincerely,



Andrew Dillon

**Chief Executive Officer**