

# Information notice – 2024 values of customer reliability review

We are required to review the values of customer reliability (VCR) methodology and update the VCR at least once every five years. We must complete our review and publish updated VCR by December 2024. This note is to inform the stakeholders on our thinking and next steps.

## Background to the review

The VCR seek to reflect the value different types of customers place on reliable electricity supply under different conditions and are usually expressed in dollars per kilowatt hour (kWh). The VCR play an important role in ensuring customers pay no more than necessary for safe and reliable energy, helping regulated energy businesses identify the right level of investment to deliver reliable energy services to customers.

The VCR are used in the National Electricity Market (NEM) in various ways, including (but not limited to):

- as an input in some regulatory investment test assessments
- in the setting of transmission and distribution reliability standards and targets
- in reviews to quantify the customer value of unserved energy<sup>1</sup>
- to inform market settings such as market price caps.

We developed the VCR methodology in 2019 and as part of that project, we undertook the largest VCR study ever conducted in Australia with over 9 000 residential, small business and industrial energy customers completing our survey. We also undertook extensive consultation and quality assurance on our VCR methodology.

Our final decision was published in December 2019, and it set out the VCR for unplanned outages of up to 12 hours in duration (i.e., standard outages) for the NEM and the Northern Territory.

## Why a new review?

Under rule 8.12 of the National Electricity Rules, we are required to review the VCR methodology and update the VCR at least once every five years. As our last review took place in 2019, we need to complete our review and publish the updated VCR by December 2024.

## Scope of the 2024 VCR review

Our 2024 review will determine values for standard outages up to 12 hours. While we will review the methodology to ensure it remains appropriate, we intend to use, as much as is practicable, the same methodology we developed for the 2019 VCR review including the

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<sup>1</sup> In general terms, unserved energy is an estimate of the electricity that would have otherwise been used by customers, but for an interruption in supply.

annual adjustment mechanism. This approach will allow us to draw on the extensive consultation and quality assurance work of the 2019 VCR review.

We will also be undertaking some work on high impact, low probability events<sup>2</sup> in 2024, concurrent with our VCR review. However, this work is separate from our VCR review and will require a different approach and/or methodology. We will provide stakeholders with further information on this work in early 2024.

### **Stakeholder involvement**

We welcome stakeholder involvement in the VCR review and our work on high impact, low probability events.

For the VCR methodology review, we will commence our consultation under the procedures in rule 8.9 of the National Electricity Rules with the publication of a draft report in early 2024. We will also hold a public forum in February/March 2024.

We intend to provide regular updates for stakeholders on our website and via email. We encourage interested stakeholders to subscribe to the AER website or join our email distribution list to stay up to date with our VCR review and our work on high impact, low probability events.

### **Timing**

We will provide details of our key milestones and consultation as soon as practicable.

### **For more information**

Information from the 2019 VCR review is available at [www.aer.gov.au](http://www.aer.gov.au). This includes our final decision on the VCR methodology. Stakeholders may wish to familiarise themselves with this material in advance of the commencement of consultation in 2024.

If you wish to contact the VCR review project team, please email [VCR2024@aer.gov.au](mailto:VCR2024@ aer.gov.au).

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<sup>2</sup> High impact, low probability events are a subset of the outages which fall outside the standard outages included in the VCR. These events do not occur often but have a high impact when they do occur.