



Ref: 20240420AS:HP

23 April 2024

Stephanie Jolly
Executive General Manager, Consumers, Policy and Markets
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Submitted via VCR2024@aer.gov.au

Dear Ms Jolly

Essential Energy's Submission on AER Draft Determination on Values of Customer Reliability Methodology - April 2024

Essential Energy appreciates the opportunity to provide feedback on the Australian Energy Regulator's (AER) *Draft Determination on Values of Customer Reliability (VCR) Methodology*, released in March 2024. We support the AER's efforts to refine the VCR methodology and ensure it remains fit for purpose, reflective of customer values, and conducive to informed decision-making in the National Electricity Market.

Essential Energy views the VCR methodology as an important informative tool in our expenditure decision making process to allocate spending towards making the network as efficient as possible to meet the National Electricity Objective and ultimately the needs of our customers. This allows us to maintain as low an expenditure (and spend money in the most productive way for our customers) as possible to minimise the impact of our expenditure on customer bills.

Preference to Combine WALDO and VCR Review

We concur with the views put forward at the recent VCR public forum to conduct the Widespread and Long Duration Outages (WALDO) assessment in conjunction with the VCR review. This approach not only ensures alignment and consistency across related frameworks but also leverages synergies in assessing customer values and expectations related to electricity supply reliability. Moreover, the integration of these reviews addresses the critical need for timely updates to both VCR and WALDO rates, ensuring regulatory requirements are met and stakeholders are provided with relevant, actionable data.

Representation of Reliability Levels and Customer Willingness to Pay

Essential Energy would like to highlight the issue raised during the public forum regarding the potential overrepresentation of respondents with high levels of reliability and no willingness to pay, which can skew the results. This issue is particularly relevant for Essential Energy's network, where feeders designated as poor performing under requirements set by the NSW network regulator, IPART, face challenges in justifying investments due to low customer density. In addition, we consider it important to consider that critical infrastructure loads (telecoms, wastewater etc) are currently not being broken out as a separate valuation and are instead rolled into the broader customer groupings. In our view this may be reducing the value society would be placing on these loads.

We would encourage the AER to ensure that the VCR methodology accommodates the nuances of these scenarios, ensuring that the diverse conditions and reliability experiences across rural networks such as Essential Energy's are adequately captured and reflected.

Expediated Process

As highlighted in the public forum, it is crucial that the VCR process encompasses broad and inclusive consultation to capture a wide range of perspectives and ensure the methodology is robust and reflective of customer interests over time. For these reasons, we think the VCR process is best undertaken under the standard consultation process, which would allow for more deliberative engagement on the survey results, rather than the expediated process.

We look forward to continued engagement with the AER and other stakeholders in refining the VCR methodology to ensure it effectively supports the long-term interests of electricity consumers in a transitioning energy market.

If you have any questions in relation to this submission, please contact Mr Anders Sangkuhl, Regulatory Strategy Manager via email at anders.sangkuhl@essentialenergy.com.au.

Yours sincerely,



Hilary Priest
Head of Regulatory Affairs