

23 April 2024



Stephanie Jolly
Executive General Manager, Consumers, Policy and Markets
Australian Energy Regulator
By email: VCR2024@aer.gov.au

24-28 Campbell St
Sydney NSW 2000
All mail to
GPO Box 4009
Sydney NSW 2001
T +61 2 13 13 65
ausgrid.com.au

Dear Stephanie,

Ausgrid welcomes the opportunity to provide this submission to the Australian Energy Regulator (**AER**) in response to its Values of Customer Reliability (**VCR**) Methodology Draft Determination (**Draft Determination**).

On 9 April Ausgrid submitted that the AER use the standard rules consultation procedure rather than the expedited procedure for the VCR review. This is because we consider that the Draft Determination insufficiently outlines why a 'Non-material Proposal' process is justified. A standard consultation procedure allows a more thorough examination of the current methodology and ensures that it remains fit-for-purpose. We continue to hold this view and look forward to the AER's upcoming decision on the process.

Given that a decision has not yet been made with respect to the process, and we support a more thorough investigation of the current methodology, our comments on the Draft Determination reiterate the points made in our submission of 9 April (relating to the residential and small business customer (**small customer**) methodology only):

- The justification for continuing the existing survey-based methodology does not contemplate the superior results that can be gained through well-structured deliberative engagement with customers. This approach has been executed successfully by most network businesses to inform regulatory proposals, and can yield richer and more trusted outcomes than short surveys with limited context or the ability to ask clarifying questions.
- It is not clear that the 2019 survey methodology will adequately capture the nuances of how customers are considering, for example:
 - The rapid adoption of solar panels and electric vehicles;
 - The shift in customer sentiment towards net zero via electrification; and
 - The impact of more frequent and severe weather, and the value of climate resilience.¹
- We support the suggestion made by the Energy Users Association of Australia (**EUAA**) at the public forum on 4 April to form a stakeholder reference group to discuss and assist in resolving the issues stakeholders have raised with respect to this review. Ausgrid would be happy to participate or support another network business' involvement if a group was formed.

¹ See Ausgrid's customer engagement for its 2024-29 Regulatory Reset. <https://www.aer.gov.au/system/files/2023-12/Ausgrid%20-%20Revised%20proposal%20-%202024-29%20Revised%20Regulatory%20Proposal%20-%2030%20Nov%202023%20-%20public.pdf/>.

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- Further exploration of factors outside CPI that may affect VCR is warranted.

After submissions on the expedited process closed we attended an information session by AusNet which outlined how they have approached calculating VCR for their customers. We found this to be extremely helpful in developing industry thinking on VCR and encourage the AER to consider whether any learnings from that process could be incorporated into the VCR review. In addition, learnings from our own stakeholder consultation and that of other network businesses could contribute to the VCR discussion.

We also suggest that consideration be given to prescribing a separate VCR for central business districts (**CBDs**). CBDs contain a unique mix of customers with significant economic impacts when there is an outage, resulting in a higher VCR. This was recognised by the AER's consultant in the AER's decision on the dispute raised in Ausgrid's RIT-D for a Sydney CBD project.²

While we appreciate that the AER is time-constrained in completing this work, the review is of critical importance to future investment in electricity networks. We re-iterate that we would support a delay the publication of the guidance if it is possible to ensure an appropriate decision can be made

If you have any questions regarding this submission please contact me at fiona.mcanally@ausgrid.com.au or 0479 100 519.

Regards,



Fiona McAnally
Acting Head of Regulation

² AER, Decision – Reliability Requirements in Sydney CBD – Determination on dispute – application of the regulatory investment test for distribution, October 2018, p 18.