SUBMISSION

Energy Users Association of Australia

AER VALUES OF CUSTOMER RELIABILITY METHODOLOGY – DRAFT DETERMINATION

24 APRIL 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

In our earlier submission on this matter[1], we set out our reasons for not supporting the proposed expedited process with particular focus on the proposed methodology for residential and small business customers. We are generally happy with the direct cost methodology being used for customer with demand >10MVA, though we would appreciate the opportunity to review the large customer questionnaire to ensure it reflects the actions our members are taking behind the meter to improve their reliability. They do not want to pay twice.

We noted that we have strongly supported past AEMO and AER VCR valuation processes and looked forward to being able to do so again in 2024. Our objective in objecting to the expedited process was not to get a lower VCR. Our objective was to get a robust VCR that is the result of a comprehensive engagement process to give all stakeholders confidence in the methodology and results. The risk of failing to do that is consumers (and networks) lack confidence in the results. This then rebounds on networks when they are seeking to meet their obligations under the Better Reset's Handbook in their engagement on expenditure proposals reliant on the new VCR values.

We argued that the AER had not made the case that minor amendments to the 2019 methodology enabled it to remain 'fit for purpose' in 2024. The AER's justification seemed to place greater emphasis on a consistent methodology with 2019 than the relevance of the methodology to what is the situation in 2024 and what might develop over the next 5 years. We suggested that the AER should be seeking the best measure – that may or may not be consistent with the 2019 results. We acknowledged that the AER may be right. Our issue is that the engagement process needs to allow for that conclusion to be transparently tested.

We recognised the time constraints the AER is facing, though we did ask whether that can be extended as it was with the recent Rate of Return review to enable the required stakeholder engagement.

We recommended the immediate establishment of a Stakeholder Reference Group to consider the next steps in the absence of an expedited consultation process so the AER can demonstrate that it seeks to apply similar standards of consumer engagement to itself that it does to networks under the Better Resets Handbook. This Group would

[1] https://euaa.com.au/euaa-submission/

include representatives of the AER, networks and consumers. Its scope would cover both timetable and methodology. We suggested some issues that this Group might consider. Finally, we noted that the level of the AER's administrative costs should not be a barrier to the AER undertaking best practice engagement.

We await the AER's decision on the next steps and remain ready to actively participate in any Stakeholder Reference Group the AER might establish.

Do not hesitate to be in contact should you have any questions.

Andrew Richards
Chief Executive Officer