

# PUBLIC FORUM: AER VCR METHODOLOGY DRAFT DETERMINATION

**EUAA**  
Energy Users Association of Australia

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# OUTLINE OF PRESENTATION – PROCESS AND CONTENT

- What is the EUAA's objective?
- The short timetable has limited consideration of the issues
- In the absence of that consideration, it is premature to conclude that the 2019 methodology remains 'fit for purpose'
- The Draft Determination is written in a way that suggests the AER has made up its mind
- The Draft Determination should have provided more information on why the AER made its 'fit for purpose' conclusion
- Some issues for consideration in determining 'fit for purpose'
- Suggestions for next steps

# WHAT IS THE EUAA'S OBJECTIVE?

- The EUAA represents most of the large energy users across the NEM and most of the electricity networks using VCR are corporate members
- We have strongly supported past AEMO and AER VCR valuation processes; look forward to doing so again in 2024 through facilitating member participation
- Our objective is not to get a lower VCR – our objective is to get a robust VCR that is supported by the evidence and is the result of comprehensive process to develop a rigorous methodology
  - if that results in an increased VCR then we accept it as being in all consumers' interests
- Our focus is on the VCR methodology for residential and small business customers
  - we are happy with the direct cost methodology for large customers
- We think that there should be more engagement before the methodology is finalised
- We think there are benefits on considering the VCR and the value of longer duration outages in parallel
- We recognise the time constraints the AER is facing

# THE SHORT TIMETABLE DOES NOT ALLOW PROPER CONSIDERATION OF ISSUES

- The AER's Information Notice sent out just before Christmas talked about a public forum in February/March – presumably with a consultation paper prior to then and a promise to provide regular updates to stakeholders
- The next communication was the Draft Determination on 25<sup>th</sup> March which has process and content issues
- On process
  - a very small time period to prepare for this session and put in an objection to the expedited consultation process
- On content –
  - little justification for considering the 2019 methodology 'fit for purpose'
- We would suggest that this engagement is not consistent with what the AER expects from networks under the Better Reset Handbook

# WE NEED MORE CONSULTATION TO AGREE THAT THE 2019 METHODOLOGY REMAINS 'FIT FOR PURPOSE'

- The Draft Decision gives the impression that the AER has made up its mind around methodology - hence the proposed expedited process – and is going through the motions on consultation
- Justification for the methodology continuing to be 'fit for purpose' is a brief explanation on p.17
- This justification seems to argue that a consistent methodology (to allow comparability of results over time) is more important than relevance to what is happening in 2024 and what is expected to happen out to 2029 and beyond
  - the AER should be seeking the best measure – that may or may not be consistent with the 2019 results
- The AER may be right – our issue is that the engagement process needs to allow for that conclusion to be tested
- We will conclude this presentation with a suggestion on how to do this and still meet the rules timetable

# SOME ISSUES FOR CONSIDERATION IN DETERMINING 'FIT FOR PURPOSE'

- Electricity market factors
  - How much and what information on the NEM/networks should be given to survey respondents to ensure informed responses?
  - How might forecasts of CER expansion over next 5 years influence questionnaire design?
  - How to have confidence responses to questions about interruptions of <12 hours from Victorian participants are not muddled by their recent experience of interruptions of >12 hours?
  - Should the value of momentary outages be included e.g. to assess value of reclosers
- Methodology
  - What can be learnt from the work of AusNet and Citipower/PowerCor/United in their quantifying customer values work ahead of their 2029-31 reset submissions?
  - Are 15 minute online questionnaires where payment is minimal still 'fit for purpose'?
  - How do you avoid respondents using AI?
  - How to measure the 'X' in the CPI-X annual adjustment
  - How can respondents indicate they prefer lower reliability and a lower bill?

- The EUAA recognises the time constraints that the AER is under to:
  - provide a revised VCR value by the end of 2024
  - provide a value of customer resilience associated with long duration outages for Victorian DNSPs' initial proposals in January 2025
- We recommend the establishment of a 'stakeholder reference group' to focus on the VCR issues raised above – consumers, networks and the AER
  - to provide the AER with the opportunity to expand on their view that the 2019 methodology is 'fit for purpose'
  - to provide consumers with the opportunity to raise issues they consider relevant in 2024 and effectively out to 2031 given the Victorian resets
  - the EUAA is ready to participate and do so in a way that enables the AER to meet its timetable constraints; and then support the participation of our members in the direct cost surveys
  - we will be making a submission arguing against the expedited process
- This Group may then be re-purposed/expanded to provide engage with the AER as it develops the long duration outage methodology

An aerial night view of a city skyline, likely Melbourne, Australia, featuring a prominent river and bridge. The city lights are illuminated against a dark sky, with a greenish tint overlaying the image. The top of the image has a decorative white lattice pattern.

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