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Dear Stephanie,

### **Value of customer reliability methodology – expedited process**

PIAC is writing to express our objection to the Australian Energy Regulator (AER) expediting the consultation process considering the methodology for determining the Value of customer reliability (VCR). We support the letter, issues and recommendations provided by the EUAA to the AER on this subject.

We understand the AER is expediting this process as they consider changes to the methodology are not material. PIAC does not agree with this rationale and consider material changes to the methodology are required, and that a standard consultation process is both warranted and necessary.

PIAC was closely involved with the AER's 2019 VCR review and regarded the stakeholder engagement related to that process as robust and representing good practice at the time. The process involved a representative stakeholder reference group and a survey methodology that was satisfactory for the time. While that methodology improved on previous iterations of the VCR setting process, its results reaffirmed that surveys are an unreliable tool for garnering consumer preferences on complicated (and material) matters such as trade-offs between price and reliability. For example, in relation to one question in 2019, 40% of respondents indicated they would not pay a cent to avoid some outages. This is an unreasonable result and reflects well understood cognitive biases which deliberative processes are explicitly structured to avoid.

Many potential improvements (including the employment of deliberative engagement with consumers) were identified during that process but were unable to be embraced due to insufficient time. In explaining this decision, the AER noted these process improvements could all be considered in 2024. The process proposed now does not deliver on that key commitment and represents a backward step even from the level of stakeholder engagement in the 2019 process.

Consumer advocates have acknowledged the need for a thorough VCR consultation process and the time required to complete this and have sought to engage with the AER since at least 2022. The draft determination at this stage and expediting the process limits the scope for any improvement and gives no recognition of the need to address known inadequacies of methodology and process.

Energy Ministers have requested work to determine a Value of Customer Resilience. This work should involve examination of longer duration / higher impact outages and presents the AER with an opportunity (and a need) to engage more deeply and robustly on these complex and very material matters.

The AER must address these issues or be seen to preserve known flaws in a methodology that has material impacts on costs for consumers. At worst it would mean all consumers paying in excess for reliability as a result of poorly structured surveys, subject to well-understood cognitive biases. At a time when consumer trust and confidence in the energy system is under serious question, this is an unnecessary and avoidable risk.

PIAC supports the EUAA in the issues and recommendations it raises and strongly recommends the AER not expedite this consultation process.

We would welcome the opportunity to discuss this matter further with the AER and other stakeholders at any time.

Yours sincerely

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