

2024 Values of Customer Reliability

Notice

Consultation procedure change

This notice is to inform stakeholders of our decision to change from the *expedited rules consultation procedure* to the *standard rules consultation procedure* for the 2024 review of the Values of Customer Reliability (VCR) methodology.

In reaching our decision we considered submissions made by stakeholders and issues discussed at our recent public forum. We have elected to change to the *standard rules consultation procedure* as provided for in Rule 8.9.3(f) of the National Electricity Rules (NER). While stakeholders generally agreed that the changes to our draft methodology were non-material, they submitted that we should consider a range of further issues which could affect the methodology. Changing to a standard rules consultation procedure will provide additional time for this to occur.

The *standard rules consultation procedure* now applies to the 2024 VCR methodology review.

The reasons for our decision, summaries of stakeholder submissions, revised timing of the project, and next steps are detailed below.

Background on the VCR consultation

On 22 March 2024 we published our [draft determination on the VCR methodology](#) (draft determination), setting out our updated VCR methodology for standard outages (unplanned outages with a duration of up to 12 hours) by way of amendments to the 2019 VCR methodology. Rule 8.9.1(d) of the NER provides we can use the *expedited rules consultation procedure* (expedited procedure) instead of the *standard rules consultation procedure* (standard procedure) if we consider the proposed amendments to the 2019 VCR methodology to be a *Non-material Proposal*.¹

The draft determination proposed to apply the 2019 VCR methodology, using questionnaire-based surveys with contingent valuation and discrete choice modelling elements to estimate customers' willingness-to-pay to avoid power outages with some amendments. The proposed amendments included removing reference to the nominal dollar value for the maximum willingness to pay, updating cost prompts and bill discounts to account for inflation impacts, and wording edits to improve clarity.²

We considered the nature of the proposed amendments to the 2019 VCR methodology to be a *Non-material Proposal* and published our draft determination to commence our formal consultation for the 2024 VCR review using the expedited procedure.

¹ See NER r 8.9.1(a): *Non-material Proposal* means a Proposal that, if implemented, will be unlikely to have a significant effect on the NEM or on the activities of the Registered Participants to which the Proposal relates.

² AER, [Values of Customer Reliability methodology – Draft determination – March 2024](#), 22 March 2024, pp. 9-14.

Submissions on consultation procedure

We have reviewed stakeholder submissions in response to our draft determination. The issues raised in these submissions relating to the consultation procedure are summarised in Table 1.

Table 1 Summary of submissions on VCR consultation procedure

Submitted by	Key points
Energy Users Association of Australia (EUAA)	<ul style="list-style-type: none"> Agreed the proposed amendments are non-material Submitted that the AER has not made the case that only minor changes will enable the 2019 methodology to remain 'fit for purpose' and that making this case cannot be made within the confines of an expedited process Submitted that the level of engagement the AER is proposing with an expedited process is not commensurate with their expectations of businesses Recommended that the AER establish a Stakeholder Reference Group for VCR
Ausgrid	<ul style="list-style-type: none"> Agreed the proposed amendments are non-material Submitted that the draft determination does not properly outline why a <i>Non-material Proposal</i> is justified Submitted that it shows insufficient assessment of alternative VCR methodologies like deliberative engagements Submitted that it is not possible to properly consider whether the current methodology remains fit for purpose using the expedited procedure
Public Interest Advocacy Centre (PIAC)	<ul style="list-style-type: none"> Submitted that material changes to the VCR methodology are required, and that a standard consultation process is both warranted and necessary Submitted expediting the process limits the scope for any improvement and does not address known inadequacies of methodology and process Supported EUAA's submission
CitiPower, Powercor, and United Energy (CPPCUE)	<ul style="list-style-type: none"> Agreed the proposed amendments are non-material and supports the specific amendments to the VCR methodology proposed in the AER's draft determination Submitted that the depth and complexity of change warrants more extensive consultation than would be possible via an expedited process
Bartley Consulting	<ul style="list-style-type: none"> Supported EUAA's submission, including the view that AER should establish a Stakeholder Reference Group for VCR Submitted that the timeline for consultation is short and inconvenient Submitted that AER's approach is inconsistent with expectations of networks under the Better Resets Handbook
Energy Networks Australia (ENA)	<ul style="list-style-type: none"> Submitted the need to establish a VCR stakeholder reference group/deliberative forum to discuss and assist in resolving issues raised in the review. Submitted the expedited approach to continue to use the 2019 VCR methodology with only minor amendments will not adequately capture the change in customer preferences, for example, the rapid adoption of electric vehicles.
Evoenergy	<ul style="list-style-type: none"> Supported the ENA's submission for the VCR review being undertaken and consulted on using the standard rules procedure.
Essential Energy	<ul style="list-style-type: none"> Submitted that the VCR process be undertaken under the standard consultation procedure to allow for more deliberative engagement on the survey results.

Source: [AER VCR website – Submissions on VCR draft methodology and consultation procedure](#)

Note: Submissions that did not address the consultation procedure directly are not summarised here. All submissions are published on the VCR website.

For some stakeholders, the submissions on the VCR consultation procedure formed part of a broader submission on the VCR review. Only the points relating to the consultation procedure are summarised here.

We also held a public forum on 4 April 2024 to discuss the draft determination, where some stakeholders expressed similar views to those contained in the submissions.

Decision and reasons

After carefully considering stakeholder submissions, our decision is to change to the standard consultation process. The submissions received either expressly agreed that the proposed amendments are a Non-material Proposal³⁴⁵ or did not address the issue of Non-materiality directly. However, stakeholders submitted that additional time for consultation is necessary to consider whether additional changes to the methodology should be made.⁶⁷⁸ Therefore, we are switching to the standard consultation process to provide further consultation opportunities.

Stakeholder submissions that addressed the consultation procedure broadly argued that the expedited procedure would not allow sufficient consideration of emerging electricity market factors to ensure the VCR methodology is fit for purpose. They referenced developments including flexible consumer energy resources trading arrangements,⁹ forecast rates of electrification and solar uptake¹⁰ and how changing customer preferences may impact the VCR. We plan to conduct targeted consultation on specific aspects of the methodology and its implementation.

In parallel we are also commencing work to establish a value of network resilience. This work responds to a request from the Energy and Climate Change Ministerial Council and provides additional opportunities for stakeholders to engage with us in developing an initial value for long duration outages (beyond 12 hours). Information on our value of network resilience work, including our issues paper and public forums is available on the [AER website](#).

Next steps

To accommodate for the switch to the *standard rules consultation procedure*, we will adjust the timeline of the 2024 VCR methodology review:¹¹

- The draft determination published on 22 March 2024 is now considered a consultation paper. Submissions on the consultation paper closed on 23 April 2024.
- We aim to publish a new draft determination on the VCR methodology in early June 2024,¹² and will allow 20 business days for further submissions.
- We must publish our final determination on the VCR methodology no later than 50 business days after the due date for the submissions on the new draft determination.
- The statutory deadline for publishing the updated VCR is **18 December 2024**.

³ Energy Users Association of Australia (EUAA), [EUAA – Submission on VCR consultation procedure](#), 9 April 2024, p. 2.

⁴ Ausgrid, [Ausgrid – Submission on VCR consultation procedure](#), 9 April 2024, p. 1.

⁵ CitiPower, Powercor, and United Energy (CPPCUE), [CPPCUE – Submission on VCR consultation procedure](#), 9 April 2024, p. 1.

⁶ EUAA, [EUAA – Submission on VCR consultation procedure](#), 9 April 2024, p. 2.

⁷ CPPCUE, [CPPCUE – Submission on VCR consultation procedure](#), 9 April 2024, p. 1.

⁸ Ausgrid, [Ausgrid – Submission on VCR consultation procedure](#), 9 April 2024, p. 2.

⁹ EUAA, [EUAA – Submission on VCR consultation procedure](#), 9 April 2024, p. 2.

¹⁰ CPPCUE, [CPPCUE – Submission on VCR consultation procedure](#), 9 April 2024, p. 1.

¹¹ NER, r. 8.9.3(g).

¹² The statutory deadline for publishing the draft determination is 3 July 2024, being 50 business days after publication of the consultation paper.

More information

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