

2 July 2024

Ms Stephanie Jolly
Executive General Manager, Consumers, Policy and Markets
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

By email only to: VCR2024@aer.gov.au

Dear Ms Jolly

Re: Values of Customer Reliability Methodology – Revised Draft Determination – June 2024

TasNetworks welcomes the opportunity to make a submission to the Australian Energy Regulator (AER) consultation on the Values of Customer Reliability (VCR) Methodology, Revised Draft Determination, June 2024.

As both the Transmission Network Service Provider and Distribution Network Service Provider in Tasmania, TasNetworks uses VCR in making network planning and expenditure decisions. We consider that a robust methodology is essential to ensure that VCR are an accurate representation of the value that customers place on a reliable electricity supply. This review is particularly pertinent. The VCR determined as part of this review will be used to facilitate prudent and efficient investment during a period of unprecedented network investment as the National Electricity Market transitions to net-zero.

In the 2019 VCR Review, Tasmania was part of Climate Zone 7 – Cool temperature segment for residential customers. Responses for this segment were split into inner and outer regional segments. Analysis found statistically significant differences between responses between the outer and inner regional segments but, these were ultimately merged to produce a single VCR as the sample size from the outer regional segment was too small. We reiterate from our previous submission that we encourage the AER to try to increase sampling from the outer regional segment of Tasmania to explore if these statistical differences in responses persist with a larger sample size.

In addition, we also would like to re-state our expectation that trends and large changes in VCR should be examined to ensure that they can be explained by actual changes in customer preferences and are not due to limitations in survey-based methodology.

For the direct cost survey to large business customers, TasNetworks suggests that the AER could consider removing the questions about outages over 12 hours as these are not used to derive VCR. We note however, that this is dependent on the methodology that the AER decides on for the current Value of Network Resilience Review¹. We also suggest that the questions about National Meter Identifiers could be removed, noting that this information was not used in the calculation of unserved energy.

In the absence of an appropriate methodology to determine an X value for the CPI-X annual adjustment that reflects changes in customer behaviours, preferences, and economic conditions between VCR reviews, we support more frequent VCR reviews.

Once again, thank you for the opportunity to comment on the proposed VCR methodology. To discuss the views expressed in this letter, please contact Gemma Hutchison, Senior Economic Policy Analyst, Regulation, on [REDACTED] or by email to [REDACTED]

Yours sincerely

[REDACTED]

Chantal Hopwood
Head of Regulation

¹ Australian Energy Regulator, Issues Paper Value of Network Resilience, May 2024