



16 October 2019

Australian Energy Regulator
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Melbourne Vic 3001

Sent by email: vcr@aer.gov.au

Value of Customer Reliability Draft Decision

Major Energy Users Inc (MEU) is pleased for the opportunity to provide its views on the methodology proposed by the Australian Energy Regulator (AER) for developing the Value of Customer Reliability (VCR) values for the National Electricity Market.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumer for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU stresses that the views expressed by the MEU in this response are based on looking at the issues from the perspective of consumers of electricity but it has not attempted to provide significant analysis on how the proposed changes might impact other stakeholders.

The MEU notes that the AER has not accepted all of the MEU suggestions it made in the response to the initial Consultation Paper. Despite this, the MEU considers that the proposed methodology is sound and should deliver appropriate values for VCR.

One concern that the MEU has about the draft decision is in regard to the proposed segmentation of VCR values. While supportive of the greater degree of segmentation proposed in the methodology, the MEU notes that the AER will

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”[a]ggregate VCRs for a particular area or region ... by load weighting the relevant aggregate residential and business cohort VCRs (including combined aggregate industry or sector \$/kWh VCRs for business customers with peak demand greater than or equal to 10 MVA)” (page 13)

What is absent from the draft decision is any mention as to what the final shape the aggregation will be. The AEMO approach aggregated the VCRs into NEM regions with and without the impact of direct connect customers¹. The AER needs to define in its methodology what the level of aggregation will be so that all stakeholders know what the actual deliverables from the AER will be.

The MEU considers that the VCR should be calculated on a NEM regional basis (as done by AEMO) but the draft decision is silent on whether this approach will continue. There is no doubt that the regional VCR must be provided for use by TNSPs and for many other uses, but the degree of segmentation proposed by the AER could possibly allow for a VCR to be calculated at a sub-regional basis.

There has already been some significant debate in the past regarding the use of VCRs at a sub-regional level², and noting that the VCRs must perforce be averages with quite large standard deviations, the MEU has concerns about using VCRs at a sub-regional level, so this aspect needs to be clarified.

The MEU is happy to discuss the issues further with you if needed or if you feel that any expansion on the above comments is necessary. If so, please contact the undersigned at davidheadberry@bigpond.com or (03) 5962 3225

Yours faithfully



David Headberry
Public Officer

¹ See AEMO Value of Customer Reliability Review Final Report September 2014

Table 29 National planning VCR values (\$/kWh)

	NSW*	VIC	QLD	SA	TAS
VCR (including direct connects)	34.15	32.62	34.91	34.06	25.62
VCR (excluding direct connects)	38.35	39.50	39.71	38.09	39.43

² For example, the dispute in July 2018 with Ausgrid regarding the VCR used for the RIT-D project “Ensuring reliability requirements in the Sydney CBD area”