

Values of Customer Reliability Consultative Committee Meeting Minutes

Date of Meeting: 18 November 2019
Location: Parliament room, Level 5, Casselden Place, 2 Lonsdale St, Melbourne
Time: 11:00 to 14:55

Attendees: Committee members: Matthew Webb (ENA), Tom Hallam (ENA), Gavin Dufty (Reliability Panel), Chris Murphy (Reliability Panel), Tom Walker (AEMC), Ben Jones (AEMO), Annette Weier (ICRC), Aaron Yuen (ESCV), Mick Fell (Energeia, on behalf of Lynne Gallagher, ECA), Jeremy Cross (ERAWA), Craig Memery (PIAC)

AER staff: George Huang, Paul Dunn, Ingrid Michel, Danielle Coronel, Jimmy Criticos, Eado Varon, Richard Hayes, Su Wu, Anthony Seipolt, Mark Wilson (by teleconference)

AER consultants: Terence Jones (MEI), Jeremy Tustin (ACIL Allen), Timothy Weterings (ACIL Allen)

Apologies: Duncan MacKinnon (AEC), Trevor Armstrong (Reliability Panel), Rowan Mckeown (ESCOSA), Mike Smart (IPART), Kimberley McKay (UCNT), Alisa Toomey (AEMC), Reena Kwong (AEMO), Andrew Richards (EUAA), Lynne Gallagher (ECA), Chris Lock (OTTER)

1. Welcome

George Huang welcomed Committee members and outlined the objectives for the meeting.

2. Introduction and apologies

Committee members, AER staff and Melbourne Energy Institute (MEI) representatives introduced themselves.

3. Minutes from previous meeting and matters arising/action list

Minutes from previous Values of Customer Reliability Consultative Committee (VCRCC) meeting were noted.

George Huang gave a brief recap of the matters discussed at the previous VCRCC meeting and an update on the VCR project.

4. Update on consumption profiles for residential and business customers

Jimmy Criticos presented an update on the AER's methodology for calculating consumption profiles.

Key points covered the following:

- The AER has derived separate consumption load profiles for each residential segment based on residential interval data to give the "shape" of consumption across the day and year. This shape is applied to construct annual consumption figures based on ACIL Allen Bill Benchmarking data.

- The AER's residential annual consumption figures were compared to the figures AEMO used in 2014. It was noted the difference between peak and off-peak periods varies with climate zone, season and time of week.
- The AER's approach for business customers is broadly the same as AEMO's. Annual consumptions for business cohorts are estimated based on survey responses, then converted to average hourly consumptions, and then factors for peak times, seasons and/or weekends are applied.
- The AER's business average hourly demand and monthly bill figures were compared to the figures AEMO used in 2014.

Members:

- discussed the use of ACIL Allen's Bill benchmarking data, including how it accounts for gas and solar use
- noted that it would be worthwhile multiplying the average consumption amounts from this data by the number of customers and comparing it to the annual load in the NEM as a cross-check (and similarly for business consumption figures).

5. Update on residential and business survey results

Richard Hayes gave a presentation updating on the residential and business VCR results.

Key points covered the following:

- the process for converting survey responses into dollar per kilowatt hour VCRs was outlined
- residential and business willingness to pay and accept results were presented and discussed
- the methodologies for calculating the probabilities of different types of outages for residential and business customers were outlined and figures were compared to those used by AEMO in 2014
- preliminary residential VCRs for the AER's climate zone/remoteness cohorts were presented (noting that they were subject to further analysis, review and quality assurance) and discussed.

Members:

- discussed the differences between the AER's outage probabilities and AEMO's
- discussed the AER's preliminary residential VCR values, and the potential reasons for differences with AEMO's 2014 values.

6. Update on direct cost survey results

Danielle Coronel and Ingrid Michel presented an update on the direct cost survey results.

Key points covered the following:

- the AER is using the same method as AEMO to convert direct cost survey responses to VCR values. This methodology uses outage cost data from survey responses for different outage durations, respondent annual usage data obtained from AEMO, and transmission outage data

- a comparison of the AER's and AEMO's outage probabilities for direct connect customers was presented
- preliminary VCR values derived from the direct cost survey responses (noting that they were subject to further analysis, review and quality assurance) under several possible segmentation options were presented and discussed. Members were asked which level of segmentation they consider the most appropriate and useful.

Members:

- discussed the different levels of segmentation presented, and expressed a general preference for numbers to be presented by business area segments rather than a transmission and distribution split
- noted that guidance and commentary should be provided around the direct cost VCR values.
- noted how these VCR values are presented and expressed is important, and that segmentation by business sector is preferred.

7. Deriving NEM and regional VCR values

George Huang briefly described the process for deriving NEM and regional VCR values.

Key points covered the following:

- residential, business and direct cost \$/kWh values can be load weighted to derive NEM and regional VCR values.
- this will require working out the proportion of load by residential, business (with peak demand of less than 10 MVA per annum) and large business (with peak demand of more than 10 MVA per annum) segments for an area. Load data from AEMO and network businesses will be required to do this.

8. Widespread and long duration outages

Jeremy Tustin and Timothy Weterings (ACIL Allen) gave a presentation on the methodology for calculating VCRs for widespread and long duration outages.

Key points covered the following:

- widespread and long duration outage VCRs will be constructed from residential costs, commercial and industrial costs, social costs, and outage unserved energy
- the assumptions, inputs and outputs of the model were explained and discussed
- a demonstration of a preliminary version of the model was provided.

Members:

- queried whether the model could be used for outages beyond the 15 GWh range. ACIL Allen representatives noted that adjustments would need to be made to the model as this would involve extrapolating fitted curves outside their range
- discussed the connection between standard outage VCRs and the widespread and long duration outage VCRs produced by the model.

9. Next steps & close meeting

George Huang thanked Committee members for their involvement in the VCRCC, and outlined the next steps for the AER to complete the VCR project:

- the *Final decision* on the VCR methodology will be published shortly

- residential and business sector (including large customers) VCR values are being finalised, with MEI providing quality assurance. These sector results will be load weighted to develop NEM and aggregate regional VCR values
- VCR values for standard outages will be published as part of an AER report in mid-December. A KPMG/Insync report on the main survey will be published alongside this AER report
- a VCR public forum will be held to coincide with the publication of the *Final report*
- work on widespread and long duration outage VCRs will continue and be finalised in the first quarter of 2020.