

18 October 2019



Mr Mark Feather  
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By email: [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au)

Dear *Mark*

Ausgrid supports the AER's review of Values of Customer Reliability (VCR) and development of a methodology for estimating VCR values for the National Electricity Market (NEM) and Northern Territory. We have reviewed the Values of Customer Reliability Draft Decision (September 2019) and appreciate the opportunity to provide our comments.

Ausgrid uses VCR's primarily for probabilistic planning assessments. Therefore, we are particularly interested that VCRs accurately reflect the breadth of our network customers and are supportive of the proposed extended customer segmentation relative to the AEMO 2014 study. To this end, we note there has been recent increased connections by data centres and ICT facilities and major transport and infrastructure customers (including metro and tunnel projects) where peak demand is anticipated to be more than 10MVA. The AER proposed 2019 segmentation of large business (>10MVA) VCR identifies data centres but does not include major transport and infrastructure customers. Although the AER has launched the direct cost survey for transmission and distribution connected customers on 23 August 2019, we urge the AER to include the major transport and infrastructure customers in their business segmentation because these customers typically have continuous 24/7 operations and their VCR expectations are likely to vary from other conventional manufacturing and process industries. Furthermore, these customers have made long-term project investments with electricity requirements in various NEM regions.

In relation to other aspects of the AER's draft VCR methodology for estimating standard outage VCR's, Ausgrid supports the survey approach, including the proposed modifications and improvements to the AEMO 2014 study. We agree with the early commencement of customer surveys to facilitate publication of VCR's in December 2019 as per the requirements of the National Electricity Rules. We also believe that the proposed macro-economic modelling approach is appropriate for estimating the widespread and long duration outage VCR's and understand that the necessary study will delay publication of relevant VCRs until the first quarter of 2020. As the published VCR's are subject to an Annual Adjustment Mechanism (AAM) which is currently proposed to be CPI-X, we agree that X be set at zero. However, we would like to participate in any future discussion on alternative values of X, given that it is intended to represent key drivers of annual change in customer reliability preferences.

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Given that we use VCR's in our planning assessments, we request the AER to clarify the timing and method of transition for use of the new VCRs following publication. We note that the AER has indicated they will not delay transition to the new VCRs in the absence of identifiable long-term benefits to consumers through delay.

Ausgrid looks forward to continuing to engage with the AER in its 2019 review of VCR's. If you have any further questions regarding this response, please contact Matt Cooper on 0292692073.

Regards,

A handwritten signature in black ink, appearing to read 'M Webb', with a stylized, cursive script.

Matthew Webb  
Head of Asset Investment, Ausgrid