

24 May 2019

George Huang
Director, Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Email: vcr@aer.gov.au

Dear Mr Huang

Value of Customer Reliability – response to consultation update paper

Evoenergy welcomes the opportunity to provide feedback to the Australian Energy Regulator (AER) on its Consultation Update Paper on the Value of Customer Reliability (VCR).

Evoenergy supports the AER's continued work to develop robust and consistent VCR values to help ensure that network planning and investment achieves customers' preferred balance between efficiency and reliability.

As noted in our submission to the AER's earlier consultation paper,¹ Evoenergy continues to advocate for the development of network-specific VCR values for the ACT. Doing so ensures that VCR estimates capture valuable information on differences in customer preferences across jurisdictions, including the ACT's distinct climatic and socioeconomic characteristics. We therefore welcome the AER's intention to survey ACT customers and construct VCR values specific to the ACT.² We emphasise, however, this requires surveying a sufficiently large sample of customers in the ACT to achieve the AER's desired level of granularity in segmenting customers (e.g. CBD, suburban, etc).

Evoenergy agrees with the AER's intended approach of using choice modelling and contingent valuation survey techniques to derive VCR values for residential and business customers. In particular, as outlined in our earlier submission,³ Evoenergy supports the use of choice modelling as being most consistent with economic theory because it allows for simultaneously valuing multiple attributes, such as frequency, duration, and time of day of supply interruptions. Choice modelling can also help overcome potential shortcomings of contingent valuation, such as strategic responses and anchoring bias. Evoenergy also agrees that a direct-cost survey approach is appropriate for large energy customers (including some high voltage customers connected to the distribution network) where these customers are able to ascribe specific financial costs to supply interruptions. We would also be pleased to discuss with the AER approaches for engaging with large customers in the ACT, including Evoenergy's involvement.

¹ Evoenergy, *Value of Customer Reliability – response to consultation paper*, 16 November 2018, p 2.

² AER, *Values of Customer Reliability – Consultation Update Paper*, 18 April 2019, pp 14 and 30.

³ Evoenergy, above n 1, p 3.

While we note the AER intends to use similar survey questions to AEMO's 2014 survey, Evoenergy would welcome the opportunity to review and provide feedback on the updated questions and survey design.

Evoenergy looks forward to continuing engagement with the AER on the VCR review, and receiving further detail on the AER's proposed methodology as it develops, including for High Impact Low Probability (HILP) events and momentary outages. Should you have any questions, please do not hesitate to contact Lev Yulin, Principal Economist, on (02) 6248 3107 or lev.yulin@actewagl.com.au.

Yours sincerely

A handwritten signature in blue ink, appearing to be 'M' followed by a flourish.

David Graham
Director, Regulatory Affairs and Pricing