



16 November 2018

Mark Feather
General Manager
Policy and Performance
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

Dear Mr Feather,

Consultation Paper: Values of Customer Reliability

Origin Energy Limited (Origin) welcomes the opportunity to comment on the Australian Energy Regulator's (AER) consultation paper on the 2019 Values of Customer Reliability (VCR) review.

Origin notes that the VCR is sometimes utilised in network planning but given the inherent limitations of the measure, care should be taken when applying it to policy or regulatory decisions. The estimate of VCR can be variable, and dependent on the nature of the survey and the customer segment considered.

We look forward to the AER using this consultation to provide transparency to the market on the survey process, and the mechanics of deriving the VCRs from the responses. We also request that in preparing its reports, the AER reflects on how the process of deriving the VCR (and its consequent limitations) impacts its usefulness in policy setting. If the VCR is to be utilised more broadly, clarity is needed on the context and extent it is appropriate to do so. We consider that a more informed response to the questions asked in the consultation paper about potential usage of the 2019 VCRs can come from deeper understanding of how they will be derived and any necessary assumptions.

The paper highlights that historically high impact low probability events have been excluded in determining the VCR. This approach should be retained as their inclusion may skew results most likely leading to bias which would result in an over valuation of the VCR. As noted by the AER, the VCR is not used in transmission special protection schemes, which are one of the main management systems for high impact low probability events.

The AER should also consider the changes in the market since 2014 and not be constrained with exactly matching the previous methodology. One significant change in the period has been improvements in technology, especially relating to storage and the potential for stand-alone power systems. Origin supports the AER's examination of substitution on the VCR given that some customers may be willing to invest in behind the meter storage technologies as a substitute for grid supply. It is appropriate that the survey design recognises this option. It would also be useful to evaluate if different customer segments hold varied valuations for supply through the grid, from behind the meter technologies, or stand-alone power technologies.

Should you have any questions or wish to discuss this submission further, please contact Alex Fattal in the first instance via email alex.fattal@originenergy.com.au or phone, on (02) 9375 5640.

Yours sincerely

A handwritten signature in blue ink, consisting of a stylized 'S' followed by a vertical line.

Steve Reid
Group Manager, Regulatory Policy