

20 December 2018

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

Via email AERInquiry@aer.gov.au

Dear Mr Feather

RE Value of Customer Reliability – Consultation Paper October 2018

TasNetworks welcomes the opportunity to make a further submission to the Australian Energy Regulator (**AER**) on the **Value of Customer Reliability (VCR)** consultation paper.

As the Transmission Network Service Provider (**TNSP**), Distribution Network Service Provider (**DNSP**) and jurisdictional planner in Tasmania, TasNetworks is focused on delivering safe and reliable electricity network services while achieving the lowest sustainable prices for Tasmanian customers. This requires the prudent, safe and efficient management and development of the Tasmanian power system. In this regard, TasNetworks supports the AER's efforts to develop up to date and robust estimates of the value customers place on reliable electricity supply.

TasNetworks considers that using one VCR value for many different purposes is unlikely to result in optimal customer outcomes. Trying to incorporate considerations pertaining to market price caps, High Impact Low Probability (**HILP**) events and regional load shedding priorities into one VCR would only serve to obfuscate and undermine the primary purpose behind the use of VCRs. That is, to ensure efficient network planning and investment.

In this respect, TasNetworks encourages the AER to adopt appropriate methodologies to develop individual VCRs that are fit for specific purposes. To avoid confusion, TasNetworks contends that this should include a separate VCR for HILP as described further below, but should not, in general, extend to the formalisation of the use of VCRs for operational decision making. This is already considered as but one of number of relevant factors in operational planning. For example, when to schedule outages to minimise customer impacts based on the number and type of customers affected.

To aid the development of truly fit for purpose VCRs, TasNetworks encourages the AER to complete as broad a segmentation analysis as is practical and relevant. In this respect, TasNetworks considers climate differences, business types and whether customers have access to alternative fuels sources to be amongst the more useful differentiators. Socio-economic factors, however, should be avoided on the grounds that this is likely to add unnecessary cost and complexity for little informational gain.

Although potentially a longer and more costly process, this segmentation approach will ensure a more efficient outcome for customers, allowing more granular appraisal of those factors most relevant in specific jurisdictions. This is particularly relevant in a Tasmanian context where, in contrast to mainland jurisdictions, access to alternative fuel sources such as natural gas is significantly lower. Adoption of a national VCR that does not factor in climate and dual fuel considerations would thus have the potential to compromise equitable and efficient outcomes for Tasmanian customers.

As noted above, TasNetworks supports the development of VCR values associated with HILP events. Noting the spectrum of possible HILP events, TasNetworks suggests developing two HILP VCRs. The first would address the community impacts and costs associated with localised HILP events stemming from large-scale distribution and/or transmission outages within a sub region of a given jurisdiction. In contrast, a second, interconnected transmission HILP VCR would estimate the impacts to customers across an entire NEM region or regions. For example, from the effects of a system black event as occurred in South Australia in 2016. TasNetworks considers that the use of these two HILP VCRs would avoid the risk of too little, or too much, network investment that might otherwise result from the application of one broad HILP VCR.

TasNetworks welcomes the opportunity to discuss this submission further with you. Should you have any questions, I can be contacted via email (tim.astley@tasnetworks.com.au) or by phone on (03) 6271 6151.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Tim Astley', with a horizontal line extending from the end of the signature.

Tim Astley
Team Leader NEM Strategy and Compliance