

28 June 2013

Ms Reena Kwong  
Australian Energy Market Operator  
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Dear Ms Kwong

### **Value of Customer Reliability - Directions Paper**

Energex Limited (Energex) welcomes the opportunity to respond to the Australian Energy Market Operator's (AEMO's) Value of Customer Reliability (VCR) Directions Paper. Energex also thanks AEMO for the opportunity to discuss the Directions Paper at a meeting on 13 June 2013.

From that meeting Energex understands that AEMO has consulted with the Australian Energy Market Commission and the Australian Energy Regulator on the methodology set out in the Directions Paper. Further, the tight timeframes outlined in the Directions Paper are indicative only and would change if necessary to produce a high quality VCR study. In Energex's view a high quality VCR study requires:

- A literature review and engagement with economic experts to ensure that the adopted methodology is state-of-the-art. Energex supports the choice-modelling approach to be adopted by AEMO;
- Retention of data management and surveying experts, ideally with access to a diverse range of electricity customers such as the Australian Bureau of Statistics;
- An unbiased and adequate sample size and a period of at least six months to conduct the survey, depending on sample size requirements and the scope of the study; and
- Active consultation with industry, customers and regulators to instil confidence in the robustness of the process and outputs. In doing so, AEMO is likely to engender greater stakeholder acceptance of the resultant VCRs.

Energex notes the lack of detail in the Directions Paper on methodology and process and, as discussed with AEMO officers, would welcome additional specific detail in the Final Directions Paper on such issues as sample size expectations and customer recruitment strategy.

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Energex would welcome further engagement with AEMO during the next stages of this project, particularly on AEMO's detailed design and implementation strategy. If you require any further information, please do not hesitate to contact Mr Alex McPherson on (07) 3664 4104.

Yours sincerely



Neil Andersen  
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