

28 June 2013

Australian Energy Market Operator

Via e-mail: reena.kwong@aemo.com.au

Dear Reena

Value of Customer Reliability – Directions Paper

SA Power Networks provides the following comments on the Value of Customer Reliability Directions Paper.

Approach and methodology

SA Power Networks view choice modelling as a robust market research methodology. As with any research, careful development of relevant inputs in design and analysis influence the quality of results.

Customer classes

SA Power Networks considers that the proposed classification of customers provides AEMO with a convenient and easy method for subdividing customers into classes. However, the proposed classification will not provide a willingness to pay (WTP) for different types of business customers such as commercial, industrial, manufacturing, agricultural etc, who are likely to value customer reliability differently.

It should be noted that within the SA Jurisdiction the threshold for re-classification from medium to large business is 160MWh not the 100MWh detailed within the Directions Paper. In addition, all small customers (ie less than 160MWh) within SA are supplied from one virtual Transmission Connection Point (TCP), so AEMO will not be able to calculate a VCR for every TCP in SA, as MSATS does not contain that information.

SA Power Networks considers that it would inaccurate to use the TCP VCR to calculate individual VCR for each feeder. We consider that it would be more appropriate to calculate VCRs at a distributor level. Alternatively the VCR could be calculated at the level which corresponds to establishing reliability service standards (eg in SA reliability standards are established for seven

regions/geographic areas). However, to determine reasonable estimates of VCRs at this level would require multiple VCR surveys. This would provide additional assurance that the reliability standards established at these levels reflect the value that customers place on reliability.

Not with standing this alternative, SA Power Networks consider that VCR values determined at the distributor level would be more consistent with the MCE/SCER's direction for establishing VCRs at National Electricity Market (NEM) regional levels.

Catering for uncertainty – VCR attributes

SA Power Networks supports AEMO's approach to the survey design by including the following attributes:

- Range of outage durations;
- Outage time of day (peak or non-peak);
- Severity of outage (localised or widespread).

SA Power Networks considers that the granularity of the outage durations being covered by the survey needs to be increased to provide coverage for the majority of outages. In SA the majority of outages are less than 12 hours in duration and are typically in the range 1-3 hours. So we recommend that additional outage durations of 3 hours and 12 hours be incorporated into the survey.

If you wish to discuss our submission or have any questions please contact Mr Grant Cox on 08 8404 5012.

Yours sincerely


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General Manager Corporate Services

