



7 June 2018

Mr Ben Davis
Acting Director
Australian Energy Market Commission
PO Box A2449
SYDNEY SOUTH NSW 1235

Dear Mr Davis,

EPC0231 – Establishing Values of Customer Reliability – Consultation Paper

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC), on its consultation on the *National Electricity Amendment (Establishing values of customer reliability) Rule 2018 – Consultation Paper*. This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy), Ergon Energy Queensland (EEQ) and Yurika Pty Ltd (Yurika).

Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to contact either myself on (07) 3851 6416 or Trudy Fraser on (07) 3851 6787.

Yours Sincerely

A handwritten signature in black ink, appearing to read "Jenny Doyle".

Jenny Doyle
General Manager Regulation and Pricing

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Encl: Energy Queensland's submission to the Consultation Paper

Energy Queensland Submission on the National Electricity Amendment (Establishing values of customer reliability) Rule 2018

Consultation Paper

Energy Queensland Limited
7 June 2018



About Energy Queensland

Energy Queensland Limited (Energy Queensland) is a Queensland Government Owned Corporation that operates a group of businesses providing energy services across Queensland, including:

- Distribution Network Service Providers, Energex Limited (Energex) and Ergon Energy Corporation Limited (Ergon Energy);
- a regional service delivery retailer, Ergon Energy Queensland Pty Ltd (Ergon Energy Retail); and
- affiliated contestable business, Yurika Pty Ltd.

Energy Queensland's purpose is to "safely deliver secure, affordable and sustainable energy solutions with our communities and customers" and is focussed on working across its portfolio of activities to deliver customers lower, more predictable power bills while maintaining a safe and reliable supply and a great customer service experience.

Our distribution businesses, Energex and Ergon Energy, cover 1.7 million km² and supply 37,208 GWh of energy to 2.1 million homes and businesses. Ergon Energy Retail sells electricity to 740,000 customers.

The Energy Queensland Group now includes Yurika, an energy services business creating innovative solutions to deliver customers greater choice and control over their energy needs and access to new solutions and technologies. Yurika is a key pillar to ensure that Energy Queensland is able to meet and adapt to changes and developments in the rapidly evolving energy market.

Contact details

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1 Introduction

Energy Queensland Limited (Energy Queensland) welcomes the opportunity to provide comment to the Australian Energy Market Commission (AEMC) on its National Electricity Amendment (Establishing values of customer reliability) Rule 2018 Consultation Paper (Consultation Paper). This submission is provided by Energy Queensland, on behalf of its related entities Energex Limited (Energex), Ergon Energy Corporation Limited (Ergon Energy), Ergon Energy Queensland Limited (EEQ) and Yurika Pty Ltd (Yurika).

Energy Queensland supports establishing the Australian Energy Regulator (AER) as the responsible body for the on-going review and updating of VCRs for each regulated network and agrees that this will result in a nationally consistent value of customer reliability (VCR). Given the significance of the use of VCRs in capital expenditure (CAPEX) works, service target performance incentive scheme (STPIS) trends and the regulatory investment test (RIT) process, we suggest that appropriate guidance on the methodology for calculating and updating the VCR is prescribed in the national electricity rules (NER).

Energy Queensland has provided responses to the questions raised in the Consultation Paper in the following section. Energy Queensland is available to discuss this submission or provide further detail regarding the issues raised, should the AEMC require.

2 Table of detailed comments

Consultation Paper Feedback Question	Energy Queensland Comment
Issue 1: Responsibility for establishing VCRs	
1.1 Is it important to have one national body responsible for establishing VCRs?	Energy Queensland agrees that having one national body responsible for establishing VCRs will result in a nationally consistent approach to setting VCRs.
1.2 Is the AER the appropriate body to be responsible for updates to the VCR? If not, which body should be responsible for this task, and why?	Energy Queensland supports establishing the AER as the body responsible for updates to the VCR. We believe that it is important to retain the regulatory role and functions with the AER. However, we suggest that given the significance of the use of VCRs, it would be prudent for the AER to consult with the Australian Energy Market Operator (AEMO), the Reliability Panel and network service providers (NSPs) in developing the methodology and updating the VCR.
Issue 2: Methodology	
2.1 Should the NER provide an objective for the AER in calculating VCRs? If so, should the objective be to calculate fit for purpose VCRs for the current and potential uses of VCRs? Are there any other objectives that should be explicitly stated?	Energy Queensland agrees that the NER should provide an objective for the AER in calculating VCRs.
2.2 Should the NER guide the AER in determining the VCR methodology? If so, how?	Energy Queensland suggests that the NER provide guidance to the AER in determining the VCR methodology. In particular, we suggest that the guidance include high level principles and that consultation with the AEMO and the Reliability Panel is required as a minimum.
2.3 Should the NER guide the AER regarding the methodology for annual adjustments to VCR estimates? If so, how?	Energy Queensland suggests that the NER prescribes a methodology for an annual adjustment to VCRs. We suggest that the methodology is kept to a simple annual indexation factor.

Issue 3: Timing for the first review

3.1 Is 31 December 2019 the appropriate date for the AER to be required to have published the first estimated VCRs? If not, what should the date be?

Given the importance of the VCR in calculating CAPEX works, STPIS trends and the RIT process, which typically have annual reporting requirements, we suggest that the publication of the first VCR (and subsequent VCRs) align with the end of the financial year. Energy Queensland suggests that an appropriate time for the publication of the first VCR would be 30 June 2020. This should allow sufficient time for development of the methodology and calculation of the first VCR along with adequate consultation with key stakeholders.

Issue 4: Timing of subsequent reviews and updates

4.1 Do stakeholders agree that a five yearly review period is an appropriate review cycle for updating VCRs?

Energy Queensland agrees that a five yearly review period is an appropriate review cycle for updating VCRs. This will provide stability for NSPs during their regulatory control period. We consider that a more frequent review cycle does not provide adequate consideration of the dynamics of network planning, performance reporting, RIT and project management processes.

4.2 Is an annual adjustment of the VCR required?

Energy Queensland suggests that an annual adjustment through a prescribed indexation factor will allow NSPs to apply the most appropriate VCR to their regulatory control period.

Issue 5: Initial process

5.1 Should the AER be required to consult with specific parties when determining the methodology for the initial estimation of VCRs? If so, who?

As noted in our response to 2.2 above, we suggest that the NER prescribe that the AER must consult with AEMO and the Reliability Panel, as a minimum. Furthermore, to improve transparency of the process, Energy Queensland suggests that consultation with NSPs would also be prudent.

5.2 Should the AER be required to follow the Rules consultation procedures in developing the VCR methodology?

Energy Queensland agrees that the AER should be required to follow the Rules consultation procedures in developing the VCR methodology.

Issue 6: Subsequent review process

6.1 Should the AER be required to follow the Rules consultation procedure for updates to the VCR methodology?

Energy Queensland believes that if a simple indexation methodology is prescribed in the NER, the consultation process is not required for an annual update. However, the consultation process should be required as part of the five yearly review of the VCR methodology.

6.2 Should the AER be required to consult with specific parties when reviewing and updating the methodology? If so, who?	As noted in our response to 5.1 above, we support a minimum requirement to consult with AEMO and the Reliability Panel. Furthermore, consultation with NSPs would also be prudent.
6.3 If the Rules consultation procedures are to be followed for updates to VCR methodology, is it reasonable for minor or administrative amendments to be made outside of the Rules consultation procedures?	Energy Queensland agrees that minor or administrative amendments could be made outside of the Rules consultation procedures.
6.4 Should subsequent reviews take into account the previously determined methodology?	Energy Queensland suggests that each review should consider the previously determined methodology. In the absence of significant change events, it may be appropriate to retain a previously determined methodology with minor amendment. Notwithstanding, any methodology should include direct customer engagement, such as through surveys.
6.5 Is it appropriate for reviews of the methodology to occur on a five yearly basis? If not, what would be an appropriate review cycle?	Energy Queensland agrees that it is appropriate to review the methodology on a 5 yearly basis, so that the methodology is reviewed prior to the 5 yearly update of the VCR.

Issue 7: Publication requirements

7.1 Should the AER be required to publish estimates and the methodology, both when initially determined and when any updates or adjustments occur?	<p>Energy Queensland supports the AER being required to publish estimates and the methodology together with the reviewed VCRs. We suggest that the estimates and the methodology are included as separate chapters in the published document of reviewed VCRs.</p> <p>Energy Queensland suggests that estimates and methodology for adjustments only be published if they materialistically impact the adjustments of the VCR.</p>
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Issue 8: Amendment s3.9.3A(e)(4)

8.1 Should clause s3.9.3A(e)(4) be amended to replace AEMO with the AER?	Energy Queensland supports amendment of clause s3.9.3A(e)(4) to replace AEMO with AER.
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Issue 9: Issues specific to the Northern Territory

9.1 Is a differential rule required in the Northern Territory? If so, in relation to which parts of the indicative rule and why?	EQL have no comment on this issue.
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