



9 August 2013

Mr John Pierce  
Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Submitted online: [aemc@aemc.gov.au](mailto:aemc@aemc.gov.au)

Dear Mr Pierce

**RE: REVIEW OF NATIONAL FRAMEWORKS FOR TRANSMISSION AND DISTRIBUTION RELIABILITY (EPR0028)**

Origin appreciates the opportunity to provide input to the Australian Energy Market Commission's (AEMC) *Review of the national frameworks for transmission and distribution reliability*.

Origin supports robust and consistent frameworks for transmission and distribution reliability that reflect the value customers assign to limiting network constraints.

*Benefits of a national model*

Origin considers there would be significant benefits arising from a national framework for transmission and distribution reliability. This would facilitate comparisons across jurisdictions and would also be likely to reduce the cost of regulation.

As noted by the AEMC three processes of consultation have recently touched on similar issues: the Review of Distribution Reliability Outcomes and Standards - both national and NSW workstreams - and the AEMC update to the Transmission Reliability Standards Review. Jurisdictional governments must still determine whether they will adopt the outcomes of these reviews. A consistent national framework could be expected to reduce duplication and cost.

A further benefit of a consistent national approach could be to limit the potential for outcomes whereby the network is reinforced to a standard that exceeds the value customers allocate to reliability. Ultimately, this has negative implications for customers as well as for the industry as a whole, as it drives costs beyond levels the community consider reasonable and can undermine customers' confidence in the efficiency of energy services.

### *Consistency of definitions*

In Origin's view, definitions within the standards framework should be consistent, as far as possible, across the jurisdictions of the National Electricity Market (NEM). Origin recognises that the value customers place on reliability may vary in different regions. For example, in city areas, where there is a strong concentration of high-value services provided, or in rural or remote areas due to the impacts of isolation customers may place a high value on the reliability of supply. Such differences notwithstanding, we maintain that the best way to express standards is through a consistent approach.

As noted by the AEMC:

*The Commission considers that while distribution reliability measures should use a single consistent set of definitions, locational differences between jurisdictions could be addressed to a large extent through different reliability targets for different parts of the network. Therefore, under the proposed national framework, reliability targets could vary by jurisdiction, and within jurisdictions, to accommodate the specific locational characteristics and regions respectively.<sup>1</sup>*

Origin concurs with this view. Variations based on the circumstances of each sub-region in the NEM are unavoidable, but should not preclude a transparent approach informed by economic principles.

### *Determining the trade-off between cost and reliability*

As noted by the AEMC, setting reliability targets is a complex exercise and determining the value customers as a whole ascribe to reliability in particular is uncertain where methodologies used to assign a value to reliability are subject to a considerable margin of error.

At high level assessments of the value of customer reliability (VCR) should be based on technically-sound approaches, in a similar manner to estimates of value of loss load (VOLL) that are calculated for the purpose of planning generation investments. In practice, however, approaches to VCR vary, with significant variation in outcomes depending on key assumptions. As such, it would be desirable to recognise the sensitivities of these estimates to changes in assumptions, for example, by implementing a number of approaches to estimating VCR and adopting a blend of these. Checks and balances like these should be instituted to reduce the potential for over or under capitalisation of the network.

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<sup>1</sup> AEMC, Review of the national frameworks for transmission and distribution reliability Consultation paper, July 2013, p.26

Should you have any questions in relation to this submission please contact me on (02) 9503 5674.

Yours sincerely

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