

Ref:EPR0027

30 November 2011

Australian Energy Market Commission  
PO Box A2449  
Sydney South NSW 1235

Dear Sir

### **Review of Distribution Reliability Outcomes and Standards**

Essential Energy appreciates the opportunity to provide a response to the Australian Energy Market Commission's (AEMC's) issues paper on the Review of Distribution Reliability Outcomes and Standards ('the paper').

Essential Energy has the following comments on the questions raised by the AEMC in the paper:

- Customer service standards are an important part of Essential Energy's licence conditions. Essential Energy believes that the scope of the paper should be expanded to consider customer service standards from a different perspective to that contained in the current licence conditions. In our opinion customer service standards and reliability are related and could have a significant impact on investment undertaken if looked at from the perspective of increasing customer communication and engagement during outages.

The current review provides the AEMC with the opportunity to investigate how increased customer engagement can reduce overall network costs by replacing expensive network upgrades with lower cost, but improved, communication with customers.

From a customer's perspective, reliability is the main barometer of service. Their experience of reliability is mainly derived from the number, and duration, of supply interruptions in any given period. Central to this is the ability of the network to be able to effectively communicate with customers from commencement of the outage to restoration of supply.

Customers and networks now have the ability to communicate via an increased number of channels. Two way communication is available via mobile internet, SMS, email, and social websites (Twitter and Facebook) in addition to traditional forms of communication such as phone, mail and fax.

A network is able to engage with their customers and answer their fundamental questions including:

1. How long before the power is back on?
2. What caused the outage?
3. Have the work crews been dispatched to the area?
4. How widespread is the outage?

This may result in a more satisfied customer and will be more cost effective than changing existing reliability standards or upgrading networks to meet current reliability standards.

Essential Energy believes that this analysis should be included in the scope of the Review of Distribution Reliability Outcomes and Standards.

- Given the constrained timeframes, accurately estimating the costs of meeting alternative distribution reliability outcomes will be challenging and resource intensive for all participants;
- Essential Energy does not consider that the use of AEMO's Victorian VCR methodology necessarily reflects the willingness to pay of customers. Based on the outline provided by the AEMC in the issues paper the VCR will be used to measure the benefits of augmenting the network. Willingness to pay and VCR are different, however given the timing constraints, Essential Energy understands the AEMC will be using this as an indicator of willingness to pay;
- Essential Energy suggests that the AEMC be conscious of the different environments that distributors operate in, and the impact this has on reliability when considering best practice national and international practices; and
- Essential Energy believes that willingness to pay could be further segmented by distribution area. Metropolitan and rural residential customers may have a different willingness to pay for reliability. In Essential Energy's opinion, it would not be worth considering willingness to pay based on feeder type as there are often different types of customers on the same feeder who place different values on reliability. Please note that our business systems do not delineate customers on an agricultural basis.

Essential Energy looks forward to working with the AEMC to determine the level of reliability that most effectively balances the costs of incremental investment and ongoing maintenance with the benefits of reliability.

Essential Energy would be pleased to discuss this matter further. Should you require further information please feel free to contact Col Lambert on 02 6589 8851.

Yours sincerely



Col Ussher  
**Executive General Manager – Infrastructure Strategy**