

Friday November 7 2014
VCR@aemo.com.au
CC: Dr Phil Blyth

To whom it may concern,

Draft VCR Application Guide

Thank you for the opportunity to respond to the Draft VCR application guide, issued in October of 2014.

As demand management specialists who provide constraint management solutions to utility companies operating in the NEM, GreenSync is well placed to provide feedback on the VCR review.

GreenSync provides the following observations and feedback from the perspective of an independent operator that works closely with network planners to develop alternative solutions to augmentation, including hybrid network and demand management solutions.

We regard the VCR review as an important opportunity to develop clarity that will help guide the investment decisions of non-network solution providers. Our feedback is as follows:

The VCR adopted by AMEO when network planning is conducted should reflect the nature of the load profile of the constraint.

The results of the Value of Customer Reliability Review show that the VCR is highly dependent on the time of year and the duration of the outage. In Section 4.3 of the Application Guide it is suggested that there is an opportunity to reweight VCR to reflect the risk being addressed.

GreenSync is of the opinion that AEMO, for network planning (augmentation) activities, should VCR must be reweighted to take account of the time that the expected unserved energy is occurring. The VCR survey identified that customers value reliability significantly more on hot summer peak weekdays than at any other time of the year – and this is typically represents the key risk period for outages.

The value of VCR should both reflect customer sentiment and provide stability for investment decisions by non-network solution providers.

GreenSync has made three observations with regards to the VCR values, survey frequency and VCR indexation, namely:

- The variance between the 2008 VCRs published for Victoria and those published now does not give DR providers the confidence required to commit to extended DR programs (5+ years);
- There have been no successful mechanisms identified to index the VCR;
- The published results of the Choice Experiments (\$/month) contain many variables which have not shown statistical relevance.

Subsequently, GreenSync believes that:

1. Additional surveying is required in the short term to improve statistical relevance of those variables which are not currently at an appropriate level;

2. Acknowledging that VCRs may change in line with economic and consumer sentiment, the VCR should be surveyed with a frequency much greater than every 5 years, preferably annually;
3. That the annual survey values be smoothed so that the short term variations in sentiment can be removed and surety provided to DR proponents prior to investment.
4. It is essential that VCR surveys are undertaken on a regular basis by an organisation with the appropriate purview.

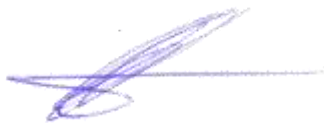
Lower VCR discourages non-network investments and may lower customer reliability.

The significant downward change in VCR has the impact of deferring network augmentation and subsequently makes non-network investments which complement or defer augmentation less economic.

GreenSync would like to thank AEMO and the team involved in the VCR review for undertaking this challenging and important piece of work and congratulate all involved with the outcomes achieved thus far.

Please feel to contact me if you wish to discuss this matter further.

Yours sincerely,



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