



Ref: JD/TF/AC

28 June 2013

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Ms Reena Kwong
Australian Energy Market Operator
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Dear Reena

Re: Value of Customer Reliability Directions Paper

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity provided by the Australian Energy Market Operator (AEMO) to provide feedback on the National Value of Customer Reliability (VCR) Directions Paper (the Directions Paper) released on 31 May 2013. Ergon Energy also welcomed the chance provided by AEMO to meet face-to-face and discuss specific aspects of our submission to the Issues Paper. This submission which is available for publication is made by Ergon Energy in its capacity as an electricity Distribution Network Service Provider (DNSP) in Queensland.

Ergon Energy reiterates comments made in its submission to AEMO in response to the Issues Paper, that at a high level, we support AEMO's commitment to developing new VCRs for the National Energy Market. However, Ergon Energy is still concerned with the indicative timeline provided by AEMO in the Directions Paper. Ergon Energy considers that if VCRs are released in March 2014, it will be very difficult for Ergon Energy to apply AEMO based information into its planning processes for the purposes of capital expenditure forecasting for inclusion in our next Regulatory Proposal. The Australian Energy Regulator (AER) will determine how the revised VCR information will be used in respect of the application of the Service Target Performance Incentive Scheme. Ergon Energy considers that it would be inappropriate to apply new VCR rates after the AER has finalised its consultation on its Framework and Approach paper (30 April 2014) as DNSPs will not have had the opportunity to understand the implications of the change in values in respect of the economic value of its forecasts.

Ergon Energy supports the choice modelling approach as this is the most suitable method for estimating consumers' willingness to pay for quality improvements in multiple dimensions. Additionally Ergon Energy notes that the Directions Paper does not include particulars on the methodology and process as inputs in developing VCRs. This should be consulted on prior to the release of the Final Directions Paper, which is due to be released in August 2013.

Ergon Energy looks forward to providing continued assistance to AEMO in its investigation into developing VCRs. Should you require additional information or wish to discuss any aspect of this submission, please do not hesitate to either contact myself on (07) 4092 9813 or Trudy Fraser on (07) 3851 6787.

Yours sincerely



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