

# FACTSHEET

## VALUE OF CUSTOMER RELIABILITY

### DEVELOPING VALUES OF CUSTOMER RELIABILITY

Electricity is an important part of our daily lives, and integral to Australia's economy. Power reliability is important to everyone: Electricity interruptions can be costly, and it can also be disproportionately expensive to avoid them completely.

The key is to strike a balance between delivering secure and reliable electricity supplies, and maintaining reasonable costs for electricity customers. Different customers also place different values on having reliable electricity supply. For example, an industrial customer whose processes rely on uninterrupted power supply may place a higher value on the reliability of electricity supply than another type of business whose processes are more tolerant of electricity supply interruptions.

### AEMO'S ROLE

The Australian Energy Market Operator (AEMO) is an independent organisation working in the long-term interests of Australian energy consumers. AEMO is responsible for planning and operating energy systems and markets in eastern and south-eastern Australia, and works to develop markets that offer affordable, safe, and reliable energy supplies.

A number of factors are taken into consideration in deciding whether new network infrastructure should be built or upgraded. These include the level of reliability, cost, timing, and investment type, all of which are considered in making efficient investment decisions.

### WHAT IS A VALUE OF CUSTOMER RELIABILITY?

A Value of Customer Reliability (VCR) measure, represented in dollars per kilowatt-hour, indicates the value different types of customers place on having reliable electricity supplies under different conditions.

A VCR is an important factor in evaluating cost-effective ways to build or upgrade infrastructure, and is used in electricity infrastructure planning and investment decision-making to ultimately benefit electricity customers. In Victoria, VCRs are a mandatory feature of infrastructure planning assessments.

Understanding how customers value power supply reliability is an important input into efficient infrastructure investment decision-making over the longer term.

### THE VCR SURVEY

To develop the new VCR values, between November 2013 and July 2014, AEMO surveyed almost 3,000 residential and business customers of various sizes and industries across eastern and south-eastern Australia.

The survey was the first of its type across the whole of the National Electricity Market (NEM), covering Queensland, New South Wales, the Australian Capital Territory, Victoria, South Australia, and Tasmania.

The survey sought to understand customer preferences across a range of outage situations, considering:

- How widespread an outage is.
- How long the outage lasts.
- How often an outage occurs.
- Whether the outage occurs during peak or off-peak periods.
- Whether the outage occurs during summer or winter.
- Whether the outage occurs on a weekday or on the weekend.

#### FURTHER INFORMATION

TELEPHONE: 1300 858 724  
OVERSEAS CALLERS: +61 3 9609 8000  
AEMO INFORMATION AND SUPPORT HUB: 1300 236 600  
[WWW.AEMO.COM](http://WWW.AEMO.COM)

# FACTSHEET

VALUE OF  
CUSTOMER  
RELIABILITY

## THE VCR VALUES

The VCR values, determined from the survey results and additional data, are summarised below. The results were broadly consistently with international studies using a similar survey methodology and approach:

### RESIDENTIAL CUSTOMERS

State	National Electricity Market	New South Wales	Victoria	Queensland	South Australia	Tasmania
VCR (\$/kWh)	25.95	26.53	24.76	25.42	26.88	28.58

### BUSINESS CUSTOMERS

Sector	Agriculture	Commercial	Industrial
Weighted Average VCR (\$/kWh)	47.67	44.72	44.06

### DIRECTLY-CONNECTED CUSTOMERS

Sector	Sector-wide weighted average	Metals	Wood, pulp and paper	Mining
Weighted Average VCR (\$/kWh)	6.05	5.29	1.44	14.96

## HOW WILL AEMO USE THE VCR VALUES?

The VCR values, along with a supporting application guide, are available for use in electricity planning and investment decision-making by asset owners, governments, and regulatory authorities.

AEMO, as transmission network service provider in Victoria, will use this information as part of its economic planning approach. The VCRs will also be used in assessing and reviewing Regulatory Investment Tests for Transmission which are a process used to decide whether significant new network investment is required.

The VCR values will help to facilitate greater consumer input into transmission investment decision-making and electricity bills into the future.

## NEXT STEPS

AEMO published its final VCR report in September 2014, having collated and analysed the survey data to develop residential and business VCRs. AEMO has also published a draft application guide seeking stakeholder views on how the VCR values should be applied, and will publish an updated guide incorporating stakeholder feedback.

For further information on the VCR review and the application of VCR values, please visit [www.aemo.com.au/Electricity/Planning/Value-of-Customer-Reliability-review](http://www.aemo.com.au/Electricity/Planning/Value-of-Customer-Reliability-review) or contact the AEMO Information and Support Hub.

### FURTHER INFORMATION

TELEPHONE: 1300 858 724  
OVERSEAS CALLERS: +61 3 9609 8000  
AEMO INFORMATION AND SUPPORT HUB: 1300 236 600  
[WWW.AEMO.COM](http://WWW.AEMO.COM)