

10 August 2017



**public interest**  
ADVOCACY CENTRE

Chris Pattas  
General Manager, Networks  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

Dear Mr Pattas,

### **Submission to Draft Distribution Reliability Measures Guideline**

The Public Interest Advocacy Centre (PIAC) is an independent, non-profit legal centre based in New South Wales. Established in 1982, PIAC tackles systemic issues that have a significant impact upon disadvantaged and marginalised people. We ensure basic rights are enjoyed across the community through litigation, public policy development, communication and training. The Energy + Water Consumers' Advocacy Program represents the interests of low-income and other residential consumers, developing policy and advocating in energy and water markets.

PIAC welcomes the opportunity to respond to the draft distribution reliability measures guideline.

PIAC considers that reliability metrics and incentive schemes such as the Service Target Performance Incentive Scheme (STPIS) should allow clear and consistent measurement of network performance against appropriate targets and provide an incentive to the network businesses to efficiently meet these targets. This helps to ensure that consumers enjoy the level of reliability they expect. However, balance is needed to ensure that the impact of the schemes do not exceed consumers' willingness to pay. This could occur either through the size of the incentive payment itself or by a network's underperformance justifying avoidable project expenditure in a revenue proposal.

With this in mind, PIAC specifically comments on the treatment of catastrophic events and the AER's intention to not exclude them from calculating the threshold for major event days. There is a risk that apparently poor network performance on a catastrophic day may skew the network's overall reliability measure, and could be used to justify excessive network reinforcement. This may cause considerable increases in network costs borne by consumers who may not necessarily value increased reliability.

The AER has proposed a number of reasons for not supporting the AEMC's recommendation to exclude catastrophic events. PIAC considers that difficulty in reaching agreement on a definition of 'catastrophic' days, or its applicability to the range of different network characteristics in the NEM, does not fully warrant this position. However, PIAC agrees that it may be justified where excluding catastrophic days is already captured by the current

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2.5 beta method. PIAC recommends that the AER examine whether this is the case.

PIAC would welcome the opportunity to meet with the AER and other stakeholders to discuss these issues in more depth.

Yours sincerely,

**Craig Memery**

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