AUSTRALIAN ENERGY REGULATOR

MEETING RECORD (formally Note for File)

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| 1. DISCUSSION WITH:
 | 1. Energex
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| 1. TRACKIT:
 | 1. 50557
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| 1. DOC. NO.:
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| 1. DATE:
 | 1. 01/10/2013
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| 1. OFFICER:
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| 1. VENUE:
 | 1. Melbourne Office / Phone hookup
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1. PURPOSE: Meeting to discuss preliminary thoughts on draft economic benchmarking RIN
2. ATTENDEES: AER – Mark McLeish, Andrew Ley, Sam Sutton, Jason King, Paul Dunn, Kevin Cheung, Yili Zhu (by phone)
3. Energex (by phone) – Guy Mutasa, Nicola Roscoe and Mick Ryan

## SUMMARY OF DISCUSSION:

1. The meeting with Energex discussed the following key issues relating to the draft economic benchmarking Regulatory Information Notice (RIN):
* audit requirements
* data estimation and worksheet specific inputs.
1. A summary of each key issue is discussed below.

### Written RIN Assurance and Auditing Requirements

1. AER staff explained the design of the written RIN, noting that recent feedback from earlier bilateral meetings suggested that:
* more time needed to be provided for NSPs to transition from estimating data to producing data according to the AER’s RIN given that time would be required to put systems in place.
* the timing in the draft RIN would lead to the AER putting data that had not been audited being publically released for cross submissions and that there would be merit to changing the timeframes and certification requirements to address this.
1. In the context of that discussion, Energex raised the following points / suggestions for the economic benchmarking RIN:
* a Director would be unlikely to sign off on unaudited data.
* Energex would not be comfortable if unaudited data would be made available in the public domain.
* a CEO would be reluctant to sign off on data stating it is accurate and fit for publishing when auditors may come back at a later stage saying that it is not accurate.
* the wording of the statutory declaration in the RIN seems inconsistent with the explanatory statement because it asks for an officer to certify rather than a director.
* in relation to collecting the data on an ongoing basis, processes and systems to capture that data will take time.
* the AER should consider whether it was necessary to have the RIN as an unending, ongoing obligation.
* the wording in relation to the legal assurances around the provision of the initial data and the audited data could be reconsidered and possibly relaxed.
1. In light of suggestions from Energex, AER staff considered that the due date for audited data would need to be brought forward from May 2014 to April 2014 such that data could then be published with sufficient time for cross submissions. AER staff invited submissions on Energex’s concerns.

### Data templates

1. Changes to each of the spreadsheets were discussed by the AER. Comments regarding specific templates are provided below.

#### Revenues

1. Energex said that network charges are a part of DUOS and providing data on a cost reflective basis may be difficult. In relation to historical data, it may be difficult to obtain data that is more than 4 or 5 years old. This is because some energy systems have been decommissioned and there have been structural changes to the organisation because there used to be a larger retail and overheads component of the business. The suggestion was that some data was no longer available and that it will be a significant amount of effort to provide the historical data that is available.
2. Energex noted that as metering was part of its DUOS services the revenues would include revenues for metering services – which is inconsistent with other jurisdictions.
3. Energex queried whether de-energisation and re-energisation should be included in network services since they are standard control services. AER staff said they would consider whether the definition of fee-based services should be modified to include de-energisation and re-energisation.
4. Energex queried whether by terminal stations, did we mean connection to the transmission network. We confirmed that was correct.

#### Opex

1. Energex noted that as a result of its restructure and change in cost allocation recutting historical data in accordance with its current cost allocation method (CAM) would require significant effort.
2. Energex noted that some of the data requested in the opex template was not relevant to its business. AER staff noted that Energex would be able to grey out these cells.
3. Energex questioned whether deenergization and reenergization should be reported as a connection service. AER staff clarified that this should be a fee based service and would amend the templates to clarify this.

#### Assets

1. Energex requested that the definition of subtransmission been changed to includes assets 33kV and above. They suggested that this category is more convenient for both QLD and NSW businesses. The AER said they will consider the proposed change.
2. Energex argued that providing data for the RAB components for before 2004-05 will be difficult because at that time, the RAB was revalued. It was suggested that they could roll back their RAB or apply proportions based on the 2004-05 data but they questioned if this was meaningful.
3. Energex queried whether substation land should be included in the substation category or whether it should be included in the ‘other’ category. The reason is because land does not depreciate in the same way that other capital in the substation category does. Energex noted that they do collect both data separately. The AER said they will further consider the issue.

#### Operational data

1. Energex requested clarification as to how non-time of use energy delivered should be reported in the templates. AER staff explained that where TOU was not applicable, cells could be greyed out, and there is also a row for non-TOU energy delivered. We said we would clarify the instructions.
2. Energex queried whether customers include inactive or deactivated NMIs as well as active NMIs. We confirmed we will clarify the definition.

#### Physical Assets

1. Energex said they have no queries or comments in relation to the physical assets worksheet.

#### Operating environment factors

1. Energex pointed out that the category analysis workstream is requesting detailed data in relation to vegetation management. The request was for the economic benchmarking workstream to consult with the category analysis workstream and see if the data categories can be harmonised. The AER responded that they will investigate whether this is possible.
2. Energex noted weather data was not used for vegetation.
3. Energex said that in relation to vegetation management, their process is to contract out the work by area and the contractors’ costs will depend on the geographic area and the legislative requirements associated with the vegetation management. The AER asked whether the different areas and different vegetation management requirements could be classified as ‘easy’, ‘medium’ and ‘hard’ categories. Energex responded that they did not have those details available.
4. Energex requested clarification regarding the units of measure for vegetation management. AER staff explained that this was intended to be the number of spans affected.