

10 September 2025



Part of Energy Queensland

Ms Claire Preston
Director, Network Regulation
Australian Energy Regulator
By email: [REDACTED]

Dear Ms Preston

2025 DNSP Annual Benchmarking Report - Draft report and results

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), operating as Distribution Network Service Providers (DNSPs) in Queensland, welcome the opportunity to provide feedback to the Australian Energy Regulator (AER) on its Draft 2025 DNSP economic benchmarking results, the Quantonomics report, and associated data files.

Ergon Energy and Energex appreciate the AER's engagement with the University of Queensland's Centre for Efficiency and Productivity Analysis (CEPA) to review non-reliability output weights and we support their update in the 2025 Annual Benchmarking Report. We further recommend adopting an annual update process to ensure alignment with econometric practices and accurate reflection of revised historical data. We also note ongoing monotonicity issues in the econometric models and support the AER's investigation into the reliability of the Translog opex cost function.

However, Ergon Energy and Energex are concerned about changes to the consultation process, particularly the removal of DNSP review prior to final report publication and the exclusion of future AER benchmarking development plans from the final report.

Detailed feedback on these matters, including identified errors in the underlying benchmarking data files, is provided in **Attachment 1** for the AER's consideration. Should the AER require additional information in relation to our feedback, please contact me or [REDACTED]. This letter does not contain confidential information and may be published.

Yours sincerely

[REDACTED]

Guy Mutasa
Manager Economic Regulation
Telephone: [REDACTED]
Email: [REDACTED]

Attachment 1: Ergon Energy's and Energex's Detailed Feedback on the Draft 2025 economic benchmarking results, Quantonomics report, and associated data files.

Subject	Feedback
Output index weights	We acknowledge that in 2024 the AER engaged the University of Queensland's Centre for Efficiency and Productivity Analysis (CEPA) to conduct an independent review of the non-reliability output weights used in the TFP and MTFP benchmarking models. This review was primarily driven by DNSP feedback, recognising that changes to output weights can materially affect DNSPs' MTFP and MPFP index scores and rankings. We support the AER's decision to update the non-reliability output weights for the first time since 2020, and welcome their inclusion in the 2025 Annual Benchmarking Report. Ergon Energy and Energex consider this update a positive step toward maintaining the robustness and relevance of the benchmarking framework. Further, we recommend that the AER adopt an ongoing (annual) update process for non-reliability output weights, consistent with the approach used for updating elasticities and output weights in the econometric benchmarking models. This is particularly important when historical data revisions are made to correct reporting errors, ensuring that benchmarking results remain reflective of current data.
Econometric models	We note that poor monotonicity performance remains evident in the 2025 Annual Benchmarking Report, with significant monotonicity violations continuing to be observed. We acknowledge that the AER is currently investigating the reliability of the Translog econometric opex cost function models as part of its phased consultation approach. Ergon Energy and Energex support the AER's initiative to examine these issues and reiterate the importance of ensuring that benchmarking models are robust and fit for purpose - particularly given their role in informing regulatory allowances. As highlighted in our previous submissions, we consider it essential that the benchmarking framework maintains methodological integrity and transparency. We look forward to participating in the next stage of consultation and contributing to the development of more reliable and effective benchmarking models.
Benchmarking development General	We note that under the revised consultation process for 2025, DNSPs will not have the opportunity to review or comment on the AER report prior to its publication. Additionally, we understand that the AER report will primarily summarise the Quantonomics report, which does not include detailed information on future benchmarking development work. Historically, Section 8 of the AER's Annual Benchmarking Report has outlined areas where the AER is undertaking or planning to undertake benchmarking development work. Ergon Energy and Energex recommend that Section 8 be retained in the AER's Annual Benchmarking Report. The inclusion of a detailed work plan, outlining indicative timeframes for the commencement and completion of development items, would provide DNSPs with greater transparency and confidence that previously identified priority issues will be addressed in a timely and structured manner. Furthermore, we recommend that matters with a more direct bearing on DNSPs' revenue resets be prioritised and addressed through comprehensive, stand-alone consultation processes. This would ensure that all affected stakeholders can meaningfully contribute to improvements in the AER's benchmarking methodology.
Underlying data	With regards to the "Benchmarking Data" worksheet in the underlying data file: "DNSP consolidated benchmarking data (2024)", we note that: • Rows 34 to 54 relate to State Data and that the Energex value fields (cells CT34-CT54) have been used to obtain total Queensland State data by combining Energex (05ENX2024) and Ergon Energy (06ERG2024) data.

Attachment 1: Ergon Energy’s and Energex’s Detailed Feedback on the Draft 2025 economic benchmarking results, Quantonomics report, and associated data files.

Subject	Feedback
	This would mean that the Ergon Energy value fields (cells DM34 to DM54) are obsolete. However, these are incorrectly populated/linked to another DNSP’s data (“10SAP2024”). Could you please confirm this incorrect data is not used in the benchmarking report. • On row 59 – “Underground Subtransmission Lines (33kV and over)” the formula used for “05ENX2024” (cell CT59) is different to that used for “06ERG2024” (cell DM59). Specifically, the formula in cell CT59 includes “Other” data but cell DM59 excludes “Other” data. Please investigate and if necessary, correct this inconsistency. • On row 60 – “Underground Distribution Lines (under 33kV)” the formula used for “05ENX2024” (cell CT60) is different to that used for “06ERG2024” (cell DM60). Specifically, the formula in cell DM60 includes “Other” data but cell CT60 excludes “Other” data. Please investigate and if necessary, correct this inconsistency.