**AUSTRALIAN ENERGY REGULATOR**

**MEETING RECORD (formally Note for File)**

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| DISCUSSION WITH: | Jemena |
| TRACKIT: | 50557 |
| DATE: | 16/10/2013 |
| OFFICER: |  |
| VENUE: | ACCC Melbourne office by teleconference with Jemena |

PURPOSE: Meeting to discuss draft economic benchmarking data template

ATTENDEES: AER – Andrew Ley, Sam Sutton, Jason King, Kevin Cheung

Jemena – Peter Le, Harj Kooner, Eugene Whittaker, Eli Grace-Webb, Nabil Chemali, Jonathan Chan, Lukas Michel, Ashley Loyd

***SUMMARY OF DISCUSSION:***

The meeting involved discussion of data issues relating to each worksheet in the economic benchmarking data template.

A summary of each key issue is discussed below.

1. **Revenue**

Jemena asked if revenue could be reported on an accrual basis. Jemena noted many customers were billed on a quarterly basis and some actual may only be available the following year.

AER staff noted there may be merit in reporting on this basis and would consider how revenue should be reported.

Jemena noted the classification of network services appeared to be the same as standard control services for Jemena because metering, connections, public lighting, fee-based services and quoted services were all classified as alternative control services.

AER staff noted this under these circumstances network services would be the same as standard control services.

1. **Opex**

Jemena noted some statements in previous years were completed on a financial year basis rather than on a calendar year basis. For these years data would have to be reconstructed to be of an auditable quality.

AER staff noted if the data was reported on a financial year basis instead of on a calendar year basis then it would require estimates.

Jemena also asked if the AER would provide an updated auditing framework.

AER staff noted that it is currently considering the auditing framework in light of comments received at the auditing workshop on 9 October.

1. **Assets (RAB)**

Jemena noted data before 2005 is only available at the total asset level and may require access to ESCV files to disaggregate the RAB prior to 2006. Jemena noted that they may have these files but also requested that the AER staff investigate whether the AER has these files.

AER staff explained disaggregation prior to 2006 could be achieved by rolling the latest available data back.

Jemena noted rolling back may result in a lot of unknowns that may affect the reliability of the data. They asked how asset lives could be estimated. Jemena requested that the AER should provide guidance on a standardised approach.

AER staff noted the asset lives should be based on engineering estimates rather than on financial lives. AER staff also noted it would be providing a standardised approach to RAB allocation that would also allow for other more accurate estimation approaches if the DNSP had the available data.

1. **Operational data**

Jemena noted it did not charge a shoulder period for some of its energy delivery data and if it was appropriate to only provide peak and off-peak data. Jemena also noted in some circumstances energy delivery was charged based on a flat rate which may account for 20 per cent of the energy.

AER staff considered it may be appropriate to include an ‘other’ variable to capture data that did not fit within the current charging periods. Where data is only charged on an peak/off-peak basis it was reasonable to provide no data on the shoulder period as long as it was consistent with the revenue variables.

Jemena noted it did not have coincident maximum demand prior to 2008 at the zone substation level and that overall its estimates for the MW measure of maximum demand was pretty accurate. However, the estimates under an MVA measure would be less accurate.

AER staff noted the power factor conversion in the definition sheet would be added to the operational data sheet. Jemena noted the power factor conversion would be used for earlier data where MVA data was not available.

1. **Physical assets**

Jemena explained that it measured the MVA capacity of its lines for the whole circuit. However, some of these circuits were above ground and some were below ground. As such, it couldn’t accurately report the MVA capacity of the overhead and underground components of the circuits.

AER staff indicated that an allocation of the capacity on the basis of km of overhead and underground line would probably be appropriate. However, they requested that Jemena include this in written submissions and that the AER would consider the matter further.

Jemena also noted the MVA conversion factors outlined by the AER as a starting point appeared to be a reasonable basis for estimating the average MVA capacity of lines. However, Jemena noted that estimation of the MVA capacity may be open to some interpretation which could affect benchmarking results.

AER staff noted that they were requiring engineering estimates of these variables and that they considered that this would be an appropriate basis. However, they recommended that Jemena outline any concerns that it may have with the potential differences in interpretation, and the impact of these, in its submission on the RIN.

Jemena noted that DPA0502 ‘Distribution transformer capacity owned by High Voltage Customers’ would be estimated.

1. **Quality of services**

Jemena asked if the capacity utilisation variable (DQS04) should be measured using constrained capacity (for example, by exit feeders) and suggested that this variable could be interpreted differently amongst DNSPs.

AER staff noted that the AER would consider this issue.

AER staff noted it would amend the definition of major event days (MEDs) so it would not require data from 1997.

Jemena noted the use of the 2012 threshold would have to be applied going back and would investigate the effect of this approach.

1. **Operating environment factors**

Jemena noted it did not have historical data on rural feeders and only recent data is available on bushfire risk and rural proportion. Jemena also noted a lot of its network was urban and the extent of vegetation management was not as high as other DNSPs.

AER staff noted any submissions on variables that accurately capture the underlying drivers of vegetation management would be appreciated.