



28 January 2011

Mr Warwick Anderson
General Manager, Network Regulation North
Australian Energy Regulator
23 Marcus Clarke Street
Canberra ACT 2601

Dear Mr Anderson

***APA Group response to AER Service Provider Performance Report -
Discussion paper***

APA Group welcomes the opportunity to respond to the AER's Discussion Paper on the Objectives and Priorities of electricity network service provider performance reports.

APA Group owns and/or operates a range of energy infrastructure assets across Australia including the MurrayLink and DirectLink electricity transmission lines, and various regulated and unregulated gas transmission pipelines and distribution networks.

APA Group notes that the AER's discussion paper does not go into detail as to the information gathering requirements that may support the achievement of performance reporting objectives and priorities. The AER's Discussion Paper sets out the legislative provisions for National Electricity Law (NEL) information gathering, including that a regulatory information notice or order cannot be made or served for the sole purpose of collecting information for performance reporting. The Discussion Paper does not, however, discuss the implications of this limitation on the scope of information gathering for its performance reports.

APA Group considers that this limiting provision in respect of information gathering for performance reports reflects an intention by policy makers to differentiate the use of legislative information gathering powers for monitoring compliance (allowed under the NEL), and the use of information gathering powers for performance reporting (subject to additional limitations under the NEL). In line with this intent, APA Group considers that the AER should

distinguish between reporting compliance outcomes and reporting performance outcomes, and ensure that associated information gathering instruments reflect this separation. At this stage, the AER's listed priorities and objectives for performance reporting contain a mix of compliance and performance reporting.

APA Group also has concerns with the intention for information included in performance reports to be used for benchmarking and comparison between service providers. APA Group considers that caution should be exercised in using reported information for benchmarking purposes, and notes that at best such comparisons can only provide a broad indication of whether a particular service provider's performance lies within a possible range of efficient outcomes. This is because differences between service providers, locations, distances, markets and asset age impact performance in ways that are not related to efficiency.

If you would like to discuss this submission further, please contact Alexandra Curran, Regulatory Manager, on 02 9275 0020.

Yours sincerely

A handwritten signature in black ink, appearing to read 'P. Bolding', with a long, sweeping horizontal stroke at the end.

Peter Bolding
General Manager Regulatory & Strategy