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In reply quote: NW#-30513885

18 October 2013

Mr Chris Pattas
General Manager
Network Operations and Development
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

DRAFT ECONOMIC BENCHMARKING RIN

Aurora Energy Pty Ltd, ABN 85 082 464 622 (Aurora) is an incorporated, State Government owned fully integrated energy and network business, with complementary activities in telecommunications and energy-related technologies. In this document, reference to Aurora should be taken as reference to Aurora in its capacity as the provider of distribution services licensed by the Regulator under the *Electricity Supply Industry Act 1995*.

Aurora welcomes the open and transparent process that has been adopted by the AER as a component of its Better Regulation program and notes that the workshops that have been conducted have provided valuable opportunities for Aurora to engage with the AER.

Aurora further welcomes the opportunity to provide comment on the draft regulatory information notice for economic benchmarking (Benchmarking RIN) published by the AER on 18 September 2013.

While Aurora is in general agreement with the Benchmarking RIN there are certain areas that Aurora considers that the AER could amend. These can be categorised into four key areas:

- the timing of the initial Benchmarking RIN;
- the assurances that will be required;
- the requirement for cross submissions; and
- the accuracy of back cast data.

Timing

Aurora understands that the AER must complete its expenditure forecast assessment guideline in accordance with the requirements of the National Electricity Rules (NER) and that the Benchmarking RIN is a fundamental component of that guideline. The requirement to have a completed initial Benchmarking RIN to the AER by 14 February 2014 is not ideal and will place additional administrative workloads on Aurora at a time of high staff leave.



Aurora considers that the timeframe for subsequent Benchmarking RINs (30 April) is more appropriate and will alleviate the resourcing pressures that are placed upon all network service providers at this time of year.

Assurances

Should the AER determine that the Benchmarking RIN is to be provided by 14 February 2013 it raises an issue associated with the certification of that RIN.

Aurora is concerned that the requirement for a Director of the business to certify that the information provided in the Benchmarking RIN is in accordance with the AER's requirements, via a statutory declaration, may be difficult to obtain without appropriate audit certification being provided to the Directors of Aurora prior to that certification. The Benchmarking RIN does not require an audit report from a recognised auditor until 16 May 2014, a date that is after the initial lodgement of the Benchmarking RIN.

Related to both this and the timing issue, the practice of the Aurora Board is to not meet during January. In addition, the February board meeting is not scheduled to take place until late February, after the submission date.

Aurora considers that the issue could be addressed by amending the requirement for the signing of the statutory declaration to allow the CEO, or one of the delegates of the CEO, to certify that the information provided in the Benchmarking RIN is in accordance with the AER's requirements.

Cross submissions

Aurora understands that the AER wishes to ensure that the data that is obtained from individual NSPs is reflective of a consistent data-capture methodology and that an 'apples with apples' comparison can be undertaken as part of the AER's modelling.

Aurora is however concerned that the opportunity for NSPs to scrutinise and comment on the data provision of other NSPs via the cross submissions will not necessarily highlight any anomalies that exist between differing data sets. Aurora also contends that it will not be in a position to determine if the data provided by another NSP is an accurate dataset or has been captured in a methodology that is consistent to that utilised by Aurora.

It is likely that any anomalies in the data capture process will only be highlighted as 'outliers' in the final benchmark numbers that are produced by the AER's modelling of the NSP's datasets. It will be these outliers that will illicit further scrutiny by not only the AER but also the NSPs.

Aurora therefore suggests that the AER should dispense with the cross submissions of the NSP provided data.

Back cast data

Aurora will not be in a position to provide a full range of actual back cast data to the AER as the 2012-13 financial year is the first year that Aurora has operated under an AER distribution determination. Aurora's previous regulatory periods were characterised by differing forms of control and service classifications to those used by the AER. In certain instances the provision of currently classified and regulated services, such as public lighting, were not regulated by the jurisdictional regulator.



Aurora will be required to make a large number of assumptions and data allocations to present historical data to the AER. The AER will need to be mindful that Aurora's historical data will therefore be high level estimates and could present as an anomaly when compared to other NSPs.

Please contact Leigh Mayne on 6270 3691 or via e-mail at leigh.mayne@auroraenergy.com.au if you have any further queries regarding this matter.

Yours sincerely

A handwritten signature in black ink, appearing to read "Anton Voss".

Anton Voss

General Manager Commercial Regulatory and Strategy
Aurora Energy