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17 January 2014



Mr Chris Pattas
General Manager
Network Operations & Development
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Attention: Lawrence Irlam

Dear Mr Pattas

DRAFT CATEGORY ANALYSIS 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 welcomes the opportunity to provide comment on the draft regulatory information notice (RIN) for category analysis (Draft Category Analysis RIN) provided by the AER on 6 December 2013.

While Aurora is in general agreement with the Draft Category Analysis RIN Aurora has concerns regarding the quality of the data that will be provided given the previous circumstances of Aurora. Aurora has just completed the first year of regulation by the AER, with the previous regulatory period being regulated by the jurisdictional regulator – the Office of the Tasmanian Economic Regulator (OTTER). The expenditure categories adopted by OTTER are not reflective of those being sought by the AER.

Aurora's data sets are therefore incomplete and the data manipulation required to provide the AER with such a high level of expenditure classification detail may mean that some of Aurora's historic data is not reflective of current practices. There are a number of instances within the 'replex' and 'augex' category analysis where Aurora cannot provide actual data and will be required to provide data that has been derived from sample projects. To undertake detailed analysis of all projects for a five year period is not achievable in the timeframes for submission of the Draft Category Analysis RIN.

Given the level of 'estimation' that will be required, Aurora considers that a number of the RIN templates that will be completed will contain both estimated and actual data and that audit of a single template containing a mixture of data may be complex. To clearly identify actual and estimated data within the RIN templates Aurora suggests that the AER consider the use of 'Consolidated Information', 'Actual Information' and 'Estimated Information' worksheet templates (as per the AER's Economic Benchmarking RIN).

Aurora is concerned that completion of Tables 2.3.3 – 2.3.5 will require an analysis of every project that has been completed between 2008-09 and 2012-13. This will be an administratively burdensome undertaking and Aurora suggests that a threshold is applied for projects reported in these Tables (similar to that adopted by the AER for Tables 2.3.1 and 2.3.2). Aurora considers that a threshold that equates to the top 20% of projects would be appropriate.

Aurora undertakes two specific types of cutting cycles (routine and fire mitigation). As Aurora undertakes a specific inspection and maintenance program each year for fire mitigation and does not consider this to be cyclic vegetation clearing. When completing Table 2.6.3 Aurora considers that the 'average frequency of cutting cycles' should exclude its annual fire mitigation cuts.

Aurora has approximately 30,000 prepayment meters (PAYG) in its meter fleet that are classified as Type 6 metering but are dissimilar to all other Type 6 meters. Aurora suggests that these meters be treated as their own class of metering for the purposes of the final Category Analysis RIN.

Aurora seeks further clarification on the definitions of 'Energisation', 'De-energisation' and 'Re-energisation' contained within template 4.3.1. In particular does a re-energisation only involve the same customer at the same premises (ie a re-energisation following a de-energisation for things such as credit) or does it include a new customer at existing premises (ie a re-energisation for a new customer moving into premises that had been previously de-energised at the end of the previous customer's contract)?

Aurora understands that the use of the feeder classifications (CBD, Urban, Rural Short and Rural Long) are those contained within the AER's Service Target Performance Incentive Scheme and are different to those adopted for reliability reporting purposes by Aurora. Aurora also understands that for the purposes of reporting, that the AER do not consider that Aurora's network comprises any CBD components.

Aurora does not classify its feeders by the AER categories, but has 101 individual reliability communities – meaning that an individual feeder may have many community classifications. Aurora can classify its feeders according to the AER requirements to complete Table 6.3.1 but seeks clarification that it should adopt these classifications for all reporting purposes in preference to mapping its existing communities to the AER classifications. By way of example; Template 2.5 requires Aurora to provide connections data by CBD, Urban, Rural Short and Rural Long – Aurora's intention was to map existing community data to these classifications but now seeks clarification from the AER as to whether this is a correct assumption or rather that the AER feeder classifications should apply?

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 blue ink, appearing to read 'Kim Rosinski', with a long horizontal stroke extending to the right.

 Kim Rosinski
Finance and Compliance Manager
Aurora Energy

