

6 May 2022

Mr Kris Funston
Executive General Manager, Networks Regulation
Australian Energy Regulator (AER)
GPO Box 3131
Canberra, ACT, 2601

Via electronic lodgement: networksinformation@aer.gov.au

Dear Kris,

Network Information Requirements Review – Response to Discussion Paper

AusNet welcomes the opportunity to respond to the AER's Networks Information Requirements Review Discussion Paper.

Providing consistent, relevant and transparent information for the regulated electricity transmission and distribution networks is essential for AER decision-making now and into the future. Ensuring the information collected is both fit for purpose and directly linked to decision-making is fundamental to maintaining an efficient reporting framework, that minimises the cost of compliance ultimately borne by customers.

While we support the changes proposed that reduce reporting duplication and remove unnecessary information, we believe there are further opportunities to streamline the reporting requirements. We also believe there is an opportunity to reassess the level of independent assurance provided over financial information reported, applying a more risk-based approach to assurance. We consider these measures would reduce costs for customers and reduce the current reporting burden, while maintaining the provision of quality data that the AER can rely upon in its decision-making.

Attachment 1 details our responses to the questions posed in the Discussion Paper. We look forward to working with the AER as it continues to consider these matters.

Please contact Ian McNicol [REDACTED] should you have any questions concerning this submission.

Sincerely,



Charlotte Eddy
General Manager, Regulatory Strategy and Policy
AusNet Services

RESPONSE TO ISSUES RAISED IN THE AER'S NETWORK INFORMATION REQUIREMENTS REVIEW DISCUSSION PAPER

AER Question	AusNet's Response
Do you see any risks or benefits in relying on regulatory information orders, rather than bilaterally negotiated regulatory information notices? Should any regulated networks be excluded from the scope of the proposed information orders? If so, why?	<p>New Regulatory Instrument</p> <p>We do not have any concerns with the introduction of regulatory information orders (RIOs), providing the new instrument/s accommodate the following:</p> <ol style="list-style-type: none"> 1. Jurisdictional differences: We agree with the AER's comments that the new instrument must continue to cater for jurisdictional differences. <p>For example, AusNet Transmission does not have accountability for the Transmission Planning function in Victoria. As such, certain information requested in the Regulatory Information Notices (RINs) is owned and controlled by AEMO. This information is currently removed from our submission requirements as we can't report, obtain assurance and provide certification over data that is not owned or controlled by our business. We request the new instrument incorporates such considerations.</p> <ol style="list-style-type: none"> 2. Reporting period variations: We request that the new instrument/s accommodate the STPIS-related reporting period variations incorporated in the existing RINs. <p>For example, AusNet Transmission currently reports STPIS related data and Market Impact Component parameters on a calendar year basis - in alignment with the underlying schemes. This differs from AusNet Transmission's Regulatory Year. AusNet would like to preserve these reporting period variations to ensure the data provided is meaningful and to prevent duplication of effort.</p>
Is there any new data that the AER should consider including in its data requirements? If so, why	<p>New data requirements</p>

is it needed and how should the data be used? Is there any data you consider could be removed from the current data requirements? Are there any other changes you would like to see to our data requirements?

We request the new instrument include a detailed reconciliation (by line item) between Regulated Opex and Benchmarked Opex. This would improve the transparency of information used for performance analysis and highlight differences between Opex funded by customers and Opex benchmarked.

We also request that in *Consultation Workbook Distribution 06 Operating Expenditure*, the Economic benchmarking table "Breakdown 2" include a new category for 'Opex associated with Approved Pass Through Applications'. The current aggregation of this data within 'Opex for Network Services' distorts trend analysis and does not promote transparency and understandability of information reported.

Data Removal

We see further opportunities to reduce the volume of data requested, ensuring there is a direct linkage between the information requested and current decision-making. Below we have suggested some specific areas for removal. However, before any data is removed, we would be keen for the AER to consider its potential usefulness for benchmarking as part of a benchmarking review. We would also welcome the opportunity to discuss other opportunities to further streamline information requested.

- We request removal of disaggregated labour data (Average Staffing Level: Numbers by role type and Labour Costs by role type) included in *Consultation Workbook Distribution & Transmission 03 Network Metrics*, *Consultation Workbook Distribution & Transmission 10 Prices*, *Consultation Workbook Distribution & Transmission 07 Capital Expenditure* and *Consultation Workbook Distribution & Transmission 06 Operating Expenditure* for the following reasons -
 - Staffing levels are directly impacted by each network service provider's (NSPs) operating model, including the level of outsourced services, the use of field delivery partners and the organisational/group ownership structure. Therefore, this information is not comparable between businesses. The data also tends to be inconsistent over longer time horizons as businesses change and evolve.
 - There is a high level of estimation required to prepare the data. This impacts the reliability and usefulness of the information reported. Previous evaluations have shown that it is cost-prohibitive to make the IT system changes required to directly capture this data and therefore estimation approaches will continue into the future.
 - We are not aware of how/where this information is used for decision-making or analysis.

- In *Consultation Workbook Distribution & Transmission 03 Network Metrics*, data requested in Average Age of Asset Group under “Age” can be derived using data provided in Asset Age Profile under “Network Assets – Volumes”. This information does not need to be separately provided.
- In *Consultation Workbook Distribution 03 Network Metrics*, we request the metric Standard Vehicle Access be removed. This data is not readily available and directly capturing information for this data point is cost-prohibitive. We are also not aware of how/where this metric is used for decision-making or analysis.
- In *Consultation Workbook Distribution & Transmission 03 Network Metrics*, total Route Line Length is requested in “Length” and Route Line Length split by Urban & CBD and Rural area is requested in “Staffing and Terrain”. We request the metric in “Length” be formula driven (or removed) based on the duplicated data requirements.
- In the interest of streamlining the volume of information requested and aligning requirements across the different networks, we request the following data be removed:
 - ‘Causal Allocators’ and ‘Non-Causal Allocators’ Operating Expense data in *Consultation Workbook Transmission 06 Operating Expenditure*. We consider that this information does not add value and is not meaningful to users. Compliance with the AER reviewed and approved cost allocation methodology is inherently embedded within the reporting requirements.
 - ‘Capex by Project’ information in *Consultation Workbook Transmission 07 Capital Expenditure*. This disaggregated project data is also presented in Capex Models submitted to the AER as part of the Revenue Reset process.
 - ‘Related Party Transactions’ in *Consultation Workbook Transmission 09 Revenue and Financial Statements*. There is duplication in the data requested - related party transactions relating to Capital and Operating expenditure are required to be also reported within the respective workbooks. Balance Sheet balances associated with related parties do not impact decision making and are not required to be disclosed as part of Electricity or Gas Distribution reporting.
- Refer also to comments below supporting the removal of the Transmission Information Guideline.

Other changes to data requirements

- We request that the new instrument mandates that data provided is required to be mutually exclusive. This includes new information requested such as Safety-related expenditure. Without this requirement, data reported is unable to be effectively compared across businesses.
- We request that the data sought in the current Debt RIN be amalgamated in the new information instrument/s.

- We request the categorisation of data and requirements of the Reset RINs be considered in the development of the new information instrument/s to ensure that historic data isn't required to be recast and re-audited as part of the Revenue Reset process. Currently, differences in requirements between the Annual RINs and Reset RINs increases the cost of compliance and regulatory reporting burden.
- Schedule 1 of the current Electricity Distribution Annual RIN requires the provision of certain financial data outside of the templates provided (e.g., cost allocation data and the impact of changes in accounting standards). If this financial information is required on an ongoing basis, we request this be included in the new instrument workbooks. Also, refer below to Non-Data Information Requirements where we recommend the removal of this information.
- We request additional functionality be added within workbooks to specify whether data provided is 'Actual Information' or 'Estimated Information'. This change would alleviate the current administrative burden associated with preparing 3 versions of all RIN templates: Actual, Estimated and Consolidated.

We also request the AER add functionality that redacts confidential information, reducing the administrative burden associated with preparing 2 versions of all Consolidated templates: Public (publish) and an AER (confidential) version.

- *Consultation Workbook Distribution 07 Capital Expenditure* includes the following Operating Expenses under "ACS" –
 - Public Lighting Activities: Minor Road Light Maintenance and Major Road Light Maintenance
 - Metering Activities: Meter Testing, Meter Investigation, Scheduled Meter Reading, Special Meter Reading, Meter Maintenance, Remote Meter Reading, Remote Meter Reconfiguration and Other
 - Fee Based Services (which is a combination of Capital expenditure and Operating expenditure)
 - Quoted Services.

We request these tables be included in *Consultation Workbook Distribution 06 Operating Expenditure*.

- We request Public Lighting data relating to the Number of Poles Installed, Number of Poles Replaced and the Number of Poles Maintained be removed from *Consultation Workbook Distribution 07 Capital Expenditure* "ACS" and included in *Workbook 03 Network Metrics*.
- In relation to the reporting of Provisions in *Consultation Workbook Distribution & Transmission 09 Revenue and Financial Statements*, we request removing the obligation to present each Provision separately and recommend moving to an aggregate reporting approach consistent with the requirements in the

Transmission Regulatory Accounts. We consider aggregated reporting to be a more pragmatic approach, which doesn't hinder the useability of the information.

<p>What non-data information do you consider should be provided to the AER? Are there any non-data requirements you would support being removed from future reporting processes? Are there any examples of a basis of preparation you consider to be materially better than others?</p>	<p>Non-Data Information Requirements</p> <p>We support the reassessment of non-data information requirements.</p> <p>We view the Basis of Preparation as a document integral to our submission. It details key assumptions and estimation approaches and provides context to readers, aiding the understandability of RIN information. The Basis of Preparation also underpins the Statutory Declaration and audit opinions. We request that a Basis of Preparation continue to be included in the requirements of any new instrument/s.</p> <p>We recommend that other non-data information (such as accounting policies, explanations of regulatory adjustments, explanations of material variations and details of corporate structures) only be required in circumstances where the NSP believes the information is pertinent to understanding the data reported. In these circumstances, such non-data information could be included within the Basis of Preparation (at the discretion of the NSP) to provide context to the reader. It is also noted that the majority of this information is provided to the AER as part of the Revenue Reset process and is rarely subject to change.</p> <p>We also consider that providing Cost Allocation Methodology (CAM) data is not value-adding. The CAM is separately approved by the AER and compliance with the CAM is inherently embedded within the RIN templates and existing certification requirements. We do not consider that reporting disaggregated CAM outcomes adds value or is meaningful to users.</p> <p>In relation to examples of Basis of Preparations, we consider that excel-based Basis of Preparations are not as user-friendly as other formats used by NSPs.</p>
<p>Do you consider the transmission information guideline should be retained in its current form or for any other purpose?</p>	<p>Removal of the Transmission Information Guideline</p> <p>We strongly support the proposal to remove the transmission information guideline. We see the removal of this guideline as a key step to streamlining reporting requirements and increasing the consistency of reporting across the different networks.</p>
<p>Do you have any feedback on the AER's proposal to maintain the current assurance processes?</p>	<p>Independent Assurance Processes</p> <p>We understand the importance of information assurance and the role independent assurance firms play in ensuring the integrity and compliance of information provided. However, we consider these same benefits can be achieved in a far more cost-effective and time-efficient way.</p>

Total audit fees for the current RINs in Electricity Distribution and Electricity Transmission are forecast to exceed \$3.5M over the 5 year reset period. Assurance procedures for 'Actual Financial Information' in the current RINs account for ~75% of auditor fees, with review procedures over all estimated and non-financial information accounting for the remaining ~25%.

We recommend the AER consider implementing one of the below new, alternative approaches to information assurance -

1. Expanding the current auditor Review Report requirements to cover all data points, eliminating the need for Audit Reports (reasonable assurance) over 'Actual Financial Information'.

This new approach would continue to provide independent assurance over submissions including the attestation that - *nothing has come to the independent auditor's attention that causes them to believe that the data reported is not prepared, in all material respects, in accordance with the requirements of the RIN/RIO and the Basis of Preparation.*

This approach would save substantial costs (ultimately borne by our customers) as well as internal time and resources.

2. Amending the current requirements to only mandate Audit Reports (reasonable assurance) for financial information in the core Income Statement, Opex and Capex tables and allowing auditor Review Reports over the remainder of the data.

This approach would provide the AER with the maximum level of assurance over the financial information in the key, aggregated templates (including the split by service classification). The remaining financial information reported is a disaggregation of this data and would be certified by an auditor Review Report and reconciled within the workbooks to the aggregate, audited view.

We consider this a more pragmatic and risk-based approach compared to the current assurance requirements.

We also note that the quantum of Audit and Review Reports impacts the pricing of assurance engagements. To minimise the cost of compliance, we recommend that this is considered by the AER when the structure of the new instrument/s is determined (i.e., minimising the number of RIOs/RINs and new information requests).

Statutory Declarations

In relation to the endorsement by company officers, we currently amend the wording of the statutory declarations to include reference to materiality. This amendment aligns the certification with the RIN requirements and the audit reports. We recommend "materiality" be incorporated in the standard Statutory Declaration.

How should the AER deal with changing information requirements? How frequently should the information order (or notices) be updated? How should we get the information we need prior to the requirements being included in an updated information order?

New Information Requirements

We support the use of less formal information instruments (such as information requests) for the collection of new data whilst information needs are defined, and the availability of data is assessed. This approach ensures that final requirements clearly and succinctly address ongoing information needs. This approach also enables a degree of flexibility in reporting whilst new business processes and internal reports are developed.

We agree with the suggestion that new information requirements be incorporated into formal instruments on a fixed, 4-yearly cycle as part of a comprehensive requirements review. We would also strongly recommend that, as part of these cyclical reviews, an assessment be conducted of all existing data collected to ensure only relevant information is requested on an ongoing basis. This will avoid creating a growing suite of reporting obligations.

What tools will best meet the needs of networks submitting information to the AER? What constraints should we be aware of in designing new information collection systems and process?

Information Exchange - Providing Information to the AER

We consider the current information exchange portal to be a simple, fit for purpose tool. We request that the AER consider the cost of compliance and any added complexity and administrative burden when designing and developing a new information exchange system.

How would you like to access the AER's data relating to regulated networks? Are there other agencies that are good at sharing data and information?

Information Exchange - Getting Information from the AER

No comment, other than to note we support the development of a user-friendly information system that improves the accessibility of data for all users/stakeholders and promotes information transparency.