

Victorian EDPR 2021-26 – online public forum

Australian Energy Regulator (AER) - Public forum responses provided by the AER

Received from	Topic	Question	Response
CCP17 (questions for the AER and all DNSPs)	Efficiency	Can an efficient business and a high Efficiency Benefit Sharing Scheme (EBSS) payment for that business co-exist? What factors could lead to such an outcome?	<p>Positive carryovers are accrued through making incremental efficiency gains. The later in the regulatory control period the incremental efficiency gains are made the greater the EBSS carryovers, since less of the gain will be retained within period.</p> <p>Efficiency gains are measured relative to the opex allowances set. Consequently the magnitude of EBSS carryovers will also be influenced by the accuracy of the opex allowances. We have adopted a degree of conservatism in setting these allowances, including on the threshold for considering a business efficient/materially inefficient. In this way the magnitude of EBSS carryovers achieved by an efficient business will depend on the threshold for determining whether a business is materially inefficient or not when we do our efficiency assessment of base opex. The tighter that threshold, and the potentially more accurate the opex forecast in general, the lower you would expect EBSS carryovers to be. Our opex efficiency analysis may also be impacted by changes in cost allocation and capitalisation practices by businesses, which is an issue that we are examining.</p>

<p>CCP17 (questions for the AER and AusNet Services)</p>	<p>Asset lives</p>	<p>Is there a standard set of asset lives (and depreciation rates) for all businesses? If not, why not?</p>	<p>Standard asset lives are generally based on the technical lives of the assets that make up the asset classes in the asset base. Businesses may have different asset classes. For example, one business may use 10 asset classes for its asset base. But another business may employ a more disaggregated approach and use 30 asset classes for its asset base. Even for asset classes that appear similar across businesses, differences may emerge simply due to the mix of assets that make up those asset classes. We encourage consistency in standard asset lives across businesses. However, we also recognise there may be reasons that could affect the expected technical life of an asset in different locations.</p>
<p>Energy Users Association of Australia (EUAA) (asked from their presentation – to both AusNet and AER)</p>	<p>Capex</p>	<p>What analysis has been done by AusNet and the AER to show the extensive expenditure on mitigating bushfire risk (capex and opex) has been successful in reducing risk? (slide 13 from the EUAA presentation)</p>	<p>The AER's role is to approve prudent and efficient expenditure by distributors to meet their obligations under the Electrical Safety (Bushfire Mitigation) Further Amendment Regulations 2016 and has no role in monitoring bushfire impact and risk.</p> <p>The AER applies incentives on application of the Victorian Government's F factor scheme, which monitors fire starts. Data from this scheme may identify trends over the longer term.</p> <p>The Regulations were developed in the <i>Powerline Bushfire Safety Program</i> with extensive consultation, studies and expert guidance through the <i>Powerline Bushfire Safety Taskforce</i>.</p> <p>Questions related to the performance of distributors in terms of bushfire prevention and effectiveness of their expenditures to meet the Regulations should be directed to the distributors and the Victorian Government via</p>

			https://esv.vic.gov.au/safety-education/bushfire-and-powerline-safety/.
<p>EUAA (asked from their presentation)</p>	<p>Role of the AER</p>	<p>Can the AER confirm which particular matters that it proposes to bring less scrutiny to? Are these only the matters where there was agreement between the CF and AusNet or does it include all matters that were in the AER/CF agreed scope or the wider AusNet Services/CF agreed scope? (slide 8)</p>	<p>The AER is still considering all information before it including comments from stakeholders. It will use its various assessment tools – for example , trend analysis, modelling, assessment of bottom up builds, review of top-down challenges – to determine whether further scrutiny on particular matters is warranted.</p>