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Warwick Anderson  
General Manager – Network Regulation North Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra, ACT 2601

Email: [aerinqury@aer.gov.au](mailto:aerinqury@aer.gov.au)

Dear Mr Anderson,

**Re: Objectives and priorities of electricity network service provider performance reports**

I refer to the Discussion Paper issued by the Australian Energy Regulator (**AER**) in December 2010 regarding objectives and priorities of electricity network service provider performance reports (**the Discussion Paper**).

CitiPower and Powercor (**the Businesses**) appreciate the opportunity to comment on the Discussion Paper. The Businesses agree that performance reporting is an important function of the AER. However, the Businesses raise a number of issues and concerns for the AER's consideration.

### **Objective of transparency**

The Businesses note the AER intend to report on network service providers' (**NSP**) expenditure, investment decisions and service levels to allow for comparisons to be made between NSPs and over time. While the Businesses agree in principle with an overarching objective of transparency, the Businesses submit that facilitating comparisons between NSPs should not be an objective of transparency. This is because each NSP is unique and there may be many finer aspects to a network business which differentiate it from another network business, making comparisons across businesses meaningless without such detail. While details which differentiate the businesses should arguably be included as far as possible, the Businesses note that it may be difficult for the AER to include all such details in performance reports.

The Businesses therefore submit that the objective of transparency should not be framed to facilitate crude and inaccurate comparisons across businesses. Rather, the objective of transparency should be to facilitate a deeper level of understanding of the nature of

distribution businesses generally, and the operations of each distribution business specifically.

### **Objective of accountability**

The Businesses note the AER intend to include analysis on why differences between actual and forecast expenditure have occurred. The Businesses agree in principle that stakeholders should be informed of reasons for deviations from forecast expenditures; however, any analysis conducted by the AER must consider reasonable explanations put forward by the NSPs.

The Businesses emphasise that the AER are required under clause 8.7.4 of the *National Electricity Rules (the Rules)* to consult with NSPs, allow NSPs an opportunity to submit information relevant to the subject matter of the proposed report, and allow NSPs an opportunity to comment on material of a factual nature included in the report. The Businesses submit that for consultation to be effective and meaningful, the AER must refrain from making unjustified, speculative statements as to the differences between actual and forecast expenditure.

### **Objective of performance improvement**

The Businesses note the AER intend for the report to act as an incentive for NSPs to increase service performance and adopt more efficient processes. The Businesses submit that this objective is misguided in that the performance of an NSP is influenced by the regulatory framework (for example, the demand management incentive scheme, the efficiency benefit sharing scheme, guaranteed service levels etc) and not by a performance report produced by the AER.

The report is not an appropriate forum for the AER to express grievances regarding deficiencies in the regulatory framework. Rather, such grievances are best raised in the Rules consultation process established by the Australian Energy Market Commission. The Rules consultation process was established to ensure all stakeholders have the opportunity to reflect on issues with respect to a particular subject matter, and raise considered concerns within the context of the issue. Issues which are raised in a performance report do not provide the Businesses with a meaningful opportunity to respond.

If you have any questions, please contact me on (03) 9683 4465.

Yours sincerely



Brent Cleeve  
**MANAGER REGULATION**