



CitiPower and Powercor Australia

**SUBMISSION TO AER ON DRAFT
REGULATORY INFORMATION NOTICE FOR
ECONOMIC BENCHMARKING**

18 October 2013

1 INTRODUCTION

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to make this submission to the Australian Energy Regulator (**AER**) in response to the draft Regulatory Information Notice (**RIN**) for economic benchmarking provided on 18 September 2013 (**Draft Economic Benchmarking RIN**).

The Businesses have reviewed the Draft Economic Benchmarking RIN with a view to identifying any drafting or practical issues that might compromise the AER's data gathering process. To assist the AER to address the issues identified, the Businesses have prepared suggested amendments to the Draft Economic Benchmarking RIN (refer to Attachment B to this submission). Where the Businesses have identified a concern but have not been in a position to propose a solution to the issue, to assist the AER's review, the relevant section of the RIN has been highlighted in yellow.

Further, to provide the AER with an early indication of the likely quality of the data, the Businesses have prepared a colour coded version of the Draft Economic Benchmarking RIN template (refer to Attachment C to this submission). The Businesses have prepared the colour coded template based on our current understanding of the data that is likely to be available and the extent of supporting material available to verify data. However, upon populating the template with actual data, the Businesses view of the data quality may change.

The remainder of this submission describes the key issues identified by the Businesses. Please note the paragraph references refer to the AER's version of the Draft Economic Benchmarking RIN provided on 18 September 2013. The submission covers the following:

- Audit requirements for back-cast data;
- Wording of the statutory declaration;
- Estimating data;
- Proposed timeframe for data collection and audit for the 'Initial Regulatory Years';
- Other minor drafting issues;
- Attachment A: Comments on definitions of specific data items;
- Attachment B: Revised Economic Benchmarking RIN and statutory declaration; and
- Attachment C: Colour coded templates for each of the Businesses.

The Businesses support the submission made by the Energy Networks Association.

2 AUDIT REQUIREMENTS

The Businesses support the audit of all data used by the AER for economic benchmarking. Audit assurance is important for promoting stakeholder confidence in the quality of the data used in economic benchmarking.

However, the Businesses do have some specific concerns with the articulation of the audit requirements in Appendix C to the Draft Economic Benchmarking RIN. In particular, the requirement to provide audit assurance in respect of 10 years of back-cast data is problematic because it requires significant estimation and a large number of assumptions; furthermore it raises practical issues because historical systems and processes may not be verifiable.

The Businesses have the following specific concerns with the proposed audit requirements for back-cast data:

1. In relation to estimated financial and non-financial data, the Businesses' auditors have indicated that they are not in a position to assess whether an estimate is the 'most appropriate' (refer paragraphs 3.2 (b)(ii), 3.2(c)(ii), 3.3(b)(iii) and 3.3(c)(iii) of Appendix C to the Draft Economic Benchmarking RIN). Further, the quality of any estimate is also constrained by the information that is available to the DNSP and therefore the appropriateness of any estimate should be considered having regard to the data that is available.

In addition, the proposed requirement that the auditor assess whether the data has been derived based on reasonable management judgement and assumptions (refer to paragraphs 1.1(b) and (c), 3.2(b)(ii) and 3.3(b)(ii)) does not reflect the requirements imposed on the DNSP in preparing the data under the RIN.

The Businesses recommend that as an alternative the auditor should be required to assess whether the information has been estimated based on management judgement and assumptions that are 'not unreasonable' having regard to the information that is available to the DNSP. The explanation of the 'basis of preparation' prepared by the DNSP in accordance with the requirements of the RIN would be central to the audit of estimated data and would assist the AER in deciding on how fit for purpose the data is.

2. In relation to non-financial data, the Businesses' auditors have indicated that it will be not be possible to assess the processes and procedures used and systems applied in the past to provide, prepare and maintain data (refer to paragraph 3.4 of Appendix C to the Draft Economic Benchmarking RIN). The Businesses understand from their auditors that such an assessment primarily involves a review of controls and thus would only be possible if the auditor has previously given an audit opinion on the systems that were in place in the year the data was originally collated by the Businesses. If no audit opinion was given at the time on the assessment of processes, procedures and systems applied, the auditors would be required to rely on statements on the controls in place at the time by the Businesses. This is not a proper basis on which to prepare an opinion.

The Businesses recommend that the review of systems and process referred to in paragraph 1.1(d) of Appendix C of the Draft Economic Benchmarking RIN only apply prospectively from 2013.

3. In relation to financial data:

- As the AER has been previously advised, categories of distribution services for the purposes of the Businesses' approved Cost Allocation Method (CAM) are inconsistent with the service classification determined by the AER for the 2011-15 period in the AER's distribution determinations. The Businesses are proposing to submit a new CAM that aligns the categories of the services specified therein with the service classification in their 2011-15 distribution determinations. The Businesses will prepare their RINs in accordance with the final determination classification and assume that the AER will approve the revised CAM by the end of the year. In the absence of this approval, the audit report would be qualified.
 - On the opex categories, the Businesses urge the AER to consider having a vegetation management opex category. Vegetation management opex data will be important to enable testing of the impact of vegetation management costs on productivity results. The Businesses remain concerned that a second stage adjustment for the number of spans cut will not adequately capture the differences between DNSPs' vegetation management responsibilities, particularly where there are different jurisdictional obligations. Furthermore, the AER will require this information to understand the drivers of increased opex in recent years for some DNSPs and the reasons that opex differs between DNSPs.
4. In relation to non-financial data, there may be insufficient supporting information retained by the Businesses to support the audit process. For example where the Businesses have previously extracted some information historically and therefore have the data requested but because that data was not collected for audit purposes, the supporting information on how that data was originally extracted may not be available.

The Businesses suggest that the review of the non-financial information referred to in paragraph 1.1(c) of Appendix C of the Draft Economic Benchmarking RIN only apply prospectively from 2013.

5. In relation to the estimated financial data, given the requirement to comply with ASAE 3000, the Businesses' auditors understand that paragraph 3.2 of Appendix C requires them to assess the process that the Businesses undertook in preparing the estimated financial figures, not the reasonableness of the figure itself. Requiring an auditor to assess the reasonableness of figures could require the auditor to engage a number of subject matter experts, or to undertake highly onerous and time-consuming procedures to provide such assurance.

3 STATUTORY DECLARATION

The Draft Economic Benchmarking RIN requires the information to be verified by way of a statutory declaration in which the person executing the document declares (among other things) that the information can, in all material respects, be relied upon by the AER to prepare and publish annual benchmarking reports and assess the benchmark opex and capex that would be incurred by an efficient DNSP's building block determination (refer to Appendix B to the Draft Economic Benchmarking RIN paragraph 2(b)).

The Businesses appreciate the significance of a statutory declaration to ensure the veracity of the information provided to it. However, the Businesses have some concerns with the way in which the declaration in the Draft Economic Benchmarking RIN is drafted and further the way in which the RIN requirements will operate in practice.

First, the Businesses do not consider it appropriate that the person executing the statutory declaration be required to declare that the information included in the response can be relied upon by the AER for the purposes specified in the declaration. The assessment as to whether the data is appropriate for the AER's stated purposes is one which the AER needs to make in light of the nature and quality of the data it receives from all DNSPs. It is not an assessment that can be made in isolation by the person named in the RIN given they are not fully apprised of the AER's intended use of the data.

The Businesses therefore consider that the person executing the statutory declaration should only be expected to verify that, to the best of their information, knowledge and belief, the data has been prepared in accordance with the requirements of the RIN and that the information provided, with the exception of any estimates, is true and accurate.

Second, the AER has not qualified paragraph 2(b) in relation to estimated data. The Businesses understand that this was the AER's intention (refer to AER Explanatory Statement, September 2013, page 14), however the current drafting of the statutory declaration does not give effect to this.

Third, as presently drafted, the statutory declaration is premised on the person providing the declaration being the person named in the RIN and having generated any estimated data provided. In circumstances where it is the DNSP that is the RIN respondent and many people within the Businesses will be involved in preparing the estimates, it is not appropriate to require the person making the declaration to state that they themselves have provided the information and used their best endeavours to generate the most appropriate estimate. In any event, no such statement is required given the declaration requires the person making the declaration to verify that the response is in accordance with the requirements of the RIN.

To assist the AER, the Businesses have provided proposed drafting amendments to the statutory declaration to reflect the above (refer to Attachment B to this submission).

4 ESTIMATING DATA

The Draft Economic Benchmarking RIN states that, where it is not possible to provide any particular information required by the RIN, the DNSP must provide an estimate.

The Businesses consider that providing an estimate should not be required in circumstances where there is no reasonable basis on which to provide an estimate. For example, the Businesses have no basis on which to estimate the operating costs incurred by directly connected high voltage customers that own and maintain the assets, nor does the Businesses have information on the transformer capacity of such assets.

The Businesses recommend that the AER introduce a process for DNSPs to seek exemptions from the requirement to provide an estimate where there is no basis on which to do so. To facilitate this, the Economic Benchmarking RIN should include a provision that allows a DNSP to not provide a particular data item if the AER has provided pre-approval for this. Such a provision needs to be incorporated in the RIN itself to prevent situations of non-compliance (see the proposed inclusion of the words ‘, and except where the AER notifies Powercor that Powercor is not required to do so to any extent’ in the main body of the attached RIN mark-up).

The Draft Economic Benchmarking RIN also requires that only actual data, rather than estimates, are to be provided for regulatory years from 2013 onwards unless stated otherwise in a specific worksheet of the Microsoft Excel Workbook at Appendix A (refer to paragraphs 1.3 and 1.4 of Schedule 2 to the Draft Economic Benchmarking RIN).

The Businesses do not consider that it will be possible to provide actual data for all categories of information under the Draft Economic Benchmarking RIN for either 2013 or 2014. This is because systems and processes must be in place before the relevant year commences in order to capture actual data in the form required for the entire year. Such changes cannot be effectively implemented at short notice. Given that the AER has not finalised the RIN or data definitions, it will not be possible for the Businesses to implement systems and process changes before 1 January 2014.

The Businesses therefore recommend that AER allow DNSPs to continue to provide estimates, where necessary, for 2013 and 2014 (see the proposed amendments to paragraph 1.3 and proposed new paragraph 1.4 of Schedule 2 of the attached RIN mark-up).

5 PROPOSED TIMELINE FOR INITIAL REGULATORY YEARS

The Businesses understand the AER’s desire to receive data as early as possible prior to publishing their first annual benchmarking report in September 2014. However, back-casting 10 years of data will involve significant resources on the part of both the Businesses in populating the RIN templates and the auditors in conducting the audit of the information. Providing DNSPs a short timeframe within which to populate the templates with, and receive audit assurance on, 10 years of back-cast data increases the risk of data errors and ill-considered estimation methods.

Contrary to the AER’s intention, the AER’s proposal that audited information is provided three months after the information specified in Schedules 1 and 2 is delivered to the AER does not reduce the impact of audit requirements under the Draft Economic Benchmarking RIN. This is because the Businesses will not provide the AER with unaudited information that is subject to a statutory declaration and that will be subsequently audited. The appropriate Businesses’ officers capable of executing the statutory declaration will not sign the statutory declaration in the absence of audit

assurance. To do so may be contrary to their statutory responsibilities (including, for instance, their obligation under s180(1) of the *Corporations Act 2001* (Cth) to discharge their duties with the degree of care and diligence that a reasonable person would exercise). The significant time pressure associated with populating templates with, and receiving audit assurance on, 10 years of back-cast data within a period of three months of the RIN being issued will thus not be alleviated under the proposed timeline.

The Businesses understand the AER is proposing to use the unaudited data to undertake data testing as well as to allow for 'cross submissions' on the data. As noted, in practice, given the auditor's report will be required for internal purposes before any statutory declaration verifying the data (or other certification) can be prepared, the Businesses are unlikely to produce two sets of data to the AER.

In any event, such an iterative process is not consistent with the RIN being a mandatory notice to produce information. In circumstances where the DNSP named in the notice is potentially subject to civil penalties for non-compliance, the AER should not seek to qualify or alter the requirements of the RIN through an informal process. The obligation on the DNSP to comply with the RIN will remain, regardless of any revision at the request of the AER. The Businesses are also very concerned that any iterative process could lead to an ongoing, time-consuming and resource intensive process of data revision. Changes to the method of estimating data or the assumptions underpinning preparation of the data could give rise to significant additional work on the part of the Businesses and delay any outstanding audit processes. This could in turn give rise to a risk of the Businesses failing to meet mandatory specified timelines.

The Businesses therefore recommend that the AER follow standard practice in relation to data collection by requiring NSPs to provide the data and the audit assurance report at the same time and by a defined date. Given the AER's desire to receive the data at the earliest opportunity, the Businesses suggest that a fair compromise would involve setting the timeframe for providing both the data and audit report by 3 March 2014 and limiting the back-casting of data to five years (see the proposed amendments to the main body of the attached RIN mark-up, including the definition of 'Initial Regulatory Years').

While the Businesses do not support cross submissions on the data produced by individual DNSPs in the context of an iterative RIN response process, the Businesses do support the public release of the full audited dataset prior to the release of the draft economic benchmarking report. Public access to the data is necessary to enable DNSPs to effectively participate in the consultation process on the models the AER will adopt for the purposes of the annual benchmarking report.

6 OTHER MINOR DRAFTING ISSUES

The Businesses make the following further comments regarding the Draft Economic Benchmarking RIN:

- The drafting of the proposed requirement that the auditor provide an opinion, where non-compliance with the RIN has arisen, on modification in respect of this, is unclear (refer to paragraphs 3.1(c)(iv), 3.2(c)(iv) and (v) and 3.3(c)(iv)). In the absence of a clear understanding of the AER's intention, the Businesses have not proposed any changes in the mark-up of the Draft Economic Benchmarking RIN at Attachment B to this submission, but to assist the AER's review of the relevant sections, these have been highlighted in yellow.
- For consistency with ASAE 3000, the Businesses suggest replacing the references to 'review of' in each of paragraphs 3.2, 3.3 and 3.4 of Appendix C with references to 'limited assurance engagement in respect of'. Similarly, the Businesses propose adding references to 'limited assurance engagement' in the definition of 'Review Report' and paragraphs 1.1 and 2.2 of Appendix C.
- The Businesses suggest deleting the requirement that the audit reports to include an opinion as to whether actual historical financial information is 'presented fairly' in accordance with the requirements of the RIN (refer to paragraph 3.1(c)(ii) of Appendix C). There is a lack of clarity as to what this requires and the requirement is unnecessary given the auditor is required to verify whether the information is prepared consistent with the requirements of the RIN (refer to paragraph 3.1(b)(iv) of Appendix C and amended paragraph 3.1(c)(ii) of Appendix C in the attached RIN mark-up).
- The Businesses suggest deleting the provisions regarding the time by which the audit reports are to be delivered to the AER in Appendix C (refer to paragraphs 3.1(e), 3.2(e), 3.3(e) and 3.4(e)). The date by which the auditor's report is to be delivered to the AER is the subject of an obligation on the DNSP in the main body of the RIN. If the requirements are repeated in Appendix C, the Businesses observe that for clarity, in each instance the references to 'AEST' should be to 'Australian Eastern Standard Daylight Time or Australian Eastern Standard Time as applicable in [State in which DNSP operates]'.
- The Businesses suggest amending paragraphs 3.2(b)(i) and 3.3(b)(iii) of Appendix C. As noted above, the audit process will be completed prior to the statutory declaration being executed and thus the declaration will not, as a practical matter, be available for consideration by the auditor. Further, the Businesses understand the auditor to be charged with auditing compliance of the RIN response and not the truth and accuracy of the statutory declaration. The Businesses understand the AER is seeking to require the auditor to consider whether estimates (rather than actual data) have been provided only in circumstances where it is not otherwise possible to provide the information (i.e. to consider whether the DNSP has complied with paragraph 1.3 of Schedule 2). The Businesses have proposed drafting amendments to achieve this in the attached RIN mark-up (but note that the paragraphs are unnecessary as the auditor would be required to engage in this exercise in any event for the purposes of determining whether there has been compliance with all parts of the RIN (refer to paragraphs 3.2(c)(iv) and 3.3(b)(iv) of Appendix C)).

- The Businesses have proposed deleting the words 'in respect of the distribution services provided by way of the electricity distribution network Powercor operates in Victoria' where they appear in the statutory declaration. Proposed drafting has been introduced into the main body of the RIN in the requirement to provide, prepare, maintain and verify the information.
- The Businesses have proposed deleting the interpretation provision providing that a reference to any corporation, whether expressly identified or not, includes a reference to any representative of that corporation. The rationale behind this provision is unclear and its retention in the RIN may have unintended consequences.
- The Businesses have proposed amendments to paragraph 1.1 and the deletion of paragraph 1.2(b) of Schedule 2 as the two paragraphs appear intended to deal with the same subject matter. The retention of both paragraphs may give rise to uncertainty as to how to read them together.
- It is not clear what the AER intends by referring to 'current regulatory reporting requirements' in paragraph 1.1 of Schedule 2. The term is not defined and its inclusion in the RIN gives rise to uncertainty as to the Businesses' obligations. The Businesses suggest deleting the reference.
- The Draft Economic Benchmarking RIN requires the Businesses to maintain information 'until further notice' (paragraph 2.1 of Schedule 2). To give DNSPs some certainty as to the nature of the obligation, a specific period of time should be specified. To assist the AER's review, this provision has been highlighted in the attached RIN mark-up.
- For clarity and certainty, the term 'annual reporting RIN' included in the definitions of opex categories could be defined.

7 CONCLUDING REMARKS

The Businesses appreciate the opportunity to make this submission to the AER on the Draft Economic Benchmarking RIN. The Businesses are keen to assist the AER to resolve the drafting and practical issues raised in this submission that may otherwise impede the effectiveness of the Draft Economic Benchmarking RIN.

Please find attached:

- Attachment A: Data definitions which require further clarity or revision;
- Attachment B: Revised version of the Economic Benchmarking RIN and statutory declaration; and
- Attachment C: Colour coded templates for each of the Businesses.

If you have any queries regarding this submission please do not hesitate to contact Megan Willcox on 03 9236 7048 or mwillcox@powercor.com.au.

Yours sincerely

Brent Cleeve
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ATTACHMENT A: DATA DEFINITIONS

The Businesses appreciate the changes that the AER has made to date to the data definitions to take account of the Businesses' previous submissions. The table below sets out the issues that the Businesses have identified in the Draft Economic Benchmarking RIN.

Data item	Businesses' comments
<p>2. Revenue DREV 0101-0206 -</p>	<p>Prior to 2006 standard control DUOS revenue was inclusive of type 5-7 metering services. Because the costs of meter reading were recovered through DUOS tariffs, the Businesses are not able to provide a separation of revenue from network services and revenue from metering services.</p>
<p>3.1 Opex Categories</p>	<p>It is not clear if opex is to be provision adjusted or not.</p>
	<p>It is not clear if opex is to be reported with or without margins.</p>
	<p>Opex associated with vegetation management should be a required opex category for all DNSPs.</p> <p>Vegetation management opex data will be important to enable testing of the impact of vegetation management costs on productivity results. The Businesses remain concerned that a second stage adjustments for number of spans cut will not adequately captured the differences between DNSPs vegetation management responsibilities, particularly where there are different jurisdictional obligations.</p> <p>Furthermore, the AER will require this information to understand the drivers of increased opex in recent years for some DNSPs and the reasons that opex differs between DNSPs.</p>
	<p>Opex against CAM</p> <p>The Businesses' current CAM is not consistent with the service classification determined by the AER for 2011-15. The Businesses are proposing to submit a new CAM with service classifications consistent with the AER determination.</p> <p>The Businesses will prepare their RINs in accordance with the final determination classification and assume that the AER will approve the revised CAM by the end of the year. In the absence of this approval, the audit report would be qualified.</p> <p>Historic Opex against current CAM</p> <p>Furthermore, the Businesses are not clear on why the AER is requesting this information and requiring reclassification of historical data with the current CAM when it intends to use total opex in the economic benchmarking model.</p> <p>The Businesses consider that the AER should only request the categories of opex that it specifically requires for the purposes of economic benchmarking.</p> <p>It is understandable that the AER would require relevant opex back cast according to the current service classifications, and therefore the RIN should state this.</p>

Data item	Businesses' comments
3.2 Opex consistency	<p>The Businesses cannot provide an estimate of the opex that would be incurred by the Businesses if we were to maintain the assets of directly connect HV customers. The Businesses are not provided with information on the type of assets that are owned, operated and maintained by these parties. There is therefore no basis on which the Business can estimate other parties' opex.</p>
4.2 Annual RAB roll forward DRAB 0101-1207	<p>Easements</p> <p>The Businesses do not record historical data on the cost of easements. The cost of easements is captured in the total cost of the relevant asset/s to which the easement is associated. The businesses do not record the information on the standalone cost of easements as they are considered immaterial incidental expenses. The Businesses consider that there is no reasonable basis to make an estimation of the standalone cost of easements.</p> <p>The Businesses submit that, in any event, it appears unnecessary to separate the RAB roll forward into an easements category. This is because the benchmarking model will involve the value of easements being re-assigned back to an asset category.</p> <p>The Businesses recommend that the RIN be amended such that the value of easements is not required to be reported separately in circumstances where the value is already captured in the RAB roll forward in the asset category to which the easement is associated. This approach would also provide a better reflection of the use cost of capital of the different asset categories, than a arbitrary estimation and allocation process.</p> <p>Classification of assets</p> <p>The AER has requested information on whether the disaggregation of the RAB roll forward should be based on:</p> <ul style="list-style-type: none"> • Sub-transmission and distribution; • Assets above and below 66KV; or • Assets above or below 33KV. <p>The Businesses recommend that the RAB roll forward is separated based on sub-transmission and distribution and not kv rating. This is because sub-transmission assets have a definably higher unit cost (\$ per km) than distribution assets. For example, CitiPower has 22kv sub-transmission and the MVA rating and unit cost of CitiPower's 22kv sub-transmission assets is much greater than the equivalent voltage distribution assets.</p> <p>Disaggregation by sub-transmission and distribution will also generally capture much of the cost difference between higher and lower voltage lines, this is because <u>in general</u> sub-transmission assets are of higher voltage (e.g. 66kv or greater) while distribution assets are <u>generally</u> of lower voltage (e.g. 66kv or lower).</p> <p>Furthermore, for Victorian DNSPs the RAB roll forward is already disaggregated by distribution and sub-transmission. Requiring disaggregation by kv rating instead will add an additional level of estimation to the data. This is particularly difficult for CitiPower as the data are not available to separate the RAB roll forward for 22kv and 66kv sub-transmission assets.</p>

Data item	Businesses' comments
<p>4.2 Annual RAB roll forward DRAB 0101-1207</p>	<p>Estimation method</p> <p>The AER is considering specifying a method or set of options for estimating the RAB roll forward. While the Businesses support the AER providing guidance to NSPs, each individual NSP should be able to determine the most appropriate method given the information available to them. The Businesses are concerned that limiting the methods available could result in non-sensible results and may not be the 'best' estimate available.</p>
<p>4.3 Estimated residual asset lives DRAB 1401-1409</p>	<p>The Businesses consider that there should be an option available to estimate the residual asset lives as the RAB value divided by depreciation. This is a simple method and the resulting residual assets lives are reconcilable with the RAB roll forward. We note that the NER requires that RAB assets be depreciated over their economic life.</p>
<p>5.1 Energy received by time of receipt. DOPED 0301-0404</p>	<p>The Businesses are only able to provide the total energy received from TNSP, other DNSPs and net energy from embedded generation. The Businesses are not able to separate by time of receipt.</p>
<p>5.3 Weather adjusted coincident peak demand measures DOPSD 05, 06, 11, 12, 17, 18, 23, 24</p>	<p>The current definition of coincident weather adjusted peak demand is inconsistent with the definitions previously applied by the AER in 2010-15 EDPR RIN and is currently impossible for the Business to estimate. The Businesses interpret the current definition as requiring a weather normalisation process be calculated minute by minute at each zone substation/terminal station, and then reporting the demand associated with the minute when the sum of the weather normalised data is highest.</p> <p>The Business strongly recommend that the AER amend the definition of weather normalised coincident maximum demand to mean the demand at the zone substation or terminal station coincident with the system peak, which is then weather normalised. Based on this above definition the Businesses could populate the data items by employing high level assumptions.</p>
<p>6.2 Distribution transformer capacity owned by high voltage customers DPA0502</p>	<p>The Businesses do not have this information as it relates to third parties. The Businesses do not consider it appropriate for the AER to require an estimate of third party assets.</p>
<p>6.2 Cold spare capacity distribution transformers DPA0503</p>	<p>Please clarify if cold spare capacity includes transformers that are located in stock i.e., for allocation to projects. The Businesses have no historical information recorded on this. This data could only be collected prospectively.</p>
<p>6.2 Zone substation transformer capacity DPA0601-0604</p>	<p>The Businesses only have information on total zone substation capacity and spare zone substation transformer capacity. The Businesses only have one level of transformation. In this situation it is not clear whether DPA0603 and DPA0604 are the same and DPA0601 and DPA0602 are not applicable. Please clarify.</p>
<p>7.1.1 – Distribution-related SAIDI/SAIFI DQS01 02, 04, 06, 08</p>	<p>The definitions of these data items are still very unclear.</p> <p>In all cases, the definitions are ambiguous in relation to the inclusion or exclusion of "Excluded Events".</p> <p>In relation to items DQS 06 and 08 the definitions state that MEDs are to be included however the sub-heading states "Exclusive of MEDs".</p> <p>Please clarify these definitions.</p>

Data item	Businesses' comments
<p>7.1.1 Reliability exclusive of MEDs DQS 0105-0108</p>	<p>It would be very difficult for the Businesses to retrospectively calculate the Major Event Day thresholds for all years in particular because the calculation of a MED for any given year requires a further five years of historical data, i.e. back to 1998 to calculate the MED for 2003. The Businesses expect that such a recalculation will take months of work which will not be able to be completed in the AER's current proposed timeline.</p> <p>The Businesses can only reliably and practically calculate the MED as far back as 2009. The Businesses could, as an alternative, apply the 2009 MED to prior years as an approximation. It is not expected that this approach will have a material impact on the data provided.</p> <p>The Businesses therefore recommend that the instruction at the top of tab 7 of the RIN template be amended to provide flexibility in applying the current MED definition.</p>
<p>7.3 System losses DQS03</p>	<p>The Businesses information on line losses is only reported on a June to July year. The Businesses request confirmation that this data may be used as an estimate for line losses in the January to December year.</p>
<p>8.2 Vegetation management DOEF 0202-0204</p>	<p>The definition is still very unclear about what constitutes 'vegetation management' activity and is currently unworkable because different parts of a single span may be inspected on different cycles.</p> <p>The Businesses can provide the following information only:</p> <ul style="list-style-type: none"> • The number of spans inspected per year, by High Bushfire Risk Area and Low Bushfire risk Area. • The number of spans cut per year, by High Bushfire Risk Area and Low Bushfire risk Area. <p>The above data is available for Powercor from 2005 and for CitiPower from 2008.</p> <p>The Businesses recommend that the AER collect data on the number of spans cut per year where the DNSP has responsibility to cut the spans. The Businesses estimate that cutting contributes to approximately 85% of the total costs of vegetation management.</p>
<p>8.2 Bushfire risk DOEF 0208</p>	<p>The definitions of high bushfire risk areas applied in each jurisdiction will need to be consistent to enable unbiased comparison. Otherwise the economic benchmarking results will not adequately control for the higher costs associated with managing network assets in high bushfire risk areas.</p>
<p>8.2 Tropical or subtropical DOEF 0202 to 0204</p>	<p>The current definition is unclear whether the percentage should reflect the proportion of spans in subtropical areas or the proportion in tropical areas. The Businesses recommend that this is amended to the number of spans located in tropical areas.</p>
<p>8.3 Line length DOEF0301</p>	<p>It is not clear from the definition if this data item is the same as the sum of the circuit lengths requested in 6.1. Please clarify definition.</p>

Data item	Businesses' comments
<p>8.4 Weather station information DOEF 04001</p>	<p>The Powercor network covers more than 20 weather stations and weather events vary significantly across the different zones. Different weather stations will also contribute to network operations and costs to varying degrees depending on customer density, network density and the frequency of peak weather events occurring in the relevant weather zone.</p> <p>The Businesses therefore caution the AER against taking averages across multiple weather stations as the implications would be:</p> <ul style="list-style-type: none"> • Smoothing out of the occurrence of extreme weather events and therefore failing to adequately account for the impact on the network of extreme weather in particular zones; and • Potentially over-accounting for weather events that have occurred in zones where there is very low customer density or few network assets. <p>Either of these situations would inadequately control for uncontrollable differences between DNSPs and would therefore distort the AER's benchmarking analysis.</p>