

28 October 2021

Sebastian Roberts
General Manager
Network Expenditure
Australian Energy Regulator
GPO Box 3131
Canberra, ACT, 2601

Dear Mr. Roberts

Evoenergy feedback on draft AER 2021 distribution benchmarking report submission

Thank you for the opportunity to provide feedback on the draft of the AER's 2021 annual benchmarking report for distribution businesses. Our feedback focusses on section 8 – benchmarking development.

Evoenergy supports the AER's intentions to continuously improve the reliability and applicability of its benchmarking analysis. We support the areas for development identified in section 8 of the report. We note that while the AER has signalled its intent to progress development in these areas for several years, we have not yet seen considerable consultation and progress on these topics. As we prepare for our 2024–29 distribution determination reset process, we consider it important for these developments to progress in a timely manner to allow for stakeholder consultation and provide certainty for DNSPs preparing for resets.

We encourage the AER to release a timetable setting out its intended process for consultation on the priority development areas, and provide the following comments on these priority areas.

Operating Environment Factors (OEFs)

We consider a review of OEFs to be a priority, including quantification of material OEFs that are currently unquantified (with particular focus on vegetation management) and 'immaterial' OEFs, as well as consultation on the application of ex-ante OEF adjustments rather than ex-post OEF adjustments.

Output weights

We encourage the review of output weights proposed by the AER to look at all aspects of the AER's methodology for estimating output weights. The review should address all of the statistical problems identified in relation to the model the AER currently uses to estimate output weights, and whether the way the AER uses the model to forecast output growth is appropriate.

Cost allocation and capitalisation differences

We support a review of cost allocation and capitalisation approach differences and look forward to the release of the consultation paper in November.

Performance of the opex cost function models

We encourage the AER to clarify how it intends to consult on the appropriateness of the hybrid Translog models in advance of the 2024–29 reset process, and consider it preferable that an evaluation process occurs separately to the revenue resets. Consultation on appropriate criteria to apply in determining whether to retain or exclude models that provide transparency for their application will be important in this process.

Review of benchmarking to account for distributed energy resources

We welcome the AER's plans to start a consultation process on the impact of DER on benchmarking and encourage the AER to provide timing on the process in the final report.

Once again, thank you for considering our feedback on the draft report. Please contact Gillian Symmans, Group Manager Regulatory Reviews, on [REDACTED] if you would like to discuss our comments further.

Yours sincerely



Peter Billing
General Manager, Evoenergy