

28 October 2021

Ms C Preston
Australian Energy Regulator
Level 38, 360 Elizabeth Street
MELBOURNE 3000 VIC

Email: Claire.Preston@aer.gov.au

Dear Ms Preston

Draft 2021 Benchmarking Report for Electricity Distribution Network Service Providers

SA Power Networks welcomes the opportunity to comment on the Australian Energy Regulator's (AER) draft 2021 Economic Benchmarking Report for electricity distribution network service providers (DNSPs), as emailed to DNSPs on 13 October 2021. Our comments focus on the future benchmarking development work proposed by the AER.

We are concerned that the AER has again made limited progress in 2021 advancing benchmarking development work, as detailed in its 2020 Economic Benchmarking Report. These remain priorities for the next 12 months and beyond, together with a number of additional areas identified for development. SA Power Networks urges the AER to commit to firm timelines for future development work. This will increase transparency and assist stakeholders with planning any work that may be associated with these activities.

Incremental improvement

SA Power Networks is supportive of the ongoing review and incremental improvement of datasets and methodologies that support the annual benchmark reporting. We note in particular, the impact that external factors such as weather can have on individual DNSP benchmarking outcomes. Guaranteed Service Level (GSL) schemes also vary across each jurisdiction, resulting in significant variations in GSL costs associated with severe weather events. SA Power Networks is supportive of the exclusion of GSLs from operating costs used for benchmarking purposes.

Differences in cost allocation and capitalisation approaches

We acknowledge the AER's recent analysis into the differences in capitalisation approaches that may impact on benchmarking results and support the AER extending this analysis and consulting on these matters as a priority. We continue to believe that a broad review of overhead cost allocation and capitalisation approaches must be undertaken to reveal whether cost allocation and capitalisation is a significant factor impacting on benchmarking results. We understand the AER is intending to release a consultation paper about the impact of capitalisation differences on benchmarking in November 2021. We look forward to participating in this consultation process.

Review of non-reliability output weights

We note the AER proposes to undertake an independent review of the non-reliability output weights used in the Total Factor Productivity / Multilateral Total Factor Productivity benchmarking to ensure that the benchmarking framework delivers consistent outcomes that are in the long-term interests of customers. We encourage the AER to ensure that this independent review more broadly considers the appropriateness of the current benchmarking methodologies, including appropriate inclusion for services provided to distributed energy resources (DER) customers.

Review of benchmarking modelling to account for distributed energy

We welcome the AER's consultation on potential changes to the annual benchmarking report to account for DER, as required under the recent Access, Pricing and Incentive Arrangements for DER rule change. This work is fundamentally important to DNSPs as we must now invest in network hosting capacity to achieve levels of export service that customers value and support. Benchmarking must recognise the significant service value that customers now receive from distributors investing in network hosting capacity as a new output measure. Benchmarking must also account for the impact that greater amounts of exported energy have on the approach to, and relevance of, existing output measures of energy throughput and maximum demand.

We look forward to working with the AER on how best to incorporate DER into the AER's annual benchmarking report, recognising DER as a distinct service that DNSPs are required and incentivised to provide customers commensurate with customers' demand for the service and desired service levels. We note we have already provided a submission on DER data, that will serve as one input to the AER's work in this area.

Please contact [REDACTED] if you require any further discussion or clarification of the above.

Yours sincerely



Patrick Makinson
GENERAL MANAGER GOVERNANCE AND REGULATION
GPO Box 77, ADELAIDE SA 5001

