

6 May 2022

Dr Kris Funston
Executive General Manager, Networks Regulation
Australian Energy Regulator

Sent via email

AER Networks Information Requirements Review – Discussion Paper

Dear Dr. Funston,

Energy Networks Australia (**ENA**) appreciates the opportunity to make a submission to the Australian Energy Regulator's (**AER**) Networks Information Requirements Review Discussion Paper.¹

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

ENA strongly supports the AER undertaking a review of the annual information it collects from and about regulated electricity networks, which should seek to balance the data reporting benefits with reporting burden. As highlighted by the AER, at its core the Network Information Requirements Review project is about driving improvements in the quality of the information about regulated networks that the AER uses and shares.

ENA supports minimising costs to customers of duplicative or redundant information collection processes that do not materially inform, or have a reasonable prospect of informing, regulatory decision-making. We strongly support the AER's program of work enabling the transition to better information exchange technologies.

Non-confidential data collected from networks should be made publicly available in an accessible and transparent manner to ensure that stakeholders can best develop and make informed contributions to AER review processes and decision making. We also encourage the AER to consider implementing an improved assurance process, which has the potential to continue to provide independent, external assurance benefits in a more cost-effective and time-efficient way.

New regulatory information instrument

The AER currently issues Regulatory Information Notices (**RINs**) to individual regulated networks, however, under the National Electricity Law, has the alternative option to issue Regulatory Information Orders (**RIOS**) to a class of participants such as distribution networks and transmission networks.

¹ AER, *Networks Information Requirements Review: Discussion Paper*, March 2022.

The move to a RIO, if implemented appropriately, should not only drive increased consistency in data if supported with clear definitional guidance but also, due to consolidation, a reduction in the currently significant audit and resourcing costs that are borne by customers. ENA therefore supports the AER's preliminary view to develop RIOs² to specify the future annual information reporting obligations imposed on regulated networks. However, we caution that the timeframe to transition to a RIO as early as 2022-23 may not be sufficiently long for networks to implement the potentially extensive required reporting changes and will need to be considered further.

As appropriately highlighted by the AER, in the transition from the issuing of RINs to RIOs there is a need to consider how the information requirements will cater to different jurisdictional arrangements. This will also need to be balanced with the need to ensure that the benefits of consolidation are not lost in the practical implementation of a RIO – it would be a disadvantageous outcome for the AER to have to increasingly rely on the issuance of ad hoc information requests to collect its full suite of required regulatory information.

The standardisation of the information requirements across networks will likely also drive a further need for estimation, particularly as industry transitions, and this will need to be recognised in the detailed data requirements as they are developed.

Data requirements

ENA strongly supports the AER reviewing and updating its annual data requirements to:

- » eliminate duplication and redundant requirements
- » standardise concepts and definitions
- » capture new data requirements where justified
- » document data validation rules, and
- » enable crosschecking of data within data categories.

While we acknowledge that further detailed work is needed on specific data requirements, and further time needed for stakeholders to consider the AER's RIN mapping table released on 2 May 2022³, at a high-level we support the AER's new structure for the networks data, which focuses on the type of data being collected.

The information sought from networks should materially inform, or have a reasonable prospect of informing, regulatory decision-making to ensure that the regulatory reporting costs borne by customers are reasonable. Networks therefore do not support the AER automatically including its existing dataset in the new data categories.⁴ Instead, there should be a comprehensive review of the existing dataset by both the AER and networks to ensure that the requested information is still used in the AER's regulatory decision-making and regulatory reporting, and there is clarity on the use-case and justification for each data set.

² With separate information orders to be developed for transmission and distribution networks.

³ AER, Networks information - RIN Data mapping - April 2022(13796841.3), released 2 May 2022.

⁴ AER, *Networks Information Requirements Review: Discussion Paper*, March 2022, page 8.

There is no benefit in consumers bearing the costs of networks reporting, and the AER collecting, both duplicative *and* redundant information, and the elimination of such information should therefore be a key focus of the review.

Other information requirements

ENA strongly supports the AER's preliminary view to minimise non-data reporting included in the annual information requirements to help reduce the reporting burden imposed on regulated networks.

As recognised by the AER, some of the non-data information currently requested from networks is already available to the AER from other sources and, for accounting policies and methods, the information often remains the same across multiple years. Networks therefore support the AER's proposed approach to reviewing the non-data requirements (include assessing the purpose for which the information is being sought, looking for alternative sources of information and increasing the clarity of requirements). In doing so, networks strongly encourage the AER to also focus on the elimination of duplicative and redundant non-data requirements.

We also support the standardisation of the structure and format of the basis of preparation documents to simplify the input by networks and interpretation of the information by auditors and stakeholders. This standardisation will need to be supported with consistent and clear definitions to ensure that the benefits are realised.

Information assurance

Good-quality information is essential to good-quality regulatory outcomes. While the specification of data requirements will include explicit data validation rules, and data consistency crosschecks will help improve the quality of data submitted, we agree with the AER that an information assurance process also adds value.

As highlighted by the AER, quality assurance work, however, imposes additional costs on regulated networks because it requires a critical review of information, and assessment of the information's integrity. These costs are ultimately borne by customers.

While we therefore support an ongoing role for quality assurance obligations, there is a need to consider the level of assurance required for all the data sets as there is the potential to realise material cost savings for customers.

Possible improvements to the current processes could include aligning the level of assurance with the use of data – for example, amending the current requirements to only mandate Audit Reports (reasonable assurance) for a core set of financial information and allowing auditor Review Reports over the remainder of the data.

The information assurance process is interrelated with the information requirements imposed on networks – the quality assurance obligations result in significant internal resource and external audit costs, and it is important that consumers only bear this cost for information that materially informs, or has a reasonable prospect of informing, regulatory decision-making.

An improved process has the potential to continue to provide independent, external assurance benefits in a more cost-effective and time-efficient way.

Information exchange

ENA supports the AER's preliminary view to develop an information exchange portal or system in collaboration with regulated networks to streamline the process for submitting information to the AER. A fit for purpose information exchange portal should negate the current need for actual, estimated and consolidated versions of data workbooks.

As highlighted by the AER, there will likely be the need for a transition over to a new information exchange portal and the AER should seek to ensure that new regulatory instruments minimise specific technical requirements relating to information provision.

ENA strongly supports the AER's preliminary view to develop an information access system to facilitate data sharing with all stakeholders. Non-confidential data collected from networks should be made available in an accessible and transparent manner to ensure that stakeholders can make an informed contribution to AER decision making. There is value in the AER prioritising the development of an external information access system over the development of an information exchange portal or system between the AER and networks.

Other matters

ENA supports the AER putting forward a rule change proposal to remove the obligation to publish a transmission information guideline if the role of the guideline becomes redundant with the development of the transmission RIO.

ENA also supports the AER's approach to considering potential new information requirements within period via informal collaborative processes and encourages the AER to consider the resource-intensive impact of potential data backcasting requirements. When reviewing future network information requirements, however, there is also a need to address the ongoing need for current data series (along with the inclusion of potential new data) as data series may become redundant or duplicative over time as circumstances change.

We strongly support the AER's initiation of this review and networks look forward to continuing to work collaboratively with the AER and stakeholders as the proposed work plan progresses. If you wish to discuss any of the matters raised in this letter further, please contact Lucy Moon, Head of Regulation, on [REDACTED]

Yours sincerely,

[REDACTED]

Garth Crawford
General Manager, Regulation