

27 January 2011

Mr Warwick Anderson  
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Dear Warwick

## **DISCUSSION PAPER – OBJECTIVES AND PRIORITIES OF ELECTRICITY NETWORK SERVICE PROVIDERS PERFORMANCE REPORTS**

ETSA Utilities appreciates the opportunity to comment on the above Discussion Paper and in particular on the proposed objectives and priorities for electricity network service providers annual performance reporting. Whilst ETSA Utilities considers that the objectives and priorities as developed by the AER are appropriate we do nonetheless consider that there are issues with achieving some of the objectives.

### **BACKGROUND ON PERFORMANCE REPORTING ARRANGEMENTS IN SOUTH AUSTRALIA**

At the introduction of regulation in 1999, ETSA Utilities faced similar performance reporting issues that we consider will arise in our performance reporting to the AER. We were required to report different performance information on different cycles to the Essential Services Commission of South Australia (ESCoSA) predecessor<sup>1</sup> and the Office of the Technical Regulator (OTR).

The reporting of different performance information to the two bodies had the potential to create confusion in stakeholders (eg customers) minds about ETSA Utilities' performance. Further, it created inefficiencies and additional costs for ETSA Utilities and ultimately customers.

Subsequently, to reduce inefficiencies in information provision ESCoSA and the OTR agreed to harmonise the reporting requirements. In accordance with these harmonised requirements ETSA Utilities has provided the same operational performance reports to ESCoSA and OTR on a quarterly and annual cycle. The information requirements were detailed in ESCoSA's Electricity Industry Guideline No.1 "Electricity Regulatory Information Requirements – Distribution" (Guideline No.1).

ETSA Utilities provided a separate report to ESCoSA on its financial performance. The financial reporting requirements were also detailed in Guideline No.1.

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<sup>1</sup> ESCoSA's predecessor was the South Australian Independent Industry Regulator (SAIIR)

As from 1 July 2010, ETSA Utilities will continue to provide a single operational performance report to ESCoSA and OTR. This information is detailed in an amended Guideline No.1/v9 dated July 2010. The source of the obligations for the provision of this information is contained in:

- Electricity Distribution licence clause 10 and 11<sup>2</sup> for ESCoSA; and
- Electricity (General) Regulations 1997 – Division 5. Section 31D for OTR.

The operational performance information provided to ESCoSA and OTR is then used by these organisations to prepare annual reports which are publicly available. These annual reports provide performance information and an assessment of our performance for stakeholders.

## **COMMENTS ON AER'S PERFORMANCE REPORTING OBJECTIVES AND PRIORITIES**

### **Performance influencers and reporting**

ETSA Utilities supports and understands the AER objectives in wanting consistent performance information about distribution network service providers (DNSPs). However, a DNSP's performance is influenced by its:

- regulatory obligations;
- operating environment;
- historic decisions;
- distribution network composition (age, construction etc)
- funding (both historic and current);
- mix of customers ; and
- ownership (private or government).

As these influences are DNSP specific it is meaningful to compare a DNSP's historic performance, provided that the definitions and how the performance is measured is not changed. That said, if one of the influencers materially change then it is not possible to make a direct comparison between historic and current performance.

ETSA Utilities considers that it is important for customers to be able to readily assess over time how their DNSP is performing. Consequently, it is important for the definition of a performance measure and how it is measured to be consistent to enable that comparison. Any change to the performance reporting requirements must only be undertaken for good reasons (eg our reliability reporting was changed in July 2005 to enable the accurate reporting of LV interruptions and the automatic payment of reliability based GSL payments).

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<sup>2</sup> ESCoSA detailed requirements for the reporting of operational and financial information were contained in Electricity Industry Guideline No.1 "Electricity Regulatory Information Requirements – Distribution". This Guideline was amended from 1 July 2010 to only require the reporting of operational performance information.

Further, we consider that information provided by regulators publicly must be consistent (ie how the performance is measured must be consistent). If not, it will create confusion in customer minds about how their DNSP is performing and ultimately could affect their faith in the effectiveness of the regulatory environment.

As a consequence, the AER's reporting must be undertaken recognising that it is not the only source of publicly available performance information about Network Service Providers (NSPs). In SA, as highlighted above, performance information about NSP's in SA will be published by ESCoSA and OTR. The performance information published by regulators must be consistent to achieve the following objective as highlighted in the Discussion Paper (Overview Page 2), namely:

*"The purpose of the performance reports is to provide comparable information about NSPs' operations and financial performance. This includes information on the services provided by the NSPs and the costs of those services. Publishing this information will enhance transparency and accountability and allow efficient regulation and more effective engagement of consumers."*

## **Performance comparison with other DNSP's**

ETSA Utilities agrees with the above statement's intent but the meaningful comparison of NSPs performance is problematic due to the performance influencers listed above.

For example the reporting of planned and unplanned reliability performance is affected by the definition of a planned interruption.

In SA, ETSA Utilities is obligated to notify customers of a planned interruption except where its duration is less than 15 minutes or the result of an emergency. Other jurisdictions have different requirements with some DNSPs being required to notify customers of all planned interruptions. These slightly different obligations have been built into each DNSP's operational procedures and how they classify interruptions for reliability performance reporting purposes.

The Steering Committee on National Regulatory Reporting Requirements (SCoNRRR) defined a national performance reporting regime whose objective was to enable the comparison of DNSP's performance. Under that regime a planned interruption was defined as interruptions for which the required notice has or should have been given. Under the SCoNRRR regime ETSA Utilities should have reported all planned interruptions of less than 15 minutes as unplanned interruptions. However, classifying these interruptions as unplanned would have inaccurately reported ETSA Utilities' unplanned reliability performance against its obligations. Consequently, our classification of planned interruptions has been used rather than the SCoNRRR definition.

ETSA Utilities considers that measures of a DNSP performance must be reflective of a DNSP's regulatory obligations, as those regulatory obligations are incorporated into its operational procedures. If the measure of performance is not reflective of its regulatory obligations its performance will be inaccurately reported for comparison purposes.

## Consistency of publicly available data

It is critical that all regulators (national and jurisdictional) provide consistent performance about a NSP in their publicly available reports. This consistency will improve customers and stakeholders confidence in how a NSP is performing and whether they are complying with their regulatory bargain (ie services versus cost).

Any inconsistency in customers or stakeholders minds about a NSP's performance will lead to confusion and reduce confidence in the regulatory regime.

Consequently we consider the AER's reporting of a NSP's performance must provide consistent information with that reported under jurisdictional requirements.

## Harmonisation of performance reporting to AER/ESCoSA/OTR

To support the comments on reporting requirements, ETSA Utilities considers that we should provide a single operational performance report to the AER and our jurisdictional regulators. This would harmonise our performance reporting requirements, improve transparency and minimise the costs associated with performance reporting, consistent with the NEO.

## Benchmarking

The AER have as a 'priority' benchmarking to enable comparison of NSP performance over time and between NSPs, including in different jurisdictions. ETSA Utilities considers this an appropriate goal but will take some time to be realised.

ETSA Utilities is concerned with the use of benchmarking and in particular to the reporting of benchmark information, in circumstances where that information is not directly comparable and the performance drivers differ.

It is generally acknowledged that the current preconditions necessary for benchmarking are not able to be met, particularly for those NSPs operating in different jurisdictions. ETSA Utilities is concerned with attempting to benchmark where it is known that the results may be either unreliable or capable of misinterpretation. This does not assist stakeholders assess the actual performance of the NSP.

If you have any queries, questions or require more detail in regard our submission please contact Grant Cox on 08 8404 5012.

Yours sincerely



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