

21 October 2013

Mr Chris Pattas  
General Manager – Network Operations and Development  
Australian Energy Regulator  
GPO Box 520  
MELBOURNE VIC 3001

Dear Chris

**re: Response – Draft Economics Benchmarking Regulatory  
Information Notice**

Thank you for the opportunity to respond to the Draft Economic Benchmarking Regulatory Information Notice (the RIN) issued to ElectraNet for comment on 19 September 2013.

ElectraNet is a member of the Energy Networks Association (ENA) and fully supports the detailed submission it has made on behalf of all network service providers.

This submission is therefore intended to be read in conjunction with the ENA submission and is limited to issues specific to ElectraNet. These are discussed in turn below.

Provision of unaudited data in February 2014 with audit assurance to be provided subsequently

Consistent with the position of the ENA submission, ElectraNet considers it is unreasonable to expect officers of the company to sign off on unaudited data where an audit requirement exists and has not yet been satisfied.

An alternative approach is for initial data to be provided as draft information in February 2014 to support the AER's intention to "sanity check" the data and identify inconsistencies in responses between NSP's in order to achieve some degree of uniformity. This could be attested to in a limited way to note that the data has been prepared on a best endeavours basis and would remain subject to amendment and audit.

Formal lodgement of the audited data would then occur subsequently together with the required audit assurance.

### Certification requirements

The explanatory statement refers consistently to Directors attesting to the information supplied in response to the RIN, whereas the RIN itself refers to *officers* under the National Electricity Law (NEL).

The NEL defines *officer* to have the same meaning as section 9 of the Corporations Act 2001 of the Commonwealth. Section 9 of the Corporations Act 2001 defines an officer as being a director or secretary of the corporation or a person who makes, or participates in making, decisions that affect the whole, or a substantial part, of the business of the corporation.

Accordingly, ElectraNet considers that an officer for the purpose of executing the required statutory declaration to accompany the RIN would include the Chief Executive Officer or Chief Financial Officer of ElectraNet.

ElectraNet therefore recommends that the AER clarify the RIN certification requirements to remove the apparent ambiguity over this issue, noting that a requirement for Director sign-off would extend the timeframe for response considerably.

### Form of Statutory declaration

Consistent with the ENA submission, ElectraNet does not believe the proposed statutory declaration is capable of being signed by an officer of ElectraNet in its current form.

While ElectraNet will make all reasonable endeavours to both provide the requested information and to ensure that the information is true and accurate, within the constraints of data availability and estimation methodologies, it will be unable to attest that the information provided is fit for the AER's purposes.

In the case of clause 2(b) of the draft statutory declaration, ElectraNet remains of the view that the benchmarking methodologies being pursued by the AER are not sufficiently well developed at this time to:

- provide an accurate view of the relative efficiency of each Transmission Network Service Provider in providing prescribed transmission services, or;
- allow the AER to assess the benchmark operating expenditure and benchmark capital expenditure that would be incurred by an efficient Transmission Network Service Provider.

Accordingly, while ElectraNet is able to attest to the quality and accuracy of the information it is not able to attest to its fitness for the AER's purposes.

Similarly, in the case of clause 2(c) of the draft statutory declaration, while ElectraNet will make its best endeavours to generate reasonable estimates of the required information, ElectraNet is not in a position to attest that any estimate is the most appropriate estimate for the AER's purposes.

Noting these concerns, ElectraNet would be willing to work with the AER in order to arrive at a suitable form for the requested statutory declaration.



### Specific audit issues

In addition to the audit related issues raised in the ENA submission, ElectraNet has confirmed with its external auditors, PricewaterhouseCoopers, that audit records are destroyed 7 years after the audit being conducted, and thus audit records for prior years are unavailable. It will therefore not be possible to provide audit assurance for financial data for years prior to this.

ElectraNet therefore confirms that it is not realistic to be able to provide 10 years of backcast data in the manner requested. ElectraNet fully supports the ENA recommendation that any backcast data should not extend beyond a maximum of five years for the reasons cited in that submission. ElectraNet notes that this would align with the five years currently proposed for the Category Analysis RIN, and would also provide 10 years' of data by the time of ElectraNet's next revenue determination.

Clause 1.2 of Appendix C of the draft RIN detailing audit requirements states that:

"if ElectraNet has previously provided audited financial data to the AER in response to a *Regulatory Information Instrument* to the standard required by this Notice, it is not necessary for this data to be audited again."

As a TNSP, ElectraNet has been required to provide audited regulatory accounts and other information to the AER on an annual basis since 2003 in line with the prevailing information requirements guidelines. However, ElectraNet understands that these reporting obligations are not in response to Regulatory Information Instruments as that term is defined in the NEL (which is limited to a formal Regulatory Information Order or Regulatory Information Notice).

ElectraNet requests that the draft RIN be amended to afford all audited information previously supplied to the AER equivalent status to that provided under Regulatory Information Instruments for the purposes of responding to the RIN, as appears to be the intended purpose of this provision.

### Specific information issues

Attached to this submission please find a version of the draft RIN template which has been annotated to highlight specific data issues (noting for consistency ElectraNet has applied the same categorisation as other ENA member businesses).

This is intended at a high level to provide a view as to the availability of information, availability of alternative estimation techniques, the likelihood of the data to withstand independent audit and the degree of management comfort with the data quality.

Should you wish to discuss any aspects of this response, please contact Bill Jackson on (08) 8404 7969.

Yours sincerely



Rainer Korte  
**Executive Manager Asset Management**