

6 May 2022



Dr Kris Funston
Executive General Manger, Network Regulation
Australian Energy Regulatory (AER)
GPO Box 3131
Canberra, ACT, 2601

Dear Dr Funston,

AER DISCUSSION PAPER: NETWORK INFORMATION REQUIREMENTS REVIEW

Endeavour Energy welcomes the opportunity to provide this response to the AER's Discussion Paper on the Network Information Requirements Review (the paper).

We appreciate the role of accurate, transparent, and consistent network information in supporting the AER's performance monitoring, compliance oversight and regulatory determination functions. However, the current annual reporting of data and non-data requirements via Regulatory Information Notices (RIN) has gradually expanded and become a cumbersome and costly exercise for networks to undertake. Similarly, the AER and third-parties encounter their own respective costs and challenges in administrating and managing the RINs and accessing the information for analytical purposes.

We therefore agree that there are inefficiencies in the current reporting arrangements and there are significant opportunities to improve the information reporting and exchange processes. These could be achieved by streamlining the existing fragmented reporting requirements and utilising modern technologies to facilitate information gathering and sharing. We support Energy Networks Australia's submission to the paper and provide our views on key issues in the sections below.

The regulatory information instrument

The AER proposes to specify annual information reporting obligations through a Regulatory Information Order (RIO) rather than continue to issue networks with RINs on an individual basis with the key difference being that all networks served a RIO would be subject to the same requirements. It is expected that adopting a common set of terminology, instructions and definitions under a single instrument will improve the reporting consistency through reducing the scope for variations in the information collected from networks.

Coupled with an updated information exchange process, we agree efficiencies will be gained through consolidating the information reported into a single information order. Not only would this improve internal collection and validation processes, but it would also reduce current auditing effort and costs which are ultimately borne by customers.

To reduce these costs further, we suggest the AER review its audit requirements and consider whether different assurance standards should apply to data and non-data information according to its relative importance. For instance, information that is not typically relied as an input into AER modelling or performance analysis could have a lower assurance requirement than data that is.

Also, the NEL specifies that a RIO must be developed or varied using a public consultation process, which contrasts with RINs which have typically relied on consultation between the AER and networks. We welcome a process which enables more stakeholders to participate in the process of setting information requirements and how information should be provided.

However, this process must be cognisant of weighing the benefits of improved stakeholder participation and transparency against the additional administrative costs of providing it. These costs could be high where stakeholders propose the inclusion of information that is relevant to their particular interest area but not relevant to the AER's functions in serving the interests of the broader customer base. Ultimately,

the selection of information within the scope of the instrument should be linked to its intended use so that all stakeholders are afforded transparency around the regulatory value of specific information. From a network perspective, we would value understanding what the data and non-data information is being used for (or could be) and why it is necessary.

Furthermore, a distinct disadvantage of the RIO is the loss of flexibility the AER currently has in varying the RIN. Where a network requires a variation due to jurisdictional arrangements or circumstances that are outside its control, a process to manage a departure from the RIO (e.g. exemption to providing mandated information) would need to be developed. Also, a RIO would need to continue to allow networks to provide their best available estimates of measures where actuals are not available or practical. The need for estimates is likely to be enduring given reporting actuals for some items (e.g. average tree counts per maintenance span as part of “terrain factors”) is not possible or reasonable when considering the time and cost required to do so.

Flexibility is also important in the context of the changing role of networks as an enabler of two-way energy services. The ongoing consultation on developing export service metric reporting requirements is an example of the need for reporting requirements to change as new regulatory obligations and services are introduced. The new instrument should capture these new reporting requirements and be reviewed and updated on a cyclical basis to avoid the issuance of ad-hoc and bespoke RINs to the greatest extent possible.

Data and non-data requirements

The paper proposes a new structure for collecting network data which groups data according to the type of data being collected rather than the purpose for which it is collected. This is a more logical way to structure the information requirements noting grouping data by regulatory purpose - that is, in separate RINs - has resulted in duplication across the RINs which requires considerable effort to validate and reconcile values.

We support the proposed approach to group data by “type” and consider it will not only avoid duplication and reduce administrative costs but also promote consistency in the use of terms, concepts and definitions within data categories. This will also improve the comparability of data over time and between networks and aid the information assurance process to ensure high quality data is provided to the AER.

We would encourage the AER to not only remove duplicate information but to more closely consider whether the information requested is redundant for other reasons. For instance, where an item of information does not directly support the AER’s ability to carry out its functions it should also be removed. By way of example, it is not clear how labour split by type (manager, executive, apprentice, etc), maintenance cycles and terrain factor information supports the AER’s approach to setting opex. As aforementioned, outlining the purpose of each information requirement could help identify redundant information in addition to improving transparency.

We also note the AER’s review is limited to the annual information collection process relating to historical information submitted for the most recently completed regulatory year. We encourage the AER to consider expanding the review to include the Reset RINs as many of the opportunities for efficiency and information consistency improvements lie within the forecast RIN templates, Basis of Preparation (BOP) and Schedule 1 requirements which are substantial and, particularly the latter two items, of questionable value.

New information requirements

Proposed new data groupings and their related datasets have been included in separate worksheets which accompany the paper. Whilst we continue to assess the extent to which RIN data has been captured in the proposed worksheets, we recognise the AER has proposed adding new requirements around safety and major event related expenditure. Our initial concern is that the definitions are vague and could result in very broad reporting requirements where expenditure is underpinned by multiple drivers or indirectly by safety related needs.

Also, it remains unclear how resilience expenditure, as validated by the AER’s recent guidance note, should be accounted for in the proposed worksheets. In the absence of its own category, resilience

expenditure could be allocated to reliability, safety or major event cost categories. Clear and unambiguous definitions and instructions are essential to ensure any new reporting categories are mutually exclusive from other expenditure categories to avoid double counting.

We support ongoing collaboration throughout the course of this review to ensure final data requirements are fit-for-purpose and contribute to beneficial customer outcomes and regulatory performance. If you have any queries or wish to discuss our submission further please contact Patrick Duffy, Manager Regulatory Transformation and Policy at Endeavour Energy on [REDACTED] or via email at [REDACTED]

Yours sincerely

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Colin Crisafulli
Head of Network Regulation