Energex regulatory proposal – October 2014

APPENDIX 1

Confidential information template

## Energex Confidentiality Template

Note: If a piece of information is identified as commercially sensitive there are steps that can be taken to provide this information in certain circumstances. In addition to completing the confidentiality template a confidential (version which highlights in yellow the confidential information) and public version (the confidential information is redacted i.e. removed or blacked out rather than highlighted).

AER categories of confidential information

* ***Information affecting the security of the network*** – information, which if made public, may jeopardise the security of the network or a NSP’s ability to effectively plan and operate its network.
* ***Market sensitive cost inputs*** – information such as supplier prices or information that would affect the NSP’s ability to obtain a competitive price in future infrastructure transactions, such as tender processes.
* ***Market intelligence*** – information which may provide an advantage to a NSP’s competitors for non-regulated or contestable activities.
* ***Strategic information*** – information such as the acquisition of land and easements, where the release of information might adversely impact the NSP’s ability to negotiate a fair market price for these items.
* ***Personal information***- information about an individual or customer whose identity is apparent or can reasonably ascertained from the information which raises privacy considerations.
* ***Other*** – information a NSP claims as confidential but does not fit into any of the above categories.

| Title, page and paragraph number of the document containing the confidential information | Description of the confidential information | Topic the confidential information relates to (e.g. capex, opex, the rate of return) | Identify the recognised confidentiality category that the confidential information falls within | Provide a brief explanation of why the confidential information falls into the selected category | Specify reasons supporting how and why detriment would be caused from disclosing the confidential information | Provide any reasons supporting why the identified detriment is not outweighed by the public benefit (especially public benefits such as the effect on the long term interests of consumers) |
| --- | --- | --- | --- | --- | --- | --- |
| Regulatory proposal  Chapter 13  Section 13.4.7  Page – 176  Nominating Averaging Periods – 3rd paragraph | Averaging period for use in calculating the return on debt | Rate of return | Market sensitive information | The information is confidential because it specifies the date/s when Energex expects to raise debt. | Disclosure of Energex’s proposed dates on which it proposes to raise debt would potentially influence the behaviour of prospective lenders | As the Cost of Debt is a key input to the Rate of Return Energex receives on its assets, not receiving an efficient market rate will have a detrimental impact on the price customers will ultimately pay for the distribution of electricity. |
| Regulatory Proposal  Chapter 15  Section 15.3.3  Page188  ‘Inspection Costs of Service Lines’ - 3rd Paragraph | Paragraphs disclosing commercial dispute with customer service line manufacturer and the negotiated settlement of this dispute | EBSS | Other | Energex and the service line manufacturer negotiated a commercial settlement to the dispute over the quality of the service line which included a payment without admission of liability by the manufacturer. This was recorded in a Settlement Deed which contained a confidentiality provision preventing disclosure except in limited circumstances. | Disclosing this information in the knowledge that it would be published in a publicly available document is a breach of Energex’s obligations to the manufacturer in the settlement deed.  Disclosing the quantum of this settlement would also prejudice the manufacturer as the ‘no liability’ aspect of their payment would be unlikely to be satisfactorily recorded. | There is little public benefit in the details of the settlement of this commercial dispute. A one off dispute and its settlement has no larger impact on customers or their long term interests. . |
| Regulatory Proposal  Chapter 25  Section 25.6.3  Table 25.6 (meter reading line only)  Page 274 | Meter reading costs | Opex | Market sensitive cost inputs | Meter reading services are outsourced, and carried out by a single contractor  The total expenditure would enable the contract price to be calculated | Specific references to the current and forecast costs may impact the competitive tender process undertaken and Energex’s ability to obtain competitive prices in the future  Further, this information would provide a detriment to the third party supplier and will affect its competiveness in the market. | Energex believes there is not the requisite degree of public benefit in disclosing individual commercial in confidence contract unit prices to customers and the third party supplier’s competitors, which would outweigh the detriment to Energex and the third party supplier. Competitors of the supplier having access to the supplier’s prices would distort the market and affect Energex’s ability to obtain competitive prices in future tender processes. It might also damage the third party supplier’s position in a market in which that third party supplier competes. |
| Appendix 21 ‘Forecast Cost Escalation Rates’ PWC Final Report  Page 17  Table 6 | Energex Service Contractor Costs – Fleet Management and Metering Reading | Service contractor expenditure and escalation | Market sensitive cost inputs | Meter reading and fleet management services are outsourced, and carried out by a single contractor  The total expenditure numbers presented in the table would enable the contract price to be calculated | Specific references to the current contract costs may impact the competitive tender process undertaken and Energex’s ability to obtain competitive prices in the future  Further, this information would provide a detriment to the third party supplier and will affect its competiveness in the market. | Energex believes there is not the requisite degree of public benefit in disclosing expenditure with sole suppliers to customers and the third party supplier’s competitors, which would outweigh the detriment to Energex and the third party supplier. Competitors of the supplier having access to the supplier’s prices would distort the market and affect Energex’s ability to obtain competitive prices in future tender processes. It might also damage the third party supplier’s position in a market in which that third party supplier competes. |
| Appendix 21 ‘Forecast Cost Escalation Rates PWC’  Page 57  Section 8.5.1  Paragraph 2 | Energex’s escalation rates for current lease arrangements for corporate office | Rent escalation rates | Market sensitive cost inputs | Information contains an indication of Energex’s current lease arrangements with respect to escalation clauses for its corporate head office | Disclosure of this information would detriment Energex’s ability to negotiate competitive leasing arrangements and the third party’s competiveness in the market. | Energex does not believe that the public or customers would benefit from disclosure of Energex’s escalation rates for current leasing arrangements for its corporate office. |
| Appendix 24  ‘Unit Rate Review Addendum - AECOM ’  Page 7-23  Headings and information relating to ‘Description, Quantity and Units’ have not been redacted | Unit Rate Review | Capex | Market sensitive cost inputs | Information contains details on current suppliers and contracts. | Disclosure of this information may affect Energex’s ability to obtain competitive prices in the future. | We consider there is limited public benefit or consumer interest in having access to Energex’s current suppliers or contracts and the detriment of disclosure is greater than any public benefit. |
| **Appendix 31 ‘Property Strategic Plan”**  **Appendix I – Strategic Property Plan – Detailed CAPEX Budget**  Cost items and titles identifying specific costs have been redacted  (headings have not been redacted) | Specific cost estimates of land values for property acquisitions and construction values for construction contracts | Capex | Market sensitive cost inputs (forecast land and construction price estimates for future acquisitions and building works) | This Appendix separates overall project cost estimates into individual components of land acquisitions and estimated construction cost and furniture purchase values that make up the overall project costs.  It also specifies locations where Energex intends to purchase land or facilities | The subject information identifies both the location and the price Energex is estimating for future land acquisitions. This may result in artificial price inflation at the time of purchase if this information is publicly known. Similarly with construction cost estimates, this may diminish the integrity of the competitive tender process for construction | The benefit of a fair market price for land purchases and a competitively tendered construction cost would be diminished by disclosing this information, and potentially higher costs would subsequently be passed on to the public through electricity prices. |
| **Appendix 31 ‘Property Strategic Plan”**  **Appendix J - Strategic Property Plan – Project Plans**  Headings have not been redacted | Strategic information and associated cost estimates for future plans to renew or end current leases, to acquire or dispose of property, and upcoming construction works, as well as detailed information on the critical functions of key property facilities that are crucial to ongoing network operations | Capex and Opex | Strategic information (e.g acquisition of land and easements)   * Market sensitive cost inputs (forecast land and construction price estimates for future acquisitions and building works, as well as lease costs) * Information affecting the security of the network | This Appendix describes in detail the specific project plans for the property programs to be undertaken by Energex over the 2015-2020 period.  This involves matters such as the purchase and sale of land, the continuing or ending of specific leases and the construction of building works.  It also includes detailed information on security systems utilised on Energex properties and the critical functions performed at certain facilities. | The disclosure of this information could have significant commercial impacts on all of the described transactions, including negotiations with landlords on leased properties, receiving fair market price for land purchases and sales and diminishing of the benefit of the competitive tender process for construction contracts.  It could also negatively impact safety and security through public knowledge of specific security systems used by Energex to protect system and non-system properties. Information in the document may also increase the vulnerability of the network through disclosure of critical functions performed at specific sites. | The benefit of a fair market price for land purchases and a competitively tendered construction cost would be diminished by disclosing this information, and potentially higher costs would subsequently be passed on to the public through electricity prices.  The potential for security system and critical facility functions to be disclosed could also impact the public in terms of safety risks and ongoing security of the network. |
| **Appendix 31 ‘Property Strategic Plan”**  Appendix K ‘Strategic Property Plan – Project Financial Analysis’  Headings have not been redacted | Strategic information and associated cost estimates for future plans to renew or end current leases, to acquire or dispose of property, and upcoming construction works | Capex and Opex | Strategic information (e.g. acquisitions of land and easements)  Market sensitive cost inputs (forecast land and construction price estimates for future acquisitions and building works as well as lease costs) | This Appendix describes in details the project plans and costs for the specific property programs to be undertaken by Energex over the 2015-20 period. This involves matters such as the purchase and sale of land, the continuing or ending of specific leases and the construction of building works. | The disclosing of this information could have significant commercial impacts on all of the described transactions, including negotiations with Landlords on leased properties, receiving fair market price for land purchases and sales and diminishing of the benefit of the competitive tender process for construction contracts. | The benefit of a fair market price for land purchases and a competitively tendered construction cost would be diminished by disclosing this information, and potentially higher costs would subsequently be passed on to the public through electricity prices. |
| Appendix 61 ‘Indicative unbundled metering service charge’  Page 1  Table 1; meter reading line items only | Meter reading costs | Metering expenditure | Market sensitive cost inputs  A similar claim was submitted with the Category Analysis RIN – the AER accepted this claim | Meter reading services are outsourced, and carried out by a single contractor  The total expenditure and volume numbers would enable the contract price to be calculated | Specific references to the current contract costs may impact the competitive tender process undertaken and Energex’s ability to obtain competitive prices in the future  Further, this information would provide a detriment to the third party supplier and will affect its competiveness in the market. | Energex believes there is not the requisite degree of public benefit in disclosing individual commercial in confidence contract unit prices to customers and the third party supplier’s competitors, which would outweigh the detriment to Energex and the third party supplier. Competitors of the supplier having access to the supplier’s prices would distort the market and affect Energex’s ability to obtain competitive prices in future tender processes. It might also damage the third party supplier’s position in a market in which that third party supplier competes. |
| Reset RIN  Template 2.4 – Augex Models  Table 2.4.1 (All cells in rows 29-31, 53, 55-56, 61-67, 114, 122, 129, 132, 151, 168-169, 174-175, 192, 209-211, 214, 217-218, 238-239, 254, 261, 296, 367-368, 374, 462-463, 467-470)  Table 2.4.3 (All cells in rows 6,984 - 6,994) | Demand and growth rate for substations and feeders supplying a single customer | Capex (Augex model) | Personal information | These information directly relates to the operations of customer’s business activities. | Disclosing this information could provide business intelligence to the customer’s competitors. | The asset only services a single customer, any augmentation works on the asset would be at the customer’s cost, which has no impact on the long term interests of other consumers. |
| Reset RIN  Template 2.15  Table 2.15.1 – Forecast Commercial Insurance Premiums by Risk Category  Cells C15, D15, E15-26, F15-26, G15-26, H15-26, I15-26, J15-26, K15-26, L15-26, M15-26, N15-17 | The existence of certain types of insurance and the various policy limits and deductibles associated with such insurance | Insurance | Other | The disclosure of this information would be a breach of contract | There are two main detriments:   1. The failure to comply with the confidentiality obligation is a breach of contract and could allow the insurance company to deny cover in the event of a claim. 2. Parties making claim against Energex could increase their claim with the knowledge of insurance policies that could cover that claim. | We consider there is limited public benefit or consumer interest in understanding the finer details of Energex’s insurance regime for the three types of insurance. Consequently, a risk (even small) that disclosing this information could lead to cover being denied when Energex sought to make a claim, far outweighs any benefits. |
| Reset RIN  Template 4.2 Metering  Table 4.2.4 – Cost Metrics  Cells S23 to AC23  S26 to AC26  Expenditure  Service subcategories - “SCHEDULED METER READING($000,s)” TYPE 6 and “SPECIAL METER READING($000,s)” TYPE 6  Cells AG23 to AQ23  AG26 to AQ26  Volume  Service subcategories -  “SCHEDULED METER READING(000,s)” TYPE 6 and “SPECIAL METER READING(000,s)” TYPE 6  Years 2008/09 – 2019/20 | Type 6 meter reading expenditure and volumes for the period 2008/09 – 2019/20 | Metering expenditure | Market sensitive cost inputs | This work is currently carried out by a single contractor  The total expenditure and volume numbers would enable the contract price to be calculated | This information would affect Energex’s ability to obtain competitive prices in the future tender processes.  Further, this information would provide a detriment to the third party supplier and will affect its competiveness in the market. The third party detriment is a relevant consideration for the AER.[[1]](#footnote-1) | Energex believes there is not the requisite degree of public benefit in disclosing individual commercial in confidence contract unit prices to customers and the third party supplier’s competitors, which would outweigh the detriment to Energex and the third party supplier. Competitors of the supplier having access to the supplier’s prices would distort the market and affect Energex’s ability to obtain competitive prices in future tender processes. It might also damage the third party supplier’s position in a market in which that third party supplier competes. |

## Proportion of confidential material

| Submission title | Number of pages of submission that includes information subject to a claim of confidentiality | Number of pages of submission that do not include information subject to a claim of confidentiality | Total number of pages of submission | Percentage of pages of submission that include information subject to a claim of confidentiality | Percentage of pages of submission that do not include information subject to a claim of confidentiality |
| --- | --- | --- | --- | --- | --- |
| Regulatory Proposal, 2015-20 | 3 | 320 | 323 | 0.9% | 99.1% |
| Regulatory Proposal Appendices | 61 | 2313 | 2374 | 2.57% | 97.43% |

1. AER, 2013, Better Regulation - Explanatory Statement Confidentiality Guideline. D13/130204. p.17 [↑](#footnote-ref-1)