

26 August 2013

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



Dear Chris

### **Draft Economic Benchmarking Templates**

Energex Limited (Energex) acknowledges your email of 31 July 2013 requesting comments on the draft economic benchmarking templates developed by the Australian Energy Regulator (AER).

Energex has reviewed the draft templates and provides comments on the individual templates in **Attachment 1**. This is not an exhaustive list of Energex's concerns and Energex looks forward to providing more detailed comments when responding to the Draft Regulatory Information Notice (RIN) to be issued in September 2013. In addition to the information in Attachment 1, Energex also provides the following high level comments:

#### *Provision of 10 year historical data*

Energex considers that this requirement will place a significant burden on the business, in terms of the time, resourcing and associated costs required in preparing and providing the data. In many cases, Energex has not collected or reported the information in the form proposed by the AER. Energex will therefore be required to make broad assumptions in providing the data thereby reducing the quality and usefulness of the information particularly for benchmarking purposes. Energex is also concerned that the results of any benchmarking will ultimately be influenced by the assumptions made in providing historical data.

#### *Assurance arrangements*

Energex considers that the intended use of the information for economic benchmarking purposes and subsequently to inform regulatory decisions means that data must be provided with a high level of assurance. The requirement to provide quality data is also important if as previously foreshadowed by the AER, the data will be made publicly available. If third parties are going to rely on this information in undertaking their own analysis, then robust data must be provided.

In light of the importance of the requested data, Energex is concerned about the quality of the historical data that it will be able to provide. Energex considers that a significant amount of the data provided in the templates will be particularly difficult to provide to an auditable standard. For example, Energex changed billing and finance systems in the previous regulatory period, and the previous systems have since been decommissioned making it impossible to provide/estimate and ultimately audit data from pre-2008. While some data can be estimated using broad and high level assumptions,

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Energex is concerned that this will significantly reduce the quality and usefulness of the data.

*Other comments*

Energex notes that Revenue, Opex, Operational Data, Assets (RAB) and Physical Assets templates all require services to be split into Network Services, Standard Control Services and Alternative Control Services. It is unclear to Energex how much of this data can be split into these service categories.

Energex also requests that the AER provide clear definitions of the information being requested. The AER has not provided definitions for certain data which makes it difficult to determine the data to be provided and consequently sufficient clarity for audit purposes.

If you require further information please do not hesitate to contact Guy Mutasa on (07) 3664 4459.

Yours sincerely



Neil Andersen  
Group Manager Revenue Strategy

**Attachment 1**

Template	Energex Comments
Revenue	<p><u>Table 2.1 - Revenue grouping by chargeable quantity:</u></p> <ul style="list-style-type: none"> <li>• Energex is unable to provide anything prior to 2008 because of a change in billing systems and the previous billing system being decommissioned. While total revenue figures are available, Energex does not have a reliable apportionment basis;</li> <li>• Energex ability to provide reliable information at this level is restricted to the last 2 years, as Energex cannot easily access the data from 2008-2010, it would require at least 6 months to develop the appropriate data extraction and reports. Alternatively, the information could be provided subject to broad assumptions &amp; methodologies to enable reporting in this format.</li> <li>• A revenue cap applies to Energex; therefore Energex requests clarification on whether these numbers are to be inclusive or exclusive of under/over recoveries. Energex's data is exclusive of under/over recoveries.</li> </ul> <p><u>Table 2.2 Revenue grouping by Customer type or class:</u></p> <p>Historically, Energex has reported revenue using the following categories:</p> <ul style="list-style-type: none"> <li>• Individually calculated customers (ICC);</li> <li>• Connection asset customers (CAC);</li> <li>• Standard asset customers (SAC);</li> <li>• Franchise customers; and</li> <li>• Embedded generators</li> </ul> <p>These categories cannot be directly mapped to the groupings requested by the AER, for example the Franchise customers include domestic and small non-domestic customers. Energex does not have a reasonable basis for splitting "Revenue from domestic customers" and "Revenue from Non-domestic customers not on demand tariffs". Also Energex cannot split revenue between low voltage and high voltage demand customers.</p>

Template	Energex Comments
	<p><u>Table 2.3 Revenue (penalties) allowed (deducted)</u></p> <ul style="list-style-type: none"> <li>No schemes applied to Energex prior to 2011</li> </ul>
Opex	<p><u>Table 3.1 Network operating and maintenance cost</u></p> <ul style="list-style-type: none"> <li>Energex notes there will be differences in Opex categories used over the years, therefore the data provided may not be consistent over time;</li> <li>Energex's currently reports against the following opex categories: Inspection, Planned maintenance, Corrective repair, Vegetation, Emergency response/storms, Meter reading, Customer services (inc call centre), DSM initiatives, Levies, Debt raising costs, Other operating costs (inc self insurance), Feed-in tariffs administration, Feed-in tariffs payments, Network insurance, Self-insurance and Other support costs;</li> <li>Energex considers that there will also some inconsistencies in the data provided over the 10 years due to changes in the cost allocation method and classification of services from one regulatory period to another.</li> </ul> <p><u>Table 3.2 – Opex consistency</u></p> <ul style="list-style-type: none"> <li>Metering costs - This would include meter reading costs only for Energex as the provision of meters is capitalised;</li> <li>Easement levy – The information being sought is unclear to Energex. Energex does not pay easement levies;</li> <li>High voltage customers Opex estimate – The information being sought is unclear to Energex. In all instances where assets are contributed by customers, Energex undertakes the subsequent operation and maintenance. Energex does not accept ownership of assets that are operated and maintained by customers;</li> <li>Transmission connection point planning – Energex cannot provide this information. Energex carries out joint planning with Powerlink in certain instances but these costs are not separately identified;</li> <li>Connection services – Energex cannot separately identify opex related to connection services;</li> <li>Expenditure on contractors can only be provided for the current regulatory period;</li> <li>Related parties - Energex seeks clarification on the definition of related parties. Energex requests that this definition be consistent with that used in the current annual RINs.</li> </ul>
Assets (RAB)	<ul style="list-style-type: none"> <li>Energex will provide the data based on the Roll Forward Model (RFM) methodology but only for standard control</li> </ul>

Template	Energex Comments
	<p>services. The RAB as defined in the Rules refers to Standard Control Services;</p> <ul style="list-style-type: none"> <li>• A physical asset revaluation was undertaken in 2005, therefore data can only be provided on a roll forward basis starting from 2005/06;</li> <li>• Energex's RAB separates easements and substation land. Energex seeks clarification on the category in which land must be reported;</li> <li>• In Queensland, capital contributions are currently included in the RAB (and an offsetting adjustment is made to the revenue cap), therefore the values provided in the templates will include capital contributions;</li> <li>• Energex requests clarification from the AER on whether RAB values requested are required to be reset at each reset period consistent with Rules.</li> </ul>
Operational data	<p><u>Table 5.1</u></p> <ul style="list-style-type: none"> <li>• Energex changed billing systems in 2008 and the previous system has been decommissioned. It is impossible to provide "Energy delivery by chargeable quantity" data pre-2008;</li> <li>• Providing data on "Energy received from embedded generation will be dependent on metering, and Energex will be unable to provide 10 years of data".</li> </ul> <p><u>Table 5.3</u></p> <ul style="list-style-type: none"> <li>• Energex request clarification on whether the "Power factor conversion between MVA and MW" is weather corrected or system peak</li> <li>• Energex requests clarification on the definitions of "Summated Chargeable Contracted Maximum Demand" and Summated Chargeable Measured Maximum Demand</li> </ul>
Physical assets	<ul style="list-style-type: none"> <li>• Energex notes that the heading in Cell B17 needs to be changed;</li> <li>• Energex will be able to provide line length on the provision that it is segment length, without taking into account vertical components such as sag;</li> <li>• Energex cannot provide "Distribution power transformer capacity owned by High Voltage Customers" as this is confidential customer information</li> </ul>
Quality of services	<p>Energex notes the SAIFI definition being quoted as per 0.01 interruptions is a carryover from the STPIS guideline and was to line up with the incentive rate expresses as s% per 0.01 interruption. It is normal to report SAIFI as per interruption. For example System SAIFI of 1.2 interruptions per year is normal practice. We would not present the figure as 120 per 0.01 interruptions per year.</p>

