

PRIORITIES AND OBJECTIVES FOR REPORTING ON REGULATED ELECTRICITY AND GAS NETWORK PERFORMANCE

The Energy Users Association of Australia (EUAA) is the peak body representing Australian energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing and materials processing industries. Combined they employ over 1 million Australians, pay billions in energy bills every year and expect to see all parts of the energy supply chain making their contribution to the National Electricity Objective. Our members are highly exposed to movements in both gas and electricity prices and have been under increasing stress due to escalating energy costs.

We welcome this AER Consultation Paper (the Paper), a review of network reporting. We agree with the Paper's view that *"reporting of the NSPs performance is an important task on our incentive-based regulatory framework"* (p.2)

Network reporting provides transparency. Transparency is a key part of the social contract that comes with being a regulated monopoly and, is a critical part of ensuring that consumers have confidence that the regulatory framework is achieving the National Electricity and Gas Objectives.

For example, from the consumers' perspective it helps us to:

- address the large information asymmetry that exists between networks and consumers, and networks and the AER
- engage in the various network and AER regulatory processes, including revenue resets
- assess whether the regulatory framework is achieving its subsidiary objectives that fall under the NEO/NGO headline e.g. is a network earning a profit that is commensurate with the risks that it is taking and not significantly out of alignment with the allowed WACC?
- assess whether incentive mechanisms are appropriate and symmetrical in practice
- assess whether networks are spending the efficient level of capex and opex

Which overall leads to better regulatory decisions that better meet the National Electricity Objective and National Gas Objective.

In particular we welcome the proposed extension of reporting to gas networks. There is a great disparity between the data available on electricity networks vs gas networks. While we have the detailed reset information for both electricity and gas, we have the additional detailed annual RIN and benchmarking data only for electricity. It is unclear why the Comparative Performance Reports for gas distribution businesses of some years ago¹ stopped being produced when the annual compliance reports for gas networks are of limited use to consumers.

Recent COAG and AER initiatives stemming from the Vertigan Review have led to much greater information transparency for unregulated or lightly regulated gas pipelines. The Consultation Paper is unclear about whether the proposed reporting changes will apply to lightly as well as fully regulated pipelines. We support it applying to both categories. The larger the number of pipelines in the data sample, the more robust the conclusions about comparative performance across both categories.

¹ See [link](#)

OBJECTIVES OF NETWORK REPORTING

We agree that the 2011 objectives are still largely fit-for-purpose for both electricity and gas networks.

We agree with the inclusion of the new objective – *“Inform consideration of the effectiveness of the regulatory regime”*. Information transparency is crucial for consumers to understand if the regulatory framework is delivering efficient and effective regulation. This data should provide a pointer to the potential need for changes in the regulatory framework of the NEL/NGL and associated rules.

PRIORITIES FOR NETWORK REPORTING

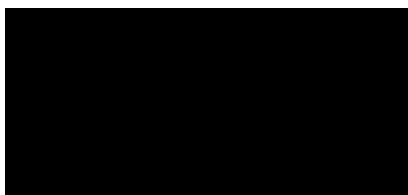
We agree with the proposed priorities for network performance reporting, and the recommended changes and consolidation of priorities.

WHAT CHANGES WILL THIS BRING AND WHEN?

The Consultation Paper does not provide any guidance on what changes consumers will see and when they will see them. We would encourage to AER to work as quickly as possible to improve the data on gas networks in particular – covering both annual RIN data, profitability reporting (including a paper discussing and explaining the results in addition to a simple provision of the numerical results), and benchmarking to better align with the electricity network reporting.

Do not hesitate to be in contact should you require any further information.

Sincerely,



Andrew Richards
Chief Executive Officer