

Ergon Energy Corporation Limited



Response to Draft Regulatory Information Notice and Explanatory Statement – Collection of Information for Category Analysis

Australian Energy Regulator

17 January 2014

Response to Draft Regulatory Information Notice and Explanatory Statement – Collection of Information for Economic Category Analysis

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1. INTRODUCTION

Ergon Energy Corporation Limited (Ergon Energy) welcomes the opportunity to provide comment to the Australian Energy Regulator (AER) on its Draft Regulatory Information Notice (RIN) to collect information for category analysis from electricity distribution and transmission network service providers (herein referred to as the AER's Draft Category Analysis RIN or Draft RIN). Ergon Energy notes the Draft RIN issued to Ergon Energy will apply for the initial regulatory years 2008/09-2012/13 (back cast) and annually thereafter until 2024.

This submission is provided by Ergon Energy, in its capacity as a Distribution Network Service Provider (DNSP) in Queensland.

In response to the AER's invitation to provide comments on the Draft RIN and templates, Ergon Energy has focussed on key areas of concern and matters outstanding.

Ergon Energy reiterates concerns raised in prior submissions and during the consultation process for the development of the RINs generally, that the AER's power to serve a RIN is enlivened only when the AER considers it reasonably necessary for the performance or exercise of its functions or powers under the National Electricity Law (NEL) or the National Electricity Rules (NER). Regard must also be given to the costs likely to be incurred in compliance by an efficient Distribution Network Service Provider (NSP).

Ergon Energy appreciates that the AER's functions include the economic regulation of electricity network services including monitoring DNSPs' compliance with distribution determinations and their financial and operating performance, and that these necessitate the obtaining of information to assist it in the performance or exercise of those functions. However, Ergon Energy questions if the significant level of information required under the proposed Economic Category Analysis RIN is reasonably required by the AER in this regard.

Furthermore, the proposed timeframe for response to the inherently complex and onerous Economic Category Analysis RIN of less than three months presents an extreme challenge to the business and consideration must be given as to whether DNSPs are able to reasonably comply in the time allowed.

Ergon Energy has contributed to, and supports the concerns raised in the Energy Networks Association (ENA) submission to the AER on the Draft Category Analysis RIN in this regard.

In continuation of the interactive approach adopted by the AER in this consultation, and in the essence of procedural fairness, Ergon Energy requests a review of and right for response on, proposed revisions to the Draft Category Analysis RIN before moving to a Final RIN. This is particularly pertinent given the AER's request for submissions on the Draft RIN via consultation process, and given the short period for planning and preparation activities in the lead up to delivery of a response to the Final RIN (refer timelines discussion below).

2. REGULATORY REQUIREMENTS

The NEL permits the AER to serve a RIN only if it considers it reasonably necessary for the performance or exercise of its functions or powers under the NEL or the NER. In considering whether it is 'reasonably necessary', the AER must have regard to the matters to be addressed by the service of the RIN, and the likely costs that may be incurred by an efficient network service provider in complying with the notice¹. The AER must exercise its powers under the NEL in a manner that will or is likely to contribute to the achievement of the National Electricity Objective (NEO).

While Ergon Energy appreciates the AER's requirements for certain information to undertake its functions and powers under the NEL and NER, Ergon Energy submits that the Draft Category Analysis RIN proposes to require a level of information which goes beyond what would be reasonably required for the AER to do so.

Furthermore, Ergon Energy submits there is not sufficient consideration detailed in the RIN of the matters the AER are expressly bound to consider under the NEL, particularly:

- a) the likely compliance costs (section 28F(2)(b));
- b) whether the information is 'reasonably' necessary having regard to those costs (section 28F(2));
- c) whether DNSPs are able to comply in the time allowed; and
- d) the reasons for requiring information to be kept in this manner and form (section 28K(c)(ii)).

The AER's Statement of Reasons (Appendix D) refers to documents that explain the AER's current approach to benchmarking and category analysis². However there is insufficient explanation in the RIN of why or how specific data sought by the AER's Draft Category Analysis RIN is relevant to that exercise/s. Furthermore, it is unclear as to the use to the AER of extensive information relating to accounting policies, reconciliation sheets, and supporting underlying data sheets linked and cross references.

To this end (as per prior RINs issued to Ergon Energy) it is requested the AER more fully explain its reasons for requiring the information in each tab in the RIN templates. The AER should explain more fully how it has concluded that onerous information requests provide a net benefit, having regard for factors in the NEL and the NER.

Ergon Energy also refers to ongoing concerns raised in the ENA's submission in response to the RIN, relating to AER requirements for provision of information that may not available or is not recorded in the format required by the proposed RIN.

In any case, the RIN in its current form is inherently complex and onerous and a proposed timeframe to deliver a response to the Final RIN (including audit) by 31 May 2014 presents an extreme challenge to the business. Consideration must be given by the AER as to whether DNSPs are reasonably able to comply in the time allowed.

¹ Section 28F, National Electricity Law

² Namely, issues papers and explanatory statements relating to the AERs *Better Regulation Draft Expenditure Forecast Assessment Guidelines for Electricity transmission and distribution*, and explanatory statement for the *Draft Category Analysis RIN*

Ergon Energy is also concerned that the AER appear to be consulting on the content of the Reset RINs to apply to all DNSPs as part of the Category Analysis RIN consultation. Ergon Energy considers it inappropriate and premature to consult on matters of detail relating to the Reset RIN, on the basis of a draft Reset RIN that has been issued only to NSW/ACT DNSPs. The AER have noted in the Expenditure Forecast Assessment Guidelines, that the issuing of Reset RINs will continue to coincide with framework and approach (F&A) processes for each respective NSP and that these will specify the exact information required for determination processes. Furthermore, the AER have indicated in discussions with Ergon Energy that it does not intend to begin formal consultation, and release a draft Reset RIN for Queensland until March 2014.

Ergon Energy appreciates the AER will be seeking to standardise and align some of the forecast information in Reset RIN templates with the Category Analysis and Economic Benchmarking data collection process. However, if the AER consider it necessary to bring-forward consultation on forecast information to be provided in a Reset RIN, as a result of the new category analysis and economic benchmarking techniques, then the AER should also bring-forward the release of draft Reset RINs for all DNSPs in the interests of procedural fairness.

While Ergon Energy has not provided detailed comment on the AER's requirements in relation to the Reset RIN as set out in the explanatory statement for the Draft Category Analysis RIN (for reasons stated above), Ergon Energy makes the following general comments:

- It is highly unlikely that Ergon Energy (or other NSPs) will prepare their forecasts at the level of detail that is being requested in the Category Analysis templates. Accordingly, there is likely to be significant work involved in estimating and disaggregating expenditure forecasts into the AER's detailed formats set out in the Category Analysis RIN templates, and then reconciling the amounts reported in the Reset RIN to the Regulatory Proposal and internal planning documents and models (as suggested in the AER's explanatory statement).
- As the AER have noted, the population of historic information may require NSP to make assumptions or estimations to generate the data. The same limitations (if not more) would apply to the population of forecast information. Ergon Energy is concerned that the AER may place too high a weight on information sourced via the Category Analysis RIN templates, with its limitations, compared to information submitted by a NSP as part of a regulatory proposal.
- Ergon Energy also seeks clarity, on what basis (under the NEL or NER) the AER can refuse to accept information provided as part of regulatory proposal that the AER find irreconcilable or inaccurate³ (presumably in comparison to the AER issued Reset RIN templates). While a DNSP can use its best endeavours to reconcile amounts reported in the Reset RIN with its regulatory proposal, there will be circumstances where reconciliation is difficult, due to prescriptive formats and definitions set by the AER in the Reset RIN templates and the difference in approach to forecasting. It is not prudent to rely on such reconciliations for confirmation of accuracy, reliability or appropriateness of forecast information.
- Ergon Energy notes the AER's comments that forecast / estimated data will be required in the Reset RIN for capital expenditure (capex) categories only, and that NSPs will have discretion to develop and present operating expenditure (opex) forecasts using their own

³ AER Explanatory Statement to the Expenditure Forecast Assessment Guidelines, November 2013, p.17

methods and categories⁴. If this is the case, Ergon Energy requests that this be made clear in the relevant DNSP issued Reset RIN templates, as it appears the NSW/ACT draft Reset RIN requests various opex and overhead forecast information on a 'standardised' basis (for example, within the non-network and overheads templates).

3. COMMENTS ON DRAFT RIN

Ergon Energy makes the following comments with respect to the Cover Letter, Schedules and Appendices which form the Draft Category Analysis RIN. Where relevant, Ergon Energy has looked to the AER's Explanatory Statement for further guidance on interpretation of the Draft Category Analysis RIN. However, we note our obligation is ultimately to comply with the RIN, not the explanatory statement. For absolute clarity any instructions / requests should be clear within the RIN drafting or associated templates. This would also aid to avoid ambiguity in the auditing process.

Ergon Energy notes that there are a number of inconsistencies and inadequacies with the current drafting of the RIN. Further clarification of certain matters, and ongoing investigation will be required to provide confirmation that Ergon Energy will be able to provide data, in the form required (if at all), and for what period (historically). Ergon Energy will continue to consult across the business in lead up to any RIN being issued, to understand the availability and perhaps more importantly, the quality of the information being sought by the AER.

In any case, it has been ascertained that information requested cannot be sourced from a single centralised system, may be unavailable without adopting a manually intensive process, or in fact may be unavailable at the level of dissemination required.

Where possible, Ergon Energy has endeavoured to identify the information which it believes it cannot or may not be able to prepare, provide and/or maintain.

3.1. Draft RIN for the Collection of Category Analysis Information

Ergon Energy notes a change in address of Ergon Energy's corporate offices⁵:

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Level 8, 420 Flinders Street
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3.1.1 Matters the Subject of this notice

Ergon Energy refers the AER to comments specific to the drafting of Schedule 1 and 2 (information requirements), the Statutory Declaration and Appendix C (Audit requirements), Appendix E (Principles and Requirements) in sections 3.1.3 and 3.1.3, 3.1.5, 3.1.6 and 3.1.8 respectively.

⁴ AER Explanatory Statement to the Expenditure Forecast Assessment Guidelines, November 2013, p.11

⁵ effective early October 2013

Ergon Energy understands the current timeline proposed for the *Draft Category Analysis RIN* initial regulatory year deliverables to be as follows:-

6 December 13	Draft RIN issued
Late February - Early March 2014	Final RIN expected
Initial Years – 31 May 2014 (Annually 31 Oct thereafter)	Regulatory year data ~ actual & estimated (Appendix A xls), Basis of Preparation
	Audited and Statutory Declaration

Ergon Energy continues to raise concerns regarding the unreasonable timeframe for the initial regulatory year information to be collected and audited, particularly given the specific challenges of back casting data over the initial regulatory years. More so, if a final RIN is not expected until early March 2014 or it is at all delayed given the complexity of issues being raised during consultation.

As noted during the consultations on RINs generally, the AER should acknowledge that in some instances, ancillary information required to prepare information in the format required under the proposed RIN may not be available, since there would have been no prior statutory or regulatory obligation, or operational reason to do so.

Significant effort is likely to be required to perform necessary extraction, collation, analysis and documentation of methodologies in relation to data to allow assessment of the reasonableness of estimates and re-categorisations required, sufficient to allow an auditor to form an opinion on the data (especially where corroborating records may not be available). This may be particularly exacerbated given the complexity of data being requested and extensive cross dependence of financial and non-financial metrics.

The AER itself has also highlighted significant changes could be expected to the proposed templates⁶, and throughout the consultation (bilateral meetings and workshops) indicated changes may be made to requirements - making it unclear as to the final format and content. DNSPs cannot reasonably be expected to begin preparation until the RIN is issued in Final form.

Ergon Energy supports the ENA's submission on the Draft RIN in this regard, which requests the timeframe for responding to a Final Category Analysis RIN should be extended from 31 May 2014, by at least 6 weeks.

Keeping in mind the implementation time required by NSPs where systems and processes are not currently in place to commence recording the data in the format required to meet requirements, the AER also then needs to acknowledge the data gaps or estimations that will be required to occur for a period of time going forward (i.e. for subsequent regulatory years reporting) whilst systems and process are reviewed, upgraded as relevant and/or new methodologies implemented.

Forcing changes on NSPs in unreasonable timeframes (if at all possible) will only serve to exacerbate any potential costs imposed on the business. This is of particular concern whilst the AER data requirements in relation to methodologies for benchmarking and category analysis are yet to be tried and tested.

⁶ AER's *Draft Regulatory Information Notices to Collect Information for Category Analysis, Explanatory Statement*, page 26.

Areas of particular concern include:

- Repex and Asset Age profile data – extensive modification of our Ellipse ERP system would be required to report directly from the system at required sub-category levels without estimation and allocations. A separate project would need to be raised, business and/or system requirements would need to be fully scoped, system engineers engaged, meaning many months if not years may be required to implement.
- Augex project data – it is expected Ergon Energy’s current system (Artemis 7) will not accommodate reporting requirements at required levels of disaggregation without significant extraction and manual manipulation of data.
- Public lighting, Connections and Metering – further investigation is required to ascertain if system changes are required or if the existing systems can even be modified to capture the level of detail requested by the AER.
- Vegetation management: Ergon Energy has limited data on access tracks and assumptions will need to be applied which may impact data reliability. Confirmation is required from the AER that *Lidar* results will be acceptable when reporting the number of tress per span as physical sampling is not preferable or practical, and could be unreasonable to consider due to the size and general diversity of the Ergon Energy network.

3.1.2 Schedule 1 – Provide Information, Audit Reports and Confidential information

Schedule 1 sets out obligations relating to the provision of information, as well as Audit Reports and claims for Confidentiality. General comments to be made regarding the drafting of Schedule 1 include:

- Paragraph 3.2 – Given paragraph 3.3, it is not clear if in making any confidentiality claims over information that separate versions (confidential, non-confidential) of information are required to be submitted to the AER under the RIN.
- Paragraph 4.1 - The current Economic Benchmarking and draft Category Analysis RIN require provision of respective information up to and including the 2024 Regulatory Year. In the explanatory statement accompanying the Draft RIN, the AER again reiterated its preference to merge all annual data reporting requirements into a Regulatory Information Order (RIO) for the sector from 2015. It is unclear how the transition to RIOs during this period will occur (e.g.: will the AER retract RINs issued to individual NSPs to collect data for an undefined number of subsequent regulatory years?).

Following from this, it is unclear how the drafting “.. allows for this obligation to be superseded by any separate process to consult separately and issue a standing RIO to consolidate many of the separate reporting arrangements currently applicable to NSPs.”⁷ Similarly (realising it has now been issued as Final), it was not clear in drafting of the Economic Benchmarking RIN already issued how “..such a process of consolidation has also been provided for in the RINs for economic benchmarking.”⁸

⁷ AER, *Explanatory Statement – Regulatory information notices to collect information for Category Analysis*, December 2013, p. 13.

⁸ *Ibid*, p. 13.

3.1.3 Schedule 2 – Preparation and Maintain Information

Schedule 2 notes the information to be Prepared and Maintained in accordance with the Notice. General comments to be made regarding the drafting of Schedule 2 paragraph 1, Prepare Information include:

- Paragraph 1.2 - Drafting provides requirements for a Basis of Preparation to be prepared in accordance with requirements in Schedule 1 (paragraph 1.2) which in turn references Appendix E: Principles and Requirements, in which Paragraphs 2.1-2.7 are most relevant. Matters to be addressed in a Basis of Preparation are also requested in Paragraph 1.2 of Schedule 2, elsewhere within Appendix E (e.g. paragraphs 1.2, 1.8, 11.1, 13.1, 14.2) making it difficult to ascertain a concise listing of minimum 'requirements'.
- Paragraph 2.1 – Ergon Energy considers current drafting of paragraph 2.1 to be inappropriate, in that it requires information to be maintained from the 'date of this notice' until further notice. Drafting should be amended to read: *Maintain for the period from the beginning of the relevant Regulatory Year until further notice.*

3.1.4 Appendix A – Regulatory Templates (Category Analysis)

Appendix A contains worksheets within a Microsoft excel workbook collectively defined as "Regulatory Templates". Ergon Energy refers the AER to section 3.2 below for template specific comments on the workbook provided.

Of note, the Final Economic Benchmarking RIN recently issued to Ergon Energy included multiple versions of the templates with instructions for Ergon Energy to complete a consolidated version in accordance with the RIN and then to copy all actual information and estimated information into actual and estimated versions of the templates (respectively). All three versions of the templates are deliverable to the AER. It is unclear if the AER intends to utilise this approach with the Final Category Analysis RIN.

3.1.5 Appendix B – Statutory Declaration

Ergon Energy notes that pursuant to section 28F(1)(a) of the NEL, the AER will require the information specified in the Notice to be verified by way of a Statutory Declaration. The Draft RIN presents a pro-forma statutory declaration prepared pursuant to the Oaths Act 1867 (Qld), which appears to align to that provided in the recently issued Final Economic Benchmarking RIN.

It appears an oversight that the Statutory Declaration was not marked as 'Appendix B'. It is also not included in the table of contents to the draft RIN. Ergon Energy otherwise has no specific comments at this time, in relation to the Statutory Declaration.

3.1.6 Appendix C – Audit and Review Requirements

Appendix C to the Draft RIN specifies the information to be subject to Audit or Review (financial and non-financial, actual and historical, Basis of Preparation), the class of person to conduct the audit(s) and the Audit and Review requirements.

Ergon Energy acknowledges and appreciates that the AER has provided for in both the Economic Benchmarking issued and now, the Draft Category Analysis RIN, the engagement of suitably qualified non-financial auditors to audit non-financial information.

Of note, Ergon Energy is currently completing tender processes in regard to non-financial audits as well as the engagement of our required financial auditor, for RINs deliverable during the 2014 calendar year. Significantly increased audit costs will be incurred given the AER's requirement for, and assurance of, far more extensive information to be prepared and provided (than previously prepared or reported to a regulator) in the Category Analysis, Economic Benchmarking and ongoing Annual Performance RINs.

Particularly given the complexity and onerous nature of the proposed Category Analysis RIN, it should also be appreciated that data will be generated from information systems not previously subject to independent audit and would require significant work to be conducted over the controls, reliability and accuracy of base data.

Ergon Energy reiterates comments made in prior submissions on RINs that the request for information spanning over the proposed historical period, and estimation of data will only serve to exacerbate time / effort / cost issues for DNSPs and auditors, and may prevent appropriate information being available for an auditor to form opinion.

In addition to the above, general issues noted in relation to the proposed auditing arrangements set out in Appendix C of the Draft RIN include:

- With regards to requirements in Appendix E: Principles and Requirements, for reconciliation of variables in the templates in Appendix A to be reconciled and explain adjustments between the Statutory Accounts and the Regulatory Accounting Statements (refer comments on these terms in section 3.1.8), Ergon Energy notes that due to the different natures of the reporting, the proposed RIN may require adjustments to reconcile. Any reconciliation between Statutory Accounts and the Regulatory Accounting Statements where supporting references are required for regulatory adjustments will increase the reporting burden and require additional time and resources, including auditing.
- Paragraph 1.1 (b) is interpreted to mean that the certification required as to the use of estimates may be in the form of Directors, CFO or senior management making a representation statement for audit purposes (different to a Statutory Declaration), which the AER would be obliged to take into account if it is to rely on the auditor's report. This is interpreted to be an internal certification.

3.1.7 Appendix D – Statement of Reasons

In relation to Appendix D - Statement of Reasons, Ergon Energy refers the AER to its comments in Section 2, Regulatory Requirements.

3.1.8 Appendix E – Principles and Requirements

Appendix E sets out general and template specific Principles and Requirements for the preparation of a response to the Draft RIN and also information relating to Basis of Preparation. General comments are made in this regard below. Ergon Energy submits that that drafting should be refined throughout this Appendix to ensure appropriate use of terms (defined as relevant) ensuring no ambiguity.

- Paragraph 1.1(a)-(i) instructions appear to have been drafted based on paragraphs from another instrument. Refer also comments in section 3.1.9 noting that *Regulatory Accounting Statements* is a defined term which inappropriately refers to "*ActewAGL Distribution*" (not Ergon Energy). In any case, the term suggests a link to financial data in reports that show the

originating statutory account amount, its translation into the regulatory account amount and its disaggregation between the different categories of distribution services it provides. As the Category Analysis RIN Statements don't take the form of these reports, Ergon Energy requests for this requirement to be removed.

- Following on from this, the term *Regulatory Accounting Statements* and *Regulatory Accounts* seem interchangeable in Appendix E, the later not being a defined term. In some instances, the defined term Regulatory Accounting Statements may not be relevant/appropriate if substituted in drafting – for example: Appendix E paragraph 10.14 of Non-Network Expenditure refers to 'Regulatory Accounts' lodged with the AER. The Annual Performance RIN (not Regulatory Accounts) has been lodged with the AER for the past three consecutive year, a subset of which has been the Regulatory Accounting Statements (i.e. financial templates). Ergon Energy cautions a find/replace of these terms may not be appropriate in all instances. We refer the AER to the Defined term "*Annual Reporting Requirements*" and "*Annual Reporting RINs*" in the Economic Benchmarking RIN in this regard.
- Similarly, the term 'Statutory Accounts' is referred to throughout rather than the defined term 'Audited Statutory Accounts'. In any case, Ergon Energy submits the Economic Benchmarking RIN defined term '*Audited Statutory Financial Statements*' is more appropriately drafted.
- Despite these concerns, general instructions in paragraph 1.1(a)-(i) are interpreted to not apply to all worksheets contained within the workbook contained in Appendix A (refer defined term '*Regulatory Templates*'), which in any case would be inappropriate in all cases.
- Specifically, with reference to paragraph 1.1(a) and (b), some financial and most non-financial information is not derived from / verifiable by reference Statutory Accounts. Non-Financial templates would not reconcile to the Statutory Accounts and only some of the financial variables would reconcile to the Statutory Accounts (e.g. not capex), and even then only at a highly aggregated level. Ergon Energy questions the reasonableness of requests for such extensive reconciliations for provision to the AER.
- Paragraph 1.2 appears in duplication of Schedule 2, Paragraph 1.2(d) which also requires explanation of instances where estimates are provided, basis for that estimate and why it is Ergon Energy's best estimate. Paragraph 1.2 should be deleted. Refer also comments in section 3.1.3, which notes the confusion in relation drafting of Basis of Preparation requirements being spread between Schedule 2 and Appendix E.
- Paragraph 1.3(a) requires each variable in the regulatory templates to be reconciled and adjustments explained, between the Statutory Accounts and Regulatory Accounting Statements. This requirement is inappropriate for non-financial data (e.g. Network Information, Service and Quality) as this information is not derived from the Statutory Accounts and in some instances financial data is not reported in the Statutory Accounts at the level presented in the Category Analysis RIN. In the case of Capex, this isn't reported in the Statutory Accounts where property, plant and equipment are reported using additions (commissioned basis) not capex (incurred basis). Of note: the only templates in the Annual Performance RIN which reconcile to the Statutory Accounts with any certainty are the Income Statement, and Balance Sheet.
- It is not clear, the usefulness of such extensive information to the AER in any case, and it seems an unreasonable requirement for the purpose of the RIN. Any reconciliation between

statutory accounts and regulatory reports where supporting references are required for regulatory adjustments will increase the reporting burden and require additional time and resources. Refer also comments made in response to Audit burden in this regard.

- Paragraphs 1.3(b) and 1.3(d) again seem repetitive in their request for data source and methodologies as per the Basis of Preparation (see Schedule 1 para 2(b) or (c) and/or this Appendix paragraph 2.4(b) or (c)). Drafting should be refined.
- Paragraph 1.3(c) requires provision and directly linking of each variable in the regulatory templates unless impractical, in which case cross referencing is required, to relevant source sheets / models. This will be an onerous, cumbersome and time consuming task particularly if required on a cell by cell basis. Ergon Energy again questions the use of such information to the AER, and refers the AER to comments made in Regulatory Requirements section 2 of this submission.
- Paragraph 1.4 requires reconciliation of actual capex and opex to Ergon Energy's Statutory Accounts. Ergon Energy notes that this may only be possible at a certain level of disaggregation for opex and inappropriate for capex. The Reconciliation of capex to the Statutory Accounts is inappropriate as reporting of property, plant and equipment in the Statutory Accounts is on a commissioned basis and also includes as a separate line item work in progress. The Category Analysis RIN reporting for capex is in some instances on an incurred basis, therefore there would be timing differences between the two basis of recognition. Ergon Energy requests for this requirement to be removed.
- Paragraphs 1.6 and 1.7 require capex and opex to be reported as incurred in nominal terms and to provide calculations in converting real to nominal. Requirements elsewhere such as paragraph 7.2(c) of Augex Project Data requires reporting of all expenditure on an 'as commissioned' basis in real dollars. To avoid confusion, tables should be clearly labelled as to requirements therein.
- Paragraph 1.6, *historic opex* and *historic capex* are italicised as if to indicate defined terms which they appear not to be. Refer comments on Definitions.
- Paragraph 1.8 requires any changes in cost allocation methodologies under paragraph 3 of Appendix E to be reported, and the materiality indicated in the Basis of Preparation. Ergon Energy submits (with reference to Cost Allocation Guidelines for requirements in changing a NSPs AER-approved Cost Allocation Method (CAM)) that changes should only be reportable when material. The requirement as drafted may be onerous if read to mean changes of any kind (immaterial in nature). Paragraph 1.8 is more appropriately drafted as follows – "*Where changes in methods of allocation through time have been material, this must be reported and the materiality indicated in the basis of preparation*". Defined term 'Material' as per that in the Economic Benchmarking RIN may be utilised in this regard.
- Paragraph 2.5 notes financial information is to comply with the 'financial reporting framework for that financial information'. It is not clear what is meant in the context of the Category Analysis RIN? 'Financial reporting framework' is not a defined term, though it is in the Economic Benchmarking RIN.
- Paragraph 2.7 appears a statement (rather than requirement) and superfluous to drafting, which could be deleted.

- Paragraphs 3.1-3.3 deal with the allocation of costs relating to Ergon Energy. Ergon Energy notes that principles for the allocation of costs are detailed in Ergon Energy’s AER-approved CAM.
- Paragraph 4.1 details instructions for provision of labour cost information in regulatory templates 2.2 to 2.14. With regards to our internal capture of data, Ergon Energy notes:
 - Actual labour cost per employee classification level is not booked to the Project Accounting module. A Fixed rate per hour is applied to augmentation projects for labour cost. Actual labour cost is captured in the payroll system and there is no link between the payroll system and the project accounting module. Ergon Energy will therefore not be able to provide actual labour direct cost for augmentation projects broken into the required fields, unless it is based on assumptions and average cost.
 - Labour cost information recorded in the project accounting module includes ordinary hours, overtime hours, ordinary cost (fixed rate, not actual cost), overtime cost (fixed rate, not actual cost) and on cost (fixed rate, not actual cost). No information is recorded on *hours not worked*, *annual allowances* and *annual stand down* occurrences.
 - To report the level of detailed information required at actual costs, Ergon Energy will have to use actual hours booked to augmentation projects and apply average labour costs per employee classification from the payroll system, based on assumptions of hours spend per employee classification levels, as well as by applying average hours not worked and allowances from the payroll system across classification levels.

For other comments relating to Appendix E, template specific requirements Ergon Energy refers the AER to comments in Section 3.2.

3.1.9 Appendix F – Definitions

Appendix F sets out proposed Definitions to be applicable to the Category Analysis RIN. It is imperative that variable definitions for category analysis data requirements are sufficiently clear and precise to provide for consistent interpretations of the information that is to be provided. Consistency is required across NSPs and through time.

Ergon Energy submits there are instances where alignment of obvious terms should occur between the Category Analysis and Economic Benchmarking RINs and some instances, the Annual Performance RIN.

Ergon Energy makes the following comments, however other template specific comments are made in Section 3.2.

- *Actual Capex* and *Actual Opex* – These terms appear superfluous given “Actual Information” and “Capex”/“Opex” are defined terms and together should give effect as required. In any case, the term could be applicable to *Initial* or *Subsequent* Regulatory Years and furthermore some capex data is requested on incurred basis while in other fields, on an as commissioned basis. The terms should be removed.
- Following on from this, Appendix E refers often to “historic opex” and “historic capex” (e.g.: Paragraph 1.6 in General instructions) or “historical expenditure” (e.g.: paragraph 10.1, 10.13, 10.14 in Non-Network Expenditure). In some instances these are italicised yet not defined. The mix of terminology creates confusion. Ergon Energy questions if simply ‘capex’ and ‘opex’ would suffice.
- *Actual Information* – Paragraph 2 incorrectly refers to “ActewAGL” rather than Ergon Energy.

- *Alternative Control Services, Standard Control Services, Direct Control Services, Fee Based Services, Quoted Services* and other categories of Services – The defined terms differ or provide less context to that defined in the Economic Benchmarking RIN and Ergon Energy submits Drafting be refined / replaced with that in the Economic Benchmarking RIN.
- *Audit Report* – Should more appropriately be drafted to read ‘An Auditor’s Report as required by this Notice and prepared in accordance with the requirements set out in Appendix D of this Notice’, given the AER’s specific requirements. Refer *Review Report* term (more appropriately drafted).
- *Audited Statutory Accounts* – Refer earlier comments in section 3.1.8, noting inconsistent use of this term throughout the Draft RIN. In any case, it differs to the more appropriately defined term “*Audited Statutory Financial Statements*” in the Economic Benchmarking RIN. Following on from this, reference to other terms such as Annual Reporting Requirements and Annual Reporting RINs from the Economic Benchmarking RIN should also be considered.
- *Basis of Preparation* – The defined term differ or provide less context to that defined in the Economic Benchmarking RIN.
- ‘Financial reporting framework’ is not a defined term though referenced in the Appendix E. The defined term in the Economic Benchmarking RIN and may be of relevance.
- *Major Event Day (MED)* should read to have the same meaning described in the Service Target Performance Incentive scheme.
- *Regulatory Accounting Statements* - inappropriately refers to “financial reports revealing the performance and financial situation of ActewAGL Distribution” (not Ergon Energy). Refer earlier comments in section 3.1.8, noting inconsistent use of this term throughout the Draft RIN. Following on from this, reference to other terms such as Annual Reporting Requirements and Annual Reporting RINs should also be considered.
- *Regulatory Year* – The defined term differs or provides less context to that defined in the Economic Benchmarking RIN.
- *Related Party* – Ergon Energy submits the term is inappropriately defined and should be replaced with the term provided in the Ergon Energy’s Annual Performance RIN, as follows:

Any other entity that at any time during the Relevant Regulatory Year:

- a) had, has or is expected to have control or significant influence over Ergon Energy;*
- b) was, is or is expected to be subject to control or significant influence by the Ergon Energy; and*
- c) any other entity that is controlled or is significantly influenced by the same entity that controls Ergon Energy;*

excluding financial institutions, authorised trustee corporations fund managers, trade unions, statutory authorities, government departments or local governments.

Importantly, the term as currently drafted has no reference to the ‘relevant regulatory year’; the need to state “*and includes Ergon Energy Corporation Ltd (CAN 087 646 062)*” is unclear; and it is not understood if novated / assigned contracts are they meant to be included (Ergon Energy expects so) or excluded.

- *Severe Weather Events* is defined to mean weather events related to MEDs. It is possible that Ergon Energy’s network may experience severe weather events which are not classified as MEDs which may incur sizeable expenditure.

- *Subsequent Regulatory Years* as drafted is inappropriate and should be defined to simply read – “Looking forward, each Regulatory Year commencing with the 2014 Regulatory Year” (refer Economic Benchmarking RIN).
- *Vegetation Management* – “Expenditure attributed to activities that:” should be read simply “Activities that:” given the term appears to relate to activities (not spend).
- *Residential Customer Connection* – The AER should note DNSPs may not record class of customer in systems (i.e. residential, non-residential). Under the National Energy Customer Framework (NECF), the obligation to classify customer as residential or business customer sits with the retailer (not DNSP). While they may have access to this information through B2B communications from retailers in future (once under NECF), DNSPs may not have good data capture to accurately identify residential and non-residential customers, particularly if they have not disaggregated their network tariffs in this way. The only way Ergon Energy could provide data by residential and non-residential, would be via estimation.

3.2. Comments on Category Analysis Backcast Data Templates

General comments relevant to ALL templates:

- Refer earlier comments in section 2, that an explanation of how the information sought (on a worksheet by worksheet basis) will eventually be used by the AER would aid in understanding the information that should be provided. Ergon Energy requests an update to each of the worksheet 'Instructions' to include a Purpose in this regard.
- Precise instructions on how to complete the templates should provide absolute clarity for those preparing the RIN, and aid to avoid ambiguity in the auditing process. Ergon Energy continues to review the Principles and Requirements and Basis of Preparation in this regard, and comments may below may not be fully conclusive with regards to our ability to produce data as required.

3.2.1 Templates

Comments are made below relative specific templates (and therein, Variables and Definitions).

Template	Ergon Energy Response
2.1 Expenditure Summary and Reconciliation	<p>General Comments</p> <ul style="list-style-type: none">Instructions inappropriately note requirements for a reconciliation to the Post Tax Revenue Model (PTRM) and roll forward model as amounts reported are not forecasts. This is only relevant in the reset.Ergon Energy notes that the AER is prescribing the categories and sub-categories of expenditure that should be reported as direct cost, and is expecting data in this template to represent a NSP's total capex and opex based on information reported in other template sheets. In circumstances, where a DNSP treats a cost as a direct expenditure, and this cost cannot be correctly allocated to one of the AER's categories, confirmation is sought as to AER expectations for reporting of costs, to ensure total expenditure is captured. For example, to the extent a cost cannot be allocated to a RIN direct cost category, does the AER expect the DNSP to report these costs as a network or corporate overhead, or as a non-network other expenditure, under the respective template.Ergon Energy also notes the definition of Non-Network Other Expenditure, and the requirements for populating expenditures under section 10.13 and 10.14 under Appendix E of the written notice. Ergon

Template	Ergon Energy Response
	<p data-bbox="685 215 2078 400">Energy is unclear that this category captures all other ‘non-network’ operating costs, and in particular any direct costs which are not attributable to a class of non-network assets. For example, where are DNSPs to report cost expensed for delivering miscellaneous network services classified as Standard Control Service (which could be initiated by either the DNSP or the customer), or other direct expenses such as payments made to customers for network liability claims and GSLs?</p> <ul data-bbox="640 443 2078 659" style="list-style-type: none"> <li data-bbox="640 443 2078 549">▪ The opex categories as defined by the AER in Appendix F of the written notice make reference to a non-network expenditure category which does not appear to be reflected in the Opex tables within the Expenditure Summary and Reconciliation template. <li data-bbox="640 592 2078 659">▪ Cells in this sheet would best be directly linked to the forecast category expenditure sheets, as relevant by the AER before issuance of a final RIN template.
2.2 Replacement Expenditure	<p data-bbox="640 705 891 730">General Comments</p> <ul data-bbox="640 774 2078 1109" style="list-style-type: none"> <li data-bbox="640 774 2078 879">▪ Ergon Energy reiterates comments already made, noting systems are not configured to record asset information at the specified sub category level and would need to develop a methodology and assumptions to derive this data. <li data-bbox="640 922 2078 1109">▪ Ergon Energy’s approach to populating the data requirements of the Annual Performance RIN, Template 7 (Asset Installation), requires significant resource-hours performing manually intensive processes for ~30 asset sub-categories - the same manual approach (to produce estimates) will now be required for >140 sub categories of assets within considerably shorter timeframes than that available under the Annual Performance RIN.
2.3 Augex Project Data	<p data-bbox="640 1157 898 1182">General Comments:</p> <ul data-bbox="640 1225 2078 1401" style="list-style-type: none"> <li data-bbox="640 1225 2078 1292">▪ Ergon Energy requests the AER communicate materiality thresholds as a matter of urgency to enable the business to identify reportable projects. <li data-bbox="640 1335 2078 1401">▪ Ergon Energy would also like to raise concerns relating to the reporting of potentially confidential procurement information. Confidentiality claims will be considered in accordance with the Confidentiality

Template	Ergon Energy Response
	<p data-bbox="689 217 819 244">Guideline.</p> <p data-bbox="640 288 1261 316">Comments specific to variables/inputs or tables:</p> <ul data-bbox="640 360 2083 1066" style="list-style-type: none"> <li data-bbox="640 360 2083 467">▪ <i>Table 2.3.1 - Augex asset data</i> - Subtransmission substations, switching stations and zone substations: Switchgear and Capacitors expenditure not recorded separately in systems and will based on assumptions and apportionment. <li data-bbox="640 507 2083 576">▪ <i>Table 2.3.2 - Augex asset data</i> - Subtransmission lines: Overhead lines expenditure not recorded separately in systems and will have to split from Poles/Towers based on assumptions and apportionment. <li data-bbox="640 616 2083 764">▪ <i>Table 2.3.6</i> – Given the requirement for annual spends, it is interpreted that reporting in table 2.3.6 is required on an as incurred basis. Clarification is required if this is to include all open projects as well as commission projects (as reported in table 2.3.1 to 2.3.5, on an as commissioned basis). Inclusion of open projects would not allow for reconciliation of tables 2.3.1-2.3.5 to 2.3.6. <li data-bbox="640 804 2083 1066">▪ <i>Table 2.3.7 - Total Augex - internal labour costs</i>: Ergon Energy's accounting systems are unable to report on average labour hours per project as fixed labour rates are applied to projects. Actual labour rates, captured in Ergon Energy's payroll system, are not linked to the Investment Planning system therefore Ergon Energy would need to base average rates on assumptions. Refer also to comments in section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs. In any case, it is not clear if table 2.3.7 is to reflect all projects (open or commissioned) or only those reported in tables above.
2.5 Connections	<p data-bbox="640 1114 893 1141">General Comments</p> <ul data-bbox="640 1169 2083 1407" style="list-style-type: none"> <li data-bbox="640 1169 2083 1353">▪ Ergon Energy reiterates prior concerns in populating the level of disaggregation required for Connections Expenditure. Further investigation is being undertaken in this regard however a high level of estimation and apportionment is expected to be required and methodologies developed. For example, Ergon Energy does not record data that allows for desegregations by feeder type, embedded generation, complex or simple connection. <li data-bbox="640 1377 2083 1407">▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in

Template	Ergon Energy Response
	<p>relation to Internal Labour costs.</p>
<p>2.6 Vegetation Management</p>	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy expresses concern with the need to impose changes on existing contractor processes, to collect the required data and information; this may result in increasing contract management costs. <p>Comments specific to variables/inputs or tables:</p> <ul style="list-style-type: none"> ▪ <i>Table 2.6.3 - Vegetation management:</i> Ergon Energy requests clarification of the term “<i>Vegetation Corridor</i>” – as reporting maintenance spans and vegetation corridors may result in a duplication of results. ▪ Ergon Energy has limited data on access tracks and assumptions will need to be applied which may impact data reliability. Confirmation is also required from the AER that Lidar results will be acceptable when reporting the number of tress per span as physical sampling is not a preferable method due to the size and general diversity of the Ergon Energy network. ▪ <i>Table 2.6.4 - Vegetation management costs by activity:</i> Ergon Energy requests clarification (or examples of activities) of all proposed activity categories, including “ground clearance”. ▪ <i>Table 2.6.6 - Vegetation management input and contract costs – breakdown:</i> Ergon Energy is concerned that the publication of contractor costs and schedule of rates is commercially sensitive information, and will consider a confidentiality claim over this information. ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
<p>2.7 Maintenance</p>	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy is concerned about providing expenditure information below the level of detail reported in our general ledger. Ergon Energy operates and reports on Maintenance programs activities on a state wide basis, not by region and do not differentiate between voltage levels for asset inspection activities such as pole inspections. To produce the back cast information will require application of an internally approved

Template	Ergon Energy Response
	<p>allocation methodology.</p> <ul style="list-style-type: none"> ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
2.8 Emergency Response	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy’s systems do not capture costs on severe weather events based on events relating specifically to Major Event Days (MED) as defined under the STPIS scheme. Furthermore there will be severe weather events that do not reach the required threshold to be classified as an MED, that would impact on emergency response spend. Ergon Energy can best provide expenditure information at a more aggregated / top level. ▪ Ergon Energy is concerned that DNSPs will provide substantial volumes of inferred data for this requirement, noting the difficulties associated with validation and the ability to replicate results. Ergon Energy argues the usefulness of this data for AER purposes. ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
2.9 Overheads	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy requests the AER make clear any instructions in relation to requirements for Categories to be used in completing the tables (i.e.: Ergon Energy understands only three categories for overheads (in network overheads) are mandatory. ▪ Ergon Energy notes the AER’s comments in the Expenditure Forecast Assessment Guideline which states the AER will examine overheads – aggregated, unallocated and before capitalisation – separately and benchmark these against those of other NSPs⁹ (i.e. <u>pre-allocation</u>). Ergon Energy requests for this to be clear in the body of the RIN as it is only mentioned in the Explanatory Statement that AER want to

⁹ AER Expenditure Forecast Assessment Guideline for Electricity Distributions,p.205

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benchmark total network and corporate overheads on a pre-allocated basis.

- However, section 14.4 of the written notice requires Ergon Energy to disaggregate overheads currently reported under Network Operating Cost in its annual RIN into Network Management, Network Planning, and Network Control and Operational Switching Personnel. Ergon Energy notes that the data currently reported as one line item under Network Operating Costs, represent overheads allocated to network operating activities (i.e. post allocation). Furthermore, there may be support costs which meet the definition of the AER's mandatory network overhead categories, reported in other existing allocated overhead categories in the annual RIN template (for example within overheads allocated to meter reading, customer services, preventative, corrective and forced activities).
- Ergon Energy also assumes that pre-allocation refers to costs related to direct control and negotiated services. In other words the aggregate of overheads will be post allocation of corporate overheads to other companies within the Ergon Energy group (e.g. EEQ) consistent with our CAM. That is any reporting of overheads for unregulated services relates only to unregulated services provided by the Ergon Energy Corporation Limited distribution business.
- If overheads are required to be provided on a pre-allocation basis, Ergon Energy proposes existing Annual Performance RIN categories for Corporate Overheads would be used in this template (other than the mandatory AER network overhead categories), aligning with the categories in template 15 (Overheads Allocation) of the Annual Performance RIN. An 'other' category needs to be provided for under the network overheads.

Comments specific to variables/inputs or tables:

- Table 2.9.1 and 2.9.2 – To provide absolute clarity if pre-allocated overheads are required, headings for columns C to G of these tables should reflect this (for example: 'Overhead Allocation – Categories of Distribution Services' should read "Overhead Pre-Allocation – Categories of Distribution Services').
- Table 2.9.1 and 2.9.2 – Can the AER confirm Columns H & I relate to overhead costs incurred and allocated to CAPEX only i.e.: not Opex. Furthermore, can it be confirmed if columns J and K are a subset

Template	Ergon Energy Response
	<p>of what has been reported in C – G for related parties.</p> <ul style="list-style-type: none"> ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
<p>2.14 Non Network Expenditure</p>	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs. ▪ Refer comments on other non-network expenditure listed under template 2.1 Expenditure Summary. ▪ Ergon Energy questions if it would be appropriate to have an additional worksheet to allow reporting of Network costs for items such as SCADA and Network Control expenditure. This worksheet could also allow incorporation of Network Operations Costs to ensure all of Ergon Energy’s opex costs are reported. ▪ Ergon Energy understands that the AER’s approach to applying the terminology of ‘non-network’ to SCADA Control Systems and Network Communication asset classes is based on past practice, primarily influenced by the Victorian model. ▪ Whilst we acknowledge the growing trend of DNSPs (investing in) utilising intelligent electronic devices to enable greater network and customer control (including Advanced Metering solutions), Ergon Energy considers that disaggregating expenditure into Smart Meter and Non-Smart Meter categories is not appropriate for DNSPs outside of the state of Victoria (i.e. a government mandate of smart meters is unlikely to eventuate in Queensland in the next regulatory control period). ▪ AER acknowledged in recent discussions a lack of definition as to what constitutes SCADA & Network Control assets. Further clarification in drafting of the RIN is requested in this regard. <p>Comments specific to variables/inputs or tables:</p> <ul style="list-style-type: none"> ▪ Ergon Energy would like to bring to the AERs attention an apparent duplicate requirement to report maintenance (opex) costs which are requested in both (2.14) Non-network and (2.7) maintenance template tables. ▪ The AER acknowledged reporting on Protection assets has not been specified. The AER advised Protection asset information may be reported in (2.2) Repex - stating they would need to determine and

Template	Ergon Energy Response
	<p>notify Ergon Energy if they require multiple reporting of this information.</p> <ul style="list-style-type: none"> ▪ Motor vehicles by Activity (regulated versus non-regulated) and Services classification: Ergon Energy’s operations fleet vehicles are used for SCS and ACS purposes, as well as for unregulated purposes. Estimation and apportionment will be required in this regard, given significant difficulty in sourcing from our system, and care will be required to avoid duplication via other activities input (e.g. in fleet opex). ▪ Of note, Ergon Energy does not record kilometres travelled by service classification, or by regulated versus unregulated work activities. Hours of use are booked against jobs and potentially job cost records may provide service classification and work activity (regulated, unregulated) desegregations. However, the AER had indicated this was not an appropriate method – further investigation is therefore required. ▪ Buildings and Property Expenditure: It is not clear as to what is to be categorised as a ‘Capex Disposal’. Is this expected to represent a total of the revenue obtained from disposing of all land (and applicable buildings) in the property portfolio during that period. The volume of data associated with explaining volume/cost drivers, especially non-recurrent, is exceptional. There is no clear guideline on the level of detail which is expected of Ergon Energy. Substantial supporting documentation may be required to provide this information in a more easily readable and understood format. The alternative is hundreds of columns itemising a program of work. The breakup between labour, materials, and contractual costs (including relevant margins) are not recorded holistically and cannot be provided by Ergon Energy for Building and Property expenditure.
4.1 Public Lighting	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy's asset management, financial systems and field work practices do not support the collection of public lighting asset and financial data in the required categories so Ergon Energy will need to develop a methodology and assumptions to derive this data. ▪ Ergon Energy also notes Service Level Agreements and Guaranteed Service Levels (GSLs) are not applicable to public lighting customers though customer complaints are recorded. ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs. <p>Comments specific to variables/inputs or tables:</p>

Template	Ergon Energy Response
	<ul style="list-style-type: none"> ▪ <i>Table 4.1.1 - Public lighting descriptor metrics</i> - Each high level breakdown needs an appropriate definition as replacement and maintenance activities can be easily interchanged. For example: there is no data available for length of cabling specific to public lighting. Data relating to time to rectify/replace public lighting assets is also not available. ▪ <i>Table 4.1.2 - Public lighting expenditure</i> - Granularity of cost breakdown is the key issue and this level of detail is not available in Ergon Energy systems. For example, total spend breakdowns may include blends of repair and replacement expenditure - estimation and apportionment will be required.
4.2 Metering	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy's asset management, financial systems and field work practices do not support the collection of metering data in the required categories. ▪ In respect to the provision of the required breakdown of financial information, metering costs are currently bundled (asset/service) so an allocation method will need to be developed and applied to produce the required information (not actual costs). This is likely to be a manual process. ▪ Ergon Energy is currently undergoing significant organisational and operational changes i.e. replacement of 30yr old billing system, introduction of field force automation (will benefit data collection) and the impact of government policy (drive for more customer information - informed decision making) which will impact the ability to obtain this data. ▪ Ergon Energy has previously raised concerns relating to the competitive environment and may consider confidentiality claims in accordance with the AER's confidentiality guidelines. ▪ Refer also to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
4.3 Ancillary Services – Fee Based Services	<p>General comments:</p> <ul style="list-style-type: none"> ▪ Ergon Energy reiterates prior concerns in populating the level of disaggregation required for Ancillary Services – Fee Based Services data. Ongoing investigation is required as to Ergon Energy's ability to populate the template however a level of estimation and apportionment is expected to be required. Extraction direct from current systems is not expected. ▪ Refer comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to

Template	Ergon Energy Response
	Internal Labour costs.
4.3 Ancillary Services – Quoted Services	<p data-bbox="640 274 896 300">General comments:</p> <ul style="list-style-type: none"> <li data-bbox="640 325 2083 472">▪ Ergon Energy reiterates prior concerns in populating the level of disaggregation required for Ancillary Services – Quoted Services data. Ongoing investigation is required as to Ergon Energy’s ability to populate the template however a level of estimation and apportionment is expected to be required. Extraction direct from current systems is not expected. <li data-bbox="640 497 2083 568">▪ Refer to comments on section 3.1.8 on Principles and Requirements contained in Appendix E in relation to Internal Labour costs.
5.2 Asset Age Profile	<p data-bbox="640 600 896 625">General Comments</p> <ul style="list-style-type: none"> <li data-bbox="640 651 2083 798">▪ Ergon Energy is concerned that the duplication of reporting efforts relating to the provision of Asset Age data will place unnecessary burden on over stretched resources. Ergon Energy is currently required to report Replacement Life (Mean and Standard Deviation) and Number of assets commissioned (1910 - 2015) under– Template 7 Asset Installation) of the Annual Performance RIN. <li data-bbox="640 823 2083 970">▪ In relation to asset sub category data, Ergon Energy notes that there is very little substation plant, no Instrument Transformers, protection or control assets) just CBs and isolators and is concerned that data relating to Transformers and Switchgear combine ‘Distribution’ and ‘Substation’ assets that are managed quite differently with processes and data.
5.3 Maximum Demand – Network Level	<p data-bbox="640 1002 896 1027">General Comments</p> <ul style="list-style-type: none"> <li data-bbox="640 1053 2083 1161">▪ Ergon Energy suggests that Maximum Demand (Network Level) data should be interpreted with the likely Reset RIN requirement, i.e. to include forecasts in the same format to the end of the forthcoming regulatory control period. <li data-bbox="640 1187 2083 1391">▪ Ergon Energy would like direction on how DNSPs should treat transferred customers: <ul style="list-style-type: none"> <li data-bbox="685 1238 2083 1391">▫ Ergon Energy has had a number of large customers transfer to the TNSP. Due to the nature of these transfers this can be significant in Ergon Energy’s system Maximum Demand. In order to account for this in the forecast, Ergon Energy routinely adjusts its load history to reflect its current customer base only. Ergon Energy accounts for this in subsequent submissions of the RIN.

Template	Ergon Energy Response
	<ul style="list-style-type: none"> ▫ There are two sets of historical metered data that should be stated. The first is actual metered data as registered by the network; the second is historical data using only the current data base that is metered data adjusted for current customers. These adjusted actuals are used for the network forecast and would provide consistency across RINs. Annual and seasonal data differences need to be identified. ▪ Ergon Energy seeks confirmation that data provided is to be Raw, without adjustments (as per discussions in Bilateral meetings). Appendix E (Principles and Requirements) paragraph 8.12 'Note on Adjustments' was not clear in this regard. <p>Comments specific to variables/inputs or tables:</p> <ul style="list-style-type: none"> ▪ Ergon Energy interprets the technique implied to be employed is similar to the Economic Benchmark RIN, in that it asks for TCP values summated to system level. There may be differences between other published data and data in the Category Analysis RIN (seasonal differences and native demand needs to be clarified). ▪ Ergon Energy expects system enhancements will be required to automate in future, particularly taking into account likely Reset RIN requirements. ▪ At the network level, Ergon Energy has only published forecasts in MW based on a summated system-wide dataset - we do not provide MVA forecasts. The likely impact of the Reset RIN to forecast data based on summated TCP data is new and therefore needs additional resources to service the request. ▪ Ergon Energy does not currently forecast at aggregate connection points (to produce MVA forecasts). Producing this data would require a resource intensive process and may not be possible to achieve in the timeframes available and therefore needs additional resources to service the request.
5.4 Maximum Demand & Utilisation – Spatial	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy has both commercial and confidentiality concerns relating to the potential provision of customer data by providing spatial load history. Ergon Energy will refer to and apply the Confidentiality Guidelines during this process. ▪ Ergon Energy requests that the AER consider format changes to this template as the current format is difficult to navigate and populate. Ergon Energy questions if the AER would consider a more pure data-table/database style of template in a normalised relational database format e.g. a row/column approach.

Template	Ergon Energy Response
	<p>Embedded formulas, blank rows and columns for formatting present issues for population direct from IT systems.</p> <ul style="list-style-type: none"> ▪ Ergon Energy seeks confirmation with regards to assets that no longer exist. There would be significant issues with establishing a previous network state and then reporting on its load. ▪ Provision of data in the specified timeframe (Feb-May 2014) is expected to cause Ergon Energy critical resourcing. Data extraction from existing systems/sources [if available] is expected to be manual and labour intensive. System enhancements will be required to provide automation on an ongoing basis.
6.3 Interruptions to Supply	<p>General Comments</p> <ul style="list-style-type: none"> ▪ Ergon Energy requests the AER consider accepting data in the format presented in the Annual Performance RIN. Specifically we refer the AER to Annual Performance RIN <i>Template 5a Network Data Outage</i>, Table 1 Unplanned Outages and Table 2 Planned Outages, combined with the data presented in <i>Template 1c. STPIS Daily Performance</i> (Identifying the MED days) and <i>Template 1e STPIS Exclusions Table 1 Exclusions</i> which Ergon Energy submits duplicate the reporting requirements of Category Analysis RIN Template 6.3 Interruptions to Supply. ▪ Ergon Energy believes the majority of the data sought in Template 6.3 of the Category Analysis RIN is provided for or can be easily derived from the templates presented in the above mentioned tables from the Annual Performance RIN. Though Ergon Energy has the capability to provide the information in the format sought in Template 6.3 of the draft RIN, the material difference between the content (compared to the Annual Performance RIN) does not justify the resource investment required. ▪ Ergon Energy estimates that the generation of the SQL Scripting and the associated quality assurance checking required to populate the Category Analysis RIN Template 6.3 Table 6.3.1 to be in the order of 100 man hours, equating to approximately \$12,000. ▪ Identified Parallels and Differences Between Annual Performance RIN and the Category Analysis RIN include: <ul style="list-style-type: none"> ▫ <i>Date of Event, Feeder ID/name, Number of Customers Interrupted</i> – Provided for each event unplanned, planned and excluded from Table 1 and 2 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN. ▫ <i>Time of Interruption</i> – Not provided in Annual Performance RIN – Unique event identification number is

Template

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provided for each interruption unplanned, planned and excluded from Table 1 and 2 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN.

- *Feeder Classification* – Provided for each event unplanned, planned and excluded from Table 1 and 2 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN – Subtransmission feeder events are captured and reported by distribution feeder interrupted.
- *Reason for Interruption* – explained further below – there are slight variations between what is being requested through the Category Analysis RIN and what is already available in the format of the Annual Performance RIN
- *Average Duration of Sustained Interruption* – Can be derived for each event unplanned, planned and excluded from Table 1 and 2 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN. Annual Performance RIN provides Total Accumulated Customer Minutes Off Supply and Number of Customers Interrupted. The ratio of the two will yield the average duration of sustained interruption.
- *Effect on Unplanned SAIDI (by feeder classification)* – Table 1 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN provides the total unplanned customer minutes off supply and impact of interruption on Unplanned SAIDI for the pertinent feeder. Impacted on Unplanned SAIDI at the feeder category level could easily be derived from the feeder category average customer count information if required. Planned events obviously would have no impact on Unplanned SAIDI.
- *Effect on Unplanned SAIFI (by feeder classification)* – Table 1 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN provides the total unplanned customers interrupted and the impact of the interruption on Unplanned SAIFI for the pertinent feeder. Impacted on Unplanned SAIFI at the feeder category level could easily be derived from the feeder category average customer count information if required. Planned events obviously would have no impact on Unplanned SAIFI.
- *MED* – Interruptions occurring on identified Major Event Days are listed in the Table 1 and 2 of Template 5a and Table 1 of Template 1e of the Annual Performance RIN, used in conjunction with RIN Template 1c. STPIS Daily Performance (Identifying the MED days the data can be identified

“Reasons” comparison:

- *Asset Failure – overhead assets, Asset Failure – underground assets* – Table 1 of Template 5a of the Annual Performance RIN provides “Equipment Failure” as the outage reason. No delineation between

Template

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overhead and underground assets is provided.

- *Fire Starts – caused by vegetation grow ins* – Ergon Energy doesn't capture this as an event trigger. Vegetation as a trigger type is provided in Table 1 of Template 5a of the Annual Performance RIN. Fire as a trigger type is incorporated in the "Other" trigger type in Table 1 of Template 5a of the Annual Performance RIN. Ergon Energy is not able to identify fires that were started by vegetation encroaching on energised overhead line assets.
- *Fire Starts – caused by vegetation blow ins and fall ins* – Ergon Energy doesn't capture this as an event trigger. Vegetation as a trigger type is provided in Table 1 of Template 5a of the Annual Performance RIN. Fire as a trigger type is incorporated in the "Other" trigger type in Table 1 of Template 5a of the Annual Performance RIN. Ergon Energy is not able to identify fires that were started by vegetation encroaching on energised overhead line assets.
- *Other* – Table 1 of Template 5a of the Annual Performance RIN provides "Other" as an event reason. "Other" event type in Template 5a includes Overload and Unknown triggered events.
- *Overloads* – Table 1 of Template 5a of the Annual Performance RIN does not discretely present the overload initiated events. Overload is incorporated in the "Equipment failure" category event reason for the purpose of Table 1 of Template 5a.
- *Planned* – Table 2 of Template 5a of the Annual Performance RIN separately provides the details of the events triggered as planned interruptions.
- *Switching and protection error* – Table 1 of Template 5a of the Annual Performance RIN presents the Switching and protection error initiated events as "Operational Error" category events.
- *Third Party* – Table 1 of Template 5a of the Annual Performance RIN includes and discretely presents "Third Party Impacts".
- *Unknown* – Table 1 of Template 5a of the Annual Performance RIN does not discretely present the Unknown trigger events. Unknown trigger events are incorporated in the "Other" category event reason for the purpose of Table 1 of Template 5a.
- *Vegetation – blow-ins and fall-ins* – Table 1 of Template 5a of the Annual Performance RIN does not discretely present the Vegetation blow-ins and fall-ins as an event trigger. Vegetation as a trigger type groups both vegetation within and outside of clearance corridors and is provided in Table 1 of Template 5a of the Annual Performance RIN.

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- *Vegetation – grow-ins* – Table 1 of Template 5a of the Annual Performance RIN does not discretely present the Vegetation grow-ins as an event trigger. Vegetation as a trigger type groups both vegetation within and outside of clearance corridors and is provided in Table 1 of Template 5a of the Annual Performance RIN.
- *Weather* – Table 1 of Template 5a of the Annual Performance RIN provides Weather as an event reason.
- *Exclusions 2 -7: Exclusion (STPIS 3.3(a))* – Where applicable Table 1 of Template 1e of the Annual Performance RIN provides 2 -7 – Exclusion (STPIS 3.3(a)) events.
- Should the AER require the Category Analysis RIN Table 6.3.1 format be retained Ergon Energy requests consideration be given to aligning the *Reasons for Interruption* with the category groupings provided in the Annual Performance RIN Template 5a Table 1. Comparison of variances between the two is provided above. The exclusion categories and planned triggers will be added to the existing Template 5a Table 1 *Reason for Outage* options for the purpose of providing the data associated with Table 6.3.1 of the Category Analysis RIN.

Reason for Event ▼
Weather
Equipment failure
Operational error
Vegetation
Animals
Third party impacts
Transmission failure
Load shedding
Inter-distributor connection failure
Other

Planned
2 - Exclusion (STPIS 3.3(a))
3 - Exclusion (STPIS 3.3(a))
4 - Exclusion (STPIS 3.3(a))
5 - Exclusion (STPIS 3.3(a))
6 - Exclusion (STPIS 3.3(a))
7 - Exclusion (STPIS 3.3(a))

- Furthermore, the following clarification / confirmations would be required should the template remain:
 - Confirm that the feeder Classifications required will be only those of distribution feeders (Urban, Short Rural and Long Rural) – interruptions resulting from Subtransmission feeder faults are captured at the distribution feeder level and as such are reported at the feeder level.
 - Confirm that the Events included in Table 6.3.1 are Sustained Interruptions only. Despite the instructions associated with the Template making reference to the definition of an interruption with no delineation made between momentary and sustained interruptions for the purpose of the template. Ergon Energy will not be required to report on Momentary Interruptions in Table 6.3.1.
 - Ergon Energy notes the Economic Benchmarking RIN requires the 2012-13 MED Threshold to be applied to required previous years – would this same approach be applied in Template 6.3 of the Category Analysis RIN?
 - Ergon Energy notes data accuracy against the reporting criteria of the STPIS is questionable for years preceding the implementation of this reporting framework. Ergon Energy had no regulatory driver to maintain accuracy of data relating to interruptions resulting from faults beyond the service fuse.

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- Ergon Energy seeks confirmation if the AER would accept an approach to determine the “*Average duration of sustained customer interruption (minutes)*” whereby we evaluate by division of the Total Customer Minutes Interrupted with the Number of Customers Interrupted for each interruption.
- Template 6.3 requires the effect on unplanned SAIDI and unplanned SAIFI by Feeder Classification. In determining the impact on SAIDI and SAIFI Ergon Energy assumes the application of the STPIS reporting framework whereby Planned and other STPIS Excluded Events have no impact on the unplanned SAIDI and unplanned SAIFI and as such will be reported as 0. AER confirmation of this approach is required