

Ergon Energy Corporation Limited

**Response to Draft Regulatory Information
Notice and Explanatory Statement –
Collection of Information for Economic
Benchmarking**

**Australian Energy Regulator
18 October 2013**



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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 economic benchmarking from electricity distribution and transmission network service providers (herein referred to as the AER's *Draft Economic Benchmarking RIN* or *Draft RIN*). Ergon Energy notes the Draft RIN issued to Ergon Energy will apply for the initial regulatory years 2003-2012 (back cast) and annually thereafter (i.e. it is infinite in its application once issued).

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 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. It may be necessary for the AER to obtain information from DNSPs to assist it in the performance or exercise of those functions. However, 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), having regard to the costs likely to be incurred by an efficient Distribution Network Service Provider (NSP) in complying with the RIN.

Ergon Energy notes that the Draft Economic Benchmarking RIN proposes to require a significant level of information to be provided and/or prepared and maintained by Ergon Energy and questions if all information being requested is reasonably required for the AER to carry out its regulatory functions and powers.

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 Economic Benchmarking RIN before moving to a Final RIN. This is particularly pertinent given the number of changes flagged as 'possible' by the AER during workshops and bilateral discussions, including clarification of issues in relation to the basis for preparation of data, and the AER's request for submissions on the Draft RIN via consultation process (not all privy to Ergon Energy).

Ergon Energy has contributed to, and supports the concerns raised in the Energy Networks Association (ENA) submission to the AER on the *Draft Economic Benchmarking RIN*.

Ergon Energy is available to discuss this submission, or provide further detail regarding the issues raised, should the AER require.





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 maintains an appreciation that the AER requires certain information from DNSPs to undertake its functions and powers under the NEL and the NER, Ergon Energy submits that the Draft Economic Benchmarking RIN for collection of information for economic benchmarking proposes to require a level of information which goes beyond what would be reasonably required for the AER to carry out its regulatory functions and powers.

The AER's Statement of Reasons (Appendix D) refers to documents that explain the AER's current approach to benchmarking and why it considers this important². However, there is no explanation in the RIN of why or how specific data sought by the AER's Draft Economic Benchmarking RIN is relevant to that exercise. Nor is there any reference (other than in explanatory statements) to consideration by the AER of the matters AER are expressly bound to consider under the NEL, specifically:

- (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)).

though some of these matters are touched on in the explanatory statement, without reference in the statement of reasons contained in the Draft Economic Benchmarking RIN.

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 by reference to its economic benchmarking model. The AER should also publish its models for economic benchmarking as soon as possible.

It is also not clear that the AER has adequately provided reasons for requesting 10 years of back cast data. The AER should explain more fully how it has concluded that more onerous information requests provide a net benefit, having regard for factors in the NEL and the NER. Ergon Energy agrees with the position put forward by the ENA's submission (18 October 2013) in response to the RIN, that it is not realistic to expect NSPs to be able to provide 10 years of back cast data in the manner that the AER has detailed, noting estimates will be required where information is not available or is not recorded in the format required by the proposed RIN.

The AER notes that financial records are required to be maintained under the *Corporations Act 2001*³ for 7 years at a minimum after the relevant transactions are complete, regardless of the systems in place. However, this does not consider that ancillary information required to prepare information in the format required under the proposed RIN may not be available, since there would have been no statutory obligation or operational reason to do so.

With information system changes over that period, it is unrealistic to expect that access to previous systems to provide back cast information⁴, and the corporate knowledge and personnel who were running the business at the time to be available or to have the detailed recollections necessary to assess the reasonableness of the estimates and re-categorisations, or to allow an auditor to form an opinion on the

¹ Section 28F, National Electricity Law

² Namely, the AERs *Better Regulation Draft Expenditure Forecast Assessment Guidelines for Electricity transmission and distribution*

³ *AER Explanatory Statement, Regulatory Information Notices to collect information for economic benchmarking*, Page 16

⁴ *Ibid*, Page 16





data (especially where corroborating records may not be available). In particular, much of the older back cast data which may be based on extensive estimation is unlikely to be sufficiently precise to be reliable for benchmarking purposes.

For these reasons, Ergon Energy supports the ENA request that any back cast data for the initial regulatory years, should not extend beyond a maximum of five years.

Finally, Ergon Energy believes that the AER should publish its models as soon as possible rather than waiting to do so, as it appears to be suggesting⁵ until after the NSPs have submitted their final audited economic benchmarking RINs.

⁵ *AER Explanatory Statement, Regulatory Information Notices to collect information for economic benchmarking, Page 16, Page 11*





3. COMMENTS ON DRAFT RIN

Ergon Energy makes the following comments with respect to Cover Letter, Schedules and Appendices which form the Draft Economic Benchmarking RIN, to be considered in the context of Ergon Energy's concerns raised herein.

Where relevant, Ergon Energy has looked to the AER's Explanatory Statement for further guidance on interpretation of the Draft Economic Benchmarking 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 (historical). 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 for purposes of benchmarking. However, time has not permitted as full an investigation (as desired) by the required return of this response. In any case, 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 Economic Benchmarking

Ergon Energy notes that effective early October 2014, a change in address of Ergon Energy's Townsville corporate offices should be noted:

Ergon Energy Corporation Limited
Level 8, 420 Flinders Street
PO Box 1090
Townsville Qld 4810

3.1.1 *Matters the Subject of this notice*

Ergon Energy refers the AER to comments specific to the drafting of Schedule 2 (information requirements), Appendix B (Statutory Declaration) and Appendix C (Audit requirements) in sections 3.1.4, 3.1.6, and 3.1.7 respectively.

Of note, the Draft Economic Benchmarking RIN notes that pursuant to section 28F(1)(a) of the NEL, the AER requires the information specified in the Notice to be verified by way of a Statutory Declaration. In the AER's Explanatory Statement, it makes clear the expectation for the Statutory Declaration to be signed by a Director of the NSP, whereas the pro-forma provided for the Statutory Declaration in Appendix B refers to the deponent being an 'officer' for the purposes of the NEL, wherein Section 2 of the National Electricity (Queensland) Law defines an 'officer' as having the same meaning as that under the *Corporations Act 2001* (Cth) (Corporations Act). Although it is not part of the RIN, the covering letter also refers to a 'company officer' providing the statutory declaration.

The definition of an officer in section 9 of the Corporations Act specifically includes (but is not limited to) directors. An 'officer' also includes the company secretary, and would include the Chief Executive Officer (CEO). Ergon Energy's obligation is to comply with the Notice issued to Ergon Energy, while the explanatory statement serves as an aid to interpretation, the express words of the RIN refers to the





definition of 'officer' in the NEL and Corporations Act. Ergon Energy believes that the AER has not appreciated this in drafting the RIN.

In complying with the NEL and RIN, the current drafting would allow Ergon Energy to choose which officer of the company must execute the requisite statutory declaration. As a general guide, we would suggest that the most appropriate officer is the one who is best able to attest to the matters that are set out in the statutory declaration. In most cases, Ergon Energy would expect this to be the CEO rather than a director.

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

18 September 2013	Draft RIN issued
Mid-November 2013	Final RIN expected
Initial Years - 14 Feb 2014 (Annually 31 Oct thereafter)	Regulatory year data ~ actual & estimated (Appendix A xls)
	Statutory Declaration on all data (Appendix B) – actual and estimated
between February-April 14	AER to test and validate data and discuss with DNSPs
April – May 14	AER to post data on its website and call for cross-submissions on data

Regardless of the choice of officer to execute the statutory declaration, officers of the corporation have a duty of care and diligence under the Corporations Act, and an individual officer may consider that he/she will fail to discharge this duty if he/she attests to the accuracy of the information being provided without external assurance from a properly qualified auditor. Ergon Energy considers it would not be prudent to deliver initial regulatory RIN information covered by the purview of a statutory declaration before an audit has been conducted and signed off, and therefore a staged provision of information is not appropriate. This is particularly the case when it is proposed to publish on the AER's website, the 'best endeavours' unaudited data for the purposes of cross submissions by interested parties (refer below).

Ergon Energy also supports views expressed in the ENA's submission which raise concern that the timeline for initial regulatory year data would result in an inefficient process for all concerned. Any information submitted in February 2014, may be subject to change until the finalisation of the audit review / assurance process, including revisions of information by the NSPs.

The timeframe for the initial economic benchmarking information to be collected and audited, particularly given the specific challenges of back casting data over the initial regulatory years, is not feasible – particularly given a final RIN will not be received by October / November 2013. Keeping in mind the implementation time required by DNSPs, which may not currently have in place the systems to commence recording the data in the format required to meet requirements, the AER will also need to acknowledge the data gaps or estimations that will be required to occur for a period of time whilst systems and process are reviewed and upgraded and new methodologies implemented.

In this regard, Ergon Energy supports the ENA's request to remove the requirement for deliverables relating to initial regulatory years in February 2014, and allow NSPs to consult with their auditors about the timing of the completion of an assurance process. The RIN should only require NSPs to provide a final set of data in May 2014 that has been audited and is accompanied by a (revised) Statutory Declaration. The initial regulatory years should be limited to 5 years (not 10).

With regards to subsequent regulatory year data, it is noted that audited information, the accompanying Audit report, and Statutory Declaration is requested to be delivered by 31 October (or the next business day) annually i.e.: the audit and statutory declaration appear more appropriately aligned.





Cross submissions

Picking up on the AER's intention to request cross submissions on stakeholders more broadly, on submitted DNSP data, it is understood that this would form part of the AER's testing and validation process of data⁶. Ergon Energy makes a number of points in this regard.

It is not clear what value the AER sees in asking for cross-submissions on data that is unaudited, likely to be incomplete and that is subject to change. If at all, the point for cross submissions should be after data is final, and submitted to AER with appropriate assurance.

It must also be made clear what expectations the AER has, in regards to consideration of such cross submissions, in terms of influence over changes to data submitted in response to the RIN. For example, the AER can only request changes to Ergon Energy data by rejecting its response to the RIN as non-compliant (and insisting on a response that confirms to the RIN issued), or issue a further RIN. Obviously feedback over time may serve to 'influence' Ergon Energy's RIN responses in subsequent regulatory years.

In any case, should cross-submissions proceed, the AER should provide NSPs an opportunity to comment on any submissions as relevant to its own data, particularly given the AER may invite and consider submissions on the RIN-response well before a regulatory proposal is filed by Ergon Energy, and it may seek to rely on those submissions in making a determination.

3.1.2 Definitions and Interpretation

Relevant to the drafting of specific "Definitions and Interpretation" in the *Draft Economic Benchmarking RIN*, Ergon Energy makes the following minor comments:

- AER should be amended to read "Australian Energy Regulator" (not "Regulatory");
- **Regulatory Year** – Should be redrafted more clearly, to read simply "Each consecutive period of 12 calendar months in a *Regulatory Control Period* (under the NER) or equivalent regulatory period under a preceding regulatory framework." In the case of Ergon Energy, Regulatory Year is interpreted to mean provision of financial year data (1 July to 30 June). It is not clear the relevance in seeking the first period to commence at the beginning of a regulatory control period (e.g.: 2002-03 may fall in the middle of a regulatory control period for a DNSP) and the final to end at the end of the regulatory control period.
- **Initial Regulatory Years** - The AER should amend the RIN to require NSPs to provide no more than five years of back cast data on the basis that it is more likely to be reasonable to expect that meaningful data could be obtained for a shorter period. Refer earlier comments.
- **Subsequent Regulatory Years** – Of note, the current RIN appears to not have a finite term for application upon issuance. From 2015 the AER has noted an intention to obtain data for annual benchmarking reports by issuing regulatory information orders (RIOs). It is unclear how the transition to RIOs will occur given the existence of non-finite RINs (e.g.: will AER retract RINs issued to individual NSPs to collect data for an undefined number of subsequent regulatory years?).

More detailed comments on variables necessary to provide, prepare and maintain the information in accordance with Schedules 1 and 2 of the Notice, as listed in Worksheet '1. Variables and definitions' of the excel workbook (Appendix A) – are provided in section 3.1.5.

⁶ Explanatory Statement, page 7

3.1.3 Schedule 1 – Provision of Information

General comments to be made regarding the drafting of Schedule 1 include:

- **Paragraph 1.2 (a)** – Reference to ‘audited statutory accounts’ should be replaced with the defined term ‘Audited Statutory Financial Statements’.
- **Paragraph 1.2 (b) and (c)** – Provision should be made for information to be submitted in relation to the methodology applied to the requested data, including explanations of how data was derived and assumptions made, in an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather than explicitly required as an excel workbook in *Template 9 Data sources*. Redrafting of Schedule 1 could implement this.

Of note, the AER should also take into account the disclosed basis of preparation including any necessary limitations and necessary assumptions that underpin the back cast information, when applying the information to ensure that it is utilised appropriately.

- **Paragraph 1.3** – Provision should be made for information in relation to Confidentiality claims, to be submitted in an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather than explicitly required as an excel workbook in *Template 10 Confidentiality*.

Finally, with regards to claims for Confidentiality AER should make clear that the *Confidentiality Guidelines* will apply to the provision of information under the Economic Benchmarking RIN.

- **Paragraph 1.4** - In delivering each subsequent regulatory year data, a RIN would normally be populated with one year’s data and submitted via audit / assurance process to the AER. This requirement expects the template to be resubmitted with all historical data previously submitted shown also. If so, previously submitted / audited data would need to be specifically excluded from audit in subsequent regulatory years. This should be clear in the Audit Scope draftings.

3.1.4 Schedule 2 – Preparation and Maintain Information

General comments to be made regarding the drafting of Schedule 2 paragraph 1 ‘Prepare Information’ include:

- **Note (b)** - It is unclear what the need is for Note (b) in drafting, when Note (a) to Schedule 2 makes clear that information is to be audited in accordance with Appendix C (regardless if for initial regulatory years or subsequent regulatory years). However, in delivering each subsequent regulatory year data, a RIN would normally be populated with one year’s data and submitted via audit / assurance process to the AER. The AER appears to be expecting the template to be resubmitted with all historical data previously submitted shown also. If so, previously submitted / audited data would need to be specifically excluded from audit in subsequent regulatory years. This should be clear in the Audit Scope drafting.
- **Paragraph 1.1** – Drafting should allow for information such as the methodology applied to the requested data, including explanations of how data was derived and assumptions made, to be prepared an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather explicitly required as an excel workbook in *Template 9 Data sources*. Refer above comment.
- **Paragraph 1.1** - refers to consistency with current regulatory reporting requirements. It is not clear what the AER’s intent in this regard is? For example, current regulatory reporting requirements include the AER’s 2012-15 Annual Performance RIN, and if so, Ergon Energy questions the ability to request one RIN to be prepared in accordance with another? Clarification is sought in this regard, and redrafting may be required.
- **Paragraph 1.2 (a)** – requires information to be prepared in the manner and form, in accordance with the principles (and requirements) specified in Schedule 1. In so far as Ergon Energy can ascertain, there are no ‘principles’ contained in Schedule 1.

In this regard, Ergon Energy generally supports recommendations made in the ENA’s submission that the AER should commit to preparing overarching *Regulatory Accounting and Assurance*





Guidelines that set out a regulatory accounting and assurance framework in relation to the provision of historical and forecast financial information by the NSPs, in particular under its RINs and RIOs.

- **Paragraph 2.1** - Ergon Energy notes 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 (insert underlined text, delete ~~strike through~~ text)

Maintain, ~~from the date of this Notice~~ for the period from the beginning of the relevant Regulatory Year until further notice:

Actuals versus Estimate

Schedule 1, Paragraph 1.3 requires for *initial regulatory years* only, that where it is not possible to provide a variable or part of a variable, Ergon Energy must provide best endeavours 'estimate', and provide the basis for this estimate and an explanation why it is the 'most appropriate' estimate.

For subsequent regulatory years thereafter, the paragraph 1.4 requires 'Actual' data, defined to mean that 'no values may be estimated unless stated otherwise'⁷.

The AER has not contemplated in the draft RIN the non-provision of data, for example in limited circumstances when a NSP may not reasonably be able to estimate data. However, the AER's Explanatory Statement indicates it will liaise with NSPs to "fill gaps in the data series by assisting NSPs in relation to the possible ways of best estimating missing data". It is not clear how these matters align.

Furthermore, the Explanatory Statement also notes that

...Where NSPs consider it is not possible to provide actual data in response to a data requirement, we would appreciate if NSPs could outline a method for how they could provide a reasonable estimate and the basis for this method. We are mindful that we are asking for a large data set. If it is not possible to provide actual data, we expect NSPs to provide estimates accompanied by reasons why the estimates are appropriate.

The Explanatory Statement, page 10, also notes an aforementioned exception (for estimates to be used) as being data in the Assets (RAB) worksheet which will require estimation given the split of assets may necessarily be based on estimates and this is provided for in the template instructions. Ergon Energy also notes the Opex and Physical Assets worksheet instructions indicate estimates may be possible though this is not limited to any particular variable/table in the template. Average Power Factor conversion (demand sheets) may also be an approximation based on best engineering estimates. Instructions for templates are otherwise silent on ability to estimate within templates.

It should be noted that data not specifically excepted to allow for estimates (such as Revenue grouping by customer type or class, Customer Numbers, Street lighting) may only be possible using estimations in initial and/or subsequent regulatory years. Ergon Energy again reiterates that the AER needs to acknowledge the data gaps or estimations that will be required to occur for a period of time going forward, whilst systems and process are reviewed and upgraded and new methodologies implemented.

Despite paragraph 1.3 and 1.4 in the draft RIN, precisely how prescriptive the AER expectations for actuals versus forecasts to be provided remains generally unclear, and requires clarification.

In any case, Ergon Energy also refers to comments made in the ENA submission regarding concerns that historic accounting information usually includes embedded estimates such as accruals and estimated asset lives. It is therefore inappropriate to suggest that "actual" historical information should not make use of estimates.

In regards to best endeavours estimates, 'most appropriate' is not defined. The AER elaborates on this requirement in its explanatory statement⁸. However, Ergon Energy reiterates that its obligation is to

⁷ Ibid, p 10.

⁸ Explanatory Statement, page 15-16



comply with the RIN, and not an explanatory statement, which may only assist in the interpretation of the RIN.

The task of determining 'the most appropriate' estimate under the RIN falls to Ergon Energy. Reasonable minds may disagree as to what is most appropriate, yet provided best endeavours are used to produce what it considers to be the most appropriate estimate, Ergon Energy will comply with the RIN. This view is also consistent with the AER's explanatory statement in which the AER notes that whilst it does not wish to give 'total freedom' to develop assumptions and estimates, some freedom to do should prevail, with the AER providing guidance as to what it thinks is appropriate. Should the AER prefer a method for estimation, the RIN should require as such.

It is important to note that, having done so, where the auditor must report on whether the most appropriate estimate has been produced⁹ the auditor does no more than express an opinion after the information is provided. Similarly, while the audit reports must express an opinion on any modifications where the auditor finds non-compliance¹⁰ or qualifies their report, there is nothing in the RIN which requires the estimates produced by Ergon Energy to be amended following the auditor's report. The AER too may assess the appropriateness of the estimates provided and form a view that a different methodology should have been used. Cross submissions intended to be called for from interested parties may similarly result in views on estimation methodologies and approaches. Refer section 3.1.1 – cross submissions.

In summary, it is of course possible that different minds may reach a different view as to what is most appropriate, but under the RIN, this is a judgment for Ergon Energy (provided, always, that best endeavours are used to produce the most appropriate estimate) in complying with the RIN.

3.1.5 Appendix A – Economic Benchmarking Back cast Data Templates

Refer to section 3.2 for variable specific comments on the templates provided.

3.1.6 Appendix B – Statutory Declaration

The *Draft Economic Benchmarking RIN* notes that pursuant to section 28F(1)(a) of the NEL, the AER requires the information specified in the Notice to be verified by way of a statutory declaration. Appendix B to the Draft RIN presents a pro-forma statutory declaration prepared pursuant to the *Oaths Act 1867 (Qld)*.

As noted earlier, the AER's Explanatory Statement makes clear the expectation for the Statutory Declaration to be signed by a Director of the NSP, whereas the pro-forma refers to the deponent being an 'officer' for the purposes of the NEL. Although it is not part of the RIN, the covering letter also refers to a 'company officer' providing the statutory declaration. Specifically, Section 2 of the NEL defines an 'officer' as having the same meaning as that under the *Corporations Act 2001 (Cth)*.

The definition of an officer in section 9 of the *Corporations Act* specifically includes (but is not limited to) directors. An 'officer' also includes the company secretary, and would include the CEO. Ergon Energy's obligation is to comply with the Notice issued to Ergon Energy, while the explanatory statement serves as an aid to interpretation, the express words of the RIN refers to the definition of 'officer' in the NEL and Corporations Act. Ergon Energy believes that the AER has not appreciated this in drafting the RIN.

In complying with the NEL and RIN, the current drafting would allow Ergon Energy to choose which officer of the company must execute the requisite statutory declaration. As a general guide, we would suggest that the most appropriate officer is the one who is best able to attest to the matters that are set out in the statutory declaration. In most cases, Ergon Energy would expect this to be the CEO rather than a director. Of note, Directors, CFO or senior management will be asked to sign a second, different

⁹ AER *Draft RIN* draft, Appendix C, clause 3.2.

¹⁰ *Ibid* Appendix C, clause 3.3(c), 3.4(c).





statement for audit purposes, which the AER would be obliged to take into account if it is to rely on the auditor's report (refer comments in section 3.1.7).

In any case, the requirement for a Statutory Declaration over all information required to be prepared, maintained and provided in response to the AER's RIN is expected to significantly exacerbate Ergon Energy's costs of compliance with the proposed RIN as the deponent will need to be satisfied that Ergon Energy has made all possible enquiries into the availability of information and, where estimated, why this is so. Given the size of the Ergon Energy business, and significant information being requested, particularly in the initial submission of information for the 'initial regulatory years' of up to 10 years of backcast information, this could be expected to be a lengthy and costly exercise.

Given the statutory penalties for failing to comply with the notice and for providing information which is false or misleading in a material particular, Ergon Energy raises concern that the requirement that an officer provide a statutory declaration in the form set out in Appendix B is not reasonably necessary to enable the AER to perform its functions and powers under the NEL and NER.

In any case, Ergon Energy considers the drafting of the current pro-forma to be inadequate, particularly in regards to the provision relating to estimates.

The use of the personal pronoun 'I' is not appropriate, as the deponent is not responding to the RIN. The deponent is only verifying the response produced by Ergon Energy. This should be reflected in the language of the statutory declaration.

Furthermore, the provisions relating to suitability of data, in Ergon Energy's opinion are beyond the powers of the AER to request. Specific to the requirement to attest that the information can be used by the AER for the purposes stated under paragraph (b) (i)-(ii), Ergon Energy has three key concerns.

First, section 28M(d) of the NEL provides that a RIN can require that the information provided under the notice be 'verified' by an officer of the company. 'Verify' is not defined in the NEL. The term has several dictionary definitions, including:

'... to state to be true, esp., in legal use, formally, or upon oath'¹¹

Ergon Energy considers that the term would be given its ordinary English meaning in the context of the NEL. Therefore, we consider that section 28M authorises the AER to require a DNSP to produce a statutory declaration, signed by an officer of the company, that:

- a) attests to the truthfulness or accuracy of the information provided; and
- b) attests to the company's compliance with the notice in producing the information (while this is less clear, this ultimately goes to the truthfulness of the information provided).

However, the Statutory Declaration also requires the deponent to attest that the AER will be able to use the information for the AER's purposes. Even if this is true (or the deponent believes it to be true) this is not a statement as to the truthfulness or accuracy of the response. Rather, it is a statement as to the use to which it can be put by the AER. A response could be entirely accurate, yet prove to be unhelpful to the AER. Attesting to this second proposition goes beyond what is contemplated by section 28M(d).

Secondly, even if the AER can require a deponent to attest to the fact that it believes the data can be used for a specific purpose, Ergon Energy believe the language proposed by the AER is too uncertain to permit compliance. This is because:

- a) it requires the deponent to attest not only that the data can be used, but that it can be 'relied upon by the AER'. The deponent has no way of knowing if the AER will find the data reliable, or what measure it will use to determine reliability. While the AER would argue that its expectations can be discerned from the explanatory documents, a deponent cannot, in Ergon Energy's opinion, be required to speculate as to such matters when he or she is expected attest to a matter on pain of penalty for perjury;

¹¹ Macquarie Dictionary, 6th edition





- b) the matters for which the data is to be used are described in terms which import a high degree of judgment. For example the deponent is not asked simply to attest that he/she believes the AER can use this data for its benchmarking report, but that the AER can produce a report, which describes in reasonably plain language, the relative efficiency of each DNSP. Again, it is difficult for a deponent to attest that he/she knows or believes the data can be used by the AER for such a purpose.

Finally, Ergon Energy considers that the requirement for the deponent to attest that, to the best of his or her belief, the information can be relied upon by the AER is unreasonable in circumstances where Ergon Energy is forming early views that some of the estimates Ergon Energy expects to produce will not be reliable if used for this purpose, albeit they will be Ergon Energy's best endeavours estimates. It is difficult to see how any officer of Ergon Energy could truthfully attest to this.

As currently drafted, Ergon Energy would have difficulty in advising any officer of the company to execute a statutory declaration in this form.

The RIN currently makes no provision for a statutory declaration to be submitted in a modified form. Ergon Energy suggests the RIN should not prescribe a particular form in which the declaration is required. However, should a pro-forma Statutory Declaration be included in the RIN at all (Ergon Energy submits DNSPs should be able to submit their own), the following changes to the drafting must be made at a minimum. Specifically:

- Paragraph 2(b), all words after 'accurate' should be deleted; and
- Paragraph 2(c), all references to 'I' should be amended to 'Ergon Energy'.

3.1.7 Appendix C – Audit

Appendix C to the Draft RIN specifies the information to be audited (financial and non-financial, actual and historical), the class of person to conduct the audit(s) and the audit requirements for information as well as certain processes, procedures and systems.

Ergon Energy supports the ENA submission, which notes that the proposed audit and assurance requirements are not sufficiently clear and raise the strong possibility of an auditor, or assurance practitioner, being engaged and completing work that does not meet the AER's expectations. The AER is referred to the ENA submission in this regard, for detailed commentary.

In this context, it is not clear from drafting of the RIN if the AER envisages that a single audit engagement be entered into by the DNSP (although this was indicated in workshop discussions on Audit), or rather, can the financial and non-financial audits be separated into two discrete engagements by the DNSP with separate assurances provided. The audit of non-financial information would require specialised expertise within the electricity industry with an opinion to be formed on such matters. The availability of independent electricity industry technical expertise to undertake such an audit would need to be established and independence issues identified. Multiple reports also appear deliverable under the draft Audit scope.

Consideration should be given to the practicalities of audit which are complicated by the fact that certain schedules include both financial and non-financial information. However, the RIN should not preclude a DNSP from engaging multiple parties. To do otherwise would have implications on time and efficiency (i.e. multiple levels for review and approvals when outsourcing occurs) but also costs for engagements of auditors, as DNSP lose control in the tender process. Requirements in paragraph 2.1(b) for CA/FCA or CPA/FCPA qualifications are prescriptive and may also preclude appropriate independent auditors who otherwise meet all requirements in paragraph 2.1(a)-(g).

In any case, Ergon Energy envisages significantly increased audit costs will be incurred given the AER's requirement for assurance of far more extensive information (than previously prepared or reported to a regulator), including the review of specific processes, procedures used and systems applied to provide and prepare information requested in the Draft RIN. In many instances, it could be anticipated that data is likely to 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. The request for information spanning back over the proposed 10 year historical period, and estimation of data





will only serve to exacerbate cost / time / effort issues for DNSPs and auditors, and may prevent appropriate information being available for an auditor to form opinion.

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

- With regards to requirements for reconciliation of actual financial information to be reconciled with the audited statutory financial statements of the business, Ergon Energy notes that due to the nature of the reporting differences between the statutory accounts and the regulatory reporting, the proposed RIN may require adjustments to reconcile to the statutory accounts. 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.
- Drafting throughout appears to be attempting to define 'estimated' (historical financial) data to be '*based on reasonable management judgment and assumptions where Ergon Energy certifies that it is not possible to provide actual historical information*'. This may more appropriately form part of the Definitions and Interpretations. Refer also, discussions on 'estimated' (versus 'actual') above.
- In any case, it is interpreted 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. Indeed, the auditor must review and report on Ergon Energy's decision to provide estimates (i.e. whether that decision was correct, or whether actual data could have been provided).¹²
- As per earlier comments, Ergon Energy notes that were the auditor must report on whether the most appropriate estimate has been produced the auditor does no more than express an opinion after the information is provided. Similarly, while the audit reports must express an opinion on any modifications where the auditor finds non-compliance or qualifies their report, there is nothing in the RIN which requires the estimates produced by Ergon Energy to be amended following the auditor's report. It is unclear what AER's views are in this regard.
- Compliance with the CAM differs for Estimated historical financial data than Actual, with an additional clause (v). It is unclear the purpose of this.
- Paragraph 3.2 (b) (ii) and 3.3(b)(i) are not required, as they are implied in requirements within the RIN.

3.1.8 Appendix D – Statement of Reasons

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

¹² Appendix C, clause 3.2(b)(i), 3.3(b)(iii).



3.2. Comments on Economic Benchmarking Backcast Data Templates

General comments relevant to ALL templates:

- As per prior RINs issued to Ergon Energy, an explanation of how the information sought (on a worksheet by worksheet basis) will eventually be used in a benchmarking exercise 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.
- In general, instructions appear to have been taken from another instrument which has deemed "regulatory reporting statements" suggesting a link to financial rather than non-financial data.

3.2.1 Instructions

- Following on from this specifically, Paragraph 6 accounting principles and policy requirements are more relevant to financial information than non-financial information. Detailed non-financial information is not to be reported in Statutory Accounts. In any case, it appears inappropriate to require accounting principles and policies to conform to both the principles of the Australian Accounting Standards, and be based on a recognisable and rational economic basis.
- The instruction to ensure that the "accounting principles and policies that have been used to complete the regulatory reporting statement must: (g) conform to the recognition and measurement principles of the Australian Accounting Standards", should exclude template 4. Assets (RAB), as the RIN requests the DNSPs to report the RAB on an economic Roll Forward Model basis, which does not conform to AASB recognition and measurement principles.
- Refer earlier comments regarding completion of Template 9 and Template 10. Provision should be made for information in relation to Confidentiality claims, to be submitted in an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather than explicitly required as an excel workbooks.
- In delivering each subsequent regulatory year data, a RIN would normally be populated with one year's data and submitted via audit / assurance process to the AER. It is not clear if the AER is expecting the template to be resubmitted with all historical data previously submitted shown also. If so, previously submitted / audited data would need to be specifically excluded from audit in subsequent regulatory years. This should be clear in the Audit Scope provided in Schedule 2.
- All yellow cells are noted to require input. As relevant, would a DNSPs grey out where input is not appropriate (e.g. Table 3.2 Opex Consistency – DOPEX0203 Public Lighting for Ergon Energy is an Alternative Control Service (ACS). Do we grey out Network Services/Standard Control Service (SCS) input cells as not required). Instructions should be clear in this regard, to ensure no ambiguity via audit.



3.2.2 Variables & Definitions

Ergon Energy has the following general comments on variables and definitions. Other comments are made relative to the templates they are used within, as part of feedback provided in section 3.2.3.

- It is imperative that variable definitions for economic benchmarking 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.
- Templates require data across years for Network Services, SCS and ACS. It is not clear why ACS data is required, when the assessment approach and techniques likely to apply to ACS do not form part of the AER's Draft Expenditure Forecast Assessment Guideline for Electricity Distribution rather they will be considered at the Framework and Approach stage. Furthermore, the Economic Insights' recommendation (adopted by AER) was for a narrow service coverage that only includes network services, requiring only SCS data from DNSPs.
- **DDEF04 (DDEF0403-DDEF0404) Year Coverage, Regulatory Year and Regulatory Control period**– Regulatory Year and Regulatory Control period are defined terms in the RIN and should not need repetition in the Variables and Definitions sheet.
- **DDEF0101 Network services** - There may be some differences in classification of 'services between DNSPs including the composition of 'network services'. How is the AER intending to account for these differences in comparing network service expenditure between DNSPs? Also should reference within the definition to 'fee based' and 'quoted services' be amended, given AER's intent to replace these services with a new service grouping called 'ancillary network services' for upcoming distribution determinations.
- **DDEF0105 Connection services** - The classification of connection services may differ between DNSP's. If it is the AER's intent to capture all activities classified as a 'connection service' as part of a distribution determination, then this definition may be too narrow. How are DNSPs to report expenditures associated with activities classified as a 'Connection Service' which don't meet the definition of this variable? For example - 'operating and maintaining connection assets' (as per Ergon Energy current classification of services) wouldn't be a service relating to a new connection or connection alteration as defined under the Connection Charge Guidelines. It may be more appropriate to link definitions to how services are grouped and classified in a DNSP's distribution determination. Furthermore, AER should link the definition to a regulatory instrument, rather than AER guideline (e.g. chapter 5A of NER).
- **DDEF0106 Metering services** - Ergon Energy is unclear where the term 'metering services' defined in the NER. There are a range of services which can be provided in connection with a type 5-7 meter, and there are differences in classification of services between DNSPs (including composition of what makes up SCS 'metering services').
- **DDEF0107 Public lighting services** - Reference to relocation of public lighting assets should be removed. This is service in its own right, and may not necessarily form part of the grouping of activities which falls under 'public lighting services' in accordance with a DNSP's distribution determination. For example for Ergon Energy, the relocation of a street light falls under our general 'removal / relocation of assets' service which is an ACS Quoted Service (i.e. applies to all types of distribution assets, including street lights owned by DNSP).
- **DDEF0108 Fee-based services and DDEF0109 Quoted Services** – It is unclear why AER require data to be grouped under Fee-based and Quoted Services given their intent to replace these with a new service grouping called 'ancillary network services'. Also note there could be vast differences in the composition of fee based and quoted services between DNSPs. How are the AER going to account for such differences when benchmarking / comparing revenues and expenditures between DNSPs? Should these items remain, Ergon Energy proposes the definitions should link explicitly to how



the services have been classified in the relevant distribution determination (rather than having a generic description of what a fee based service generally is).

- **DDEF0301 Residential Customers** – 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.

3.2.3 Templates

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

Annual Reporting Template	Ergon Energy Response
<p>2. Revenue</p>	<p>General Comments</p> <ul style="list-style-type: none"> - It is unclear what the AER envisages will be populated in the 'Network Services' columns (columns D to N)? Guidance is required. Ergon Energy is uncertain if it is at all possible to ascertain the portion of actual revenue received is attributable to particular components of the Annual Revenue Requirement (which includes various annual adjustments on top of allowances approved by AER for provision of network, connection and metering services) let alone to decipher what specific part of the ARR relates to expenditure approved for network services. The AER approves a total level of revenue allowance, breaking it down further based on forecast of expenditures approved at time of a distribution determination may bear no resemblance to revenue associated with actual expenditure on network services within a period. - Ergon Energy notes the vast majority of the variables noted against 'Revenue', are only applicable to SCS. Ergon Energy expects that the only variable that could be populated for ACS is variable DREV0109 – Revenue from Other Sources. For Ergon Energy – this would comprise ACS street lighting revenue and revenue associated with the (current) Fee Based and Quoted Services) (i.e. from 2010-11 onwards). - If this is the only line item that is to be populated for ACS, Ergon Energy questions what value there is in including columns for ACS in spread sheet? An alternative option would be to include ACS revenue as separate line items (or variables) within the template. - Refer earlier comments re DNSP's records of class of customer in systems (i.e. residential, non-residential). The only way Ergon Energy could provide data by residential and non-residential, would be to provide some form of estimation.



Annual Reporting Template	Ergon Energy Response
	<ul style="list-style-type: none"> - Can the AER clarify what is meant by reporting revenues <i>'net of the effect of feed-in-tariffs'</i>? Revenues to recover costs associated with feed-in-tariff payments are included our revenue cap, and in amounts charged to all customers. I.e.this is no different to including the effect of any STPIS penalties/rewards, or any under/over recoveries in a DNSP's revenue allowance. - DDEF0101 Network services - Ergon Energy seeks clarification as to what would be populated against 'network services' in the '2.Revenue' tab? - DREV0109 Revenue from other sources – Ergon Energy does not envisage that data would be populated against this variable for SCS, and the only data that could be populated, would relate to ACS. Refer general comments above. - DREV0301-03 (Revenue (penalties) allowed (deducted) through incentive schemes) – it is not possible to back cast revenues/penalties against schemes which were not relevant to a DNSP historically. It should be made clear in instructions that this would not be required.
<p>3. Opex</p>	<ul style="list-style-type: none"> - Ergon Energy refers the AER to the ENA's submission, and recommendations to remove the requirement to back cast historic data for changed bases of allocation. If the AER is to retain this, or similar requirements, a threshold of materiality should be introduced. Requirements for Opex Consistency are onerous and may have difficulty in passing audit. - The draft RIN requests that NSPs should populate the opex categories on the basis of their annual performance RIN categories. This information will be inconsistent across DNSPs in different jurisdictions and therefore will be of no value for economic benchmarking - Based on initial investigations, Ergon Energy expects data will not be available to populate <i>Opex for transmission connection point</i> planning or Opex for high voltage customers. - In any case, please clarify definitions for DOPEX0206 and DOPEX0206A – Opex for high voltage customers and for what purpose the AER is intending to use this data? It is unclear if reference is being made to gifted assets. - DOPEX0205A - Opex for amounts payable for easement levy or similar direct charges on DNSP. Would this not form part of the connection services and/or network services costs? i.e. why is a separate line item necessary? - Refer earlier comments regarding delivery of subsequent regulatory year data. A RIN would normally be



Annual Reporting Template	Ergon Energy Response
	<p>populated with one year's data and submitted via audit / assurance process to the AER. However there are requirements for backcasting of opex for consistency when CAMs are changed. Would all prior years be required to be restated again at any point in time when a new CAM is implemented (at some point in a subsequent regulatory year). It is not clear if the AER is expecting the template to be resubmitted with all historical data previously submitted restated also. The scope for Audit should be clear in this regard.</p>
<p>4. Assets (RAB)</p>	<ul style="list-style-type: none"> - Completion of this template will require the completion of a purpose built Roll Forward Model with the same asset classes as set out in the template (which may differ from those applying to DNSPs at their Determination). Ergon Energy is yet to ascertain a methodology or approach in this regard, and remains unclear as to the requirements / expectations of the AER. It is unclear how periods where forecasts are used (e.g. in opening balances set at beginning of reset) are to be treated. Mid-period roll forward is not contemplated under the NER in this regard. At the reset the AER would make adjustments for forecasts in rolling forward between regulatory periods, the Regulatory Asset Base (RAB). In any case, the RAB is defined to be only SCS. - In order to mirror the treatment in the Opex tab, should the "Actual additions (recognised in RAB)" be recast based on the current CAM? If this adjustment is not required, then it creates a mismatch between the treatment of Opex and Capex. Similarly, any requirement to exclude capital contributions should be considered against revenue implications (Ergon Energy's revenue includes treatment of capital contributions) though exclusion of capital contributions from revenue under the disaggregation required in the Revenue sheet would be a very difficult (if at all possible), and ultimately meaningless exercise. - Similarly, the RAB variable definition refers to a meaning as per the NER. The NER does not define RAB, rather it notes the nature of a RAB for a distribution system owned, controlled or operated by a DNSP is the value of those assets that are used by the DNSP to provide SCS, but only to the extent that they are used to provide such services. ACS inputs are not relevant / appear inconsistent in this regard. - Following on from this it is unclear how the AER intend NSPs to carve out any part of the RAB which relates to 'connection services' – given there will be differences in the composition of the classification of connection services amongst DNSPs, as well as differences in how DNSP may define a 'connection asset' (regardless of how the NER and/or the AER connection guidelines may define a connection service, or connection alternation). The current definition of connection service does not provide sufficient guidance around how DNSPs are to approach this. - For example – Ergon Energy generally refers to 'connection assets' as all assets from the connection point back up to and including the network coupling point (then everything beyond the network coupling point is shared network). Is it all of these assets that need to be carved out of RAB for 'network services'? Or are



Annual Reporting Template	Ergon Energy Response
	<p>we to apply a simplistic assumption and presume only the assets which are only able of providing supply to a single customer that are the 'connection service' (e.g. service line), and everything else assume is the network service? In any case, Ergon Energy envisages problems in this exercise. E.g. in a connection project Ergon Energy may have no basis to identify what capital expenditure relates to the extension works (connection assets) versus any augmentation on shared network to facilitate connection. This issue would be exacerbated more so in small (versus large) customer connections.</p> <ul style="list-style-type: none"> - A physical asset revaluation was undertaken in 2005 therefore roll forward data would only be possible from 2005-06. The AER has noted for any asset revaluations to be 'rolled back' to the start of the initial regulatory years being 2003. Ergon Energy reiterates a request for information to be collected for no further than 5 years historical, with impediments such as system changes, revaluations, and reliability of data making anything prior to this onerous, with limitations on reliability and possibly without ability to pass audit assurance.
<p>5. Operational Data</p>	<ul style="list-style-type: none"> - When performing temperature correction, is the data provided for the current network customers and network configuration, or is it for that particular point in time prior to customer transfer from DNSPs to other TNSPs. (This makes a difference to the complexity of model used and comparisons of forecasts to actuals) Clarification is needed on when temperature correction is performed. Is it after or before aggregation, always or depending on the variable? If depending on the variable please indicate. - DOPSD04 Coincident Raw System Annual Maximum Demand: What are we coincident with viz State NEM, or DNSP or at aggregated zone substations (not including sub-transmission customers and unmetered SWER)? If a different coincident point is required other than the Ergon Energy network system peak demand, then a significant effort will be required to reproduce the current data that we currently have. - DOPSD07– DOPSD12n Annual system maximum demand characteristics at the terminal station level – MW measure: Further clarification is needed on calculations and methodology to obtain temperature correction at the TCP. Is TCP the terminal station level where the transmission network connects to the distribution network? - Compensated or uncompensated aggregate: Do we report on MVA compensated? - Embedded Generation: Do we include embedded generation and if so in what clause? Are household PVs to be included? - Power Factors: (DOPSD19- DOPSD24) Annual system maximum demand characteristics at the zone substation level – MVA measure: What do we assume for the POE adjusted Power Factor? Or do we



Annual Reporting Template	Ergon Energy Response
	<p>always perform Power Factors by calculation as provided in the AER “Better regulation Explanatory statement Section 6.3”.</p> <ul style="list-style-type: none"> - DOPED0301-303 Energy received from TNSP and other DNSPs by time of receipt - Note, as Ergon Energy cannot report by time of receipt, another variable would be required to capture total energy received from TNSP and other DNSPs (e.g. similar to DOPED0404). - DOPED0404 Energy received from embedded generation not included in above categories. There does not appear to be a definition of ‘embedded generation’ in the template. If the AER intend to use this to calculate losses, then Ergon Energy assumes we would need to incorporate all sources of generation that import into the regulated distribution system (including micro-embedded generators, registered and non-registered generators connected to Grid etc.). Guidance is required. - Refer earlier comments re DNSP's records of class of customer in systems (i.e. residential, non-residential). The only way Ergon Energy could provide data by residential and non-residential, would be to provide some form of estimation. - Changes in systems over time (previous systems decommissioned) may prevent data from being provided over all historical regulatory years.
<p>6. Physical Assets</p>	<ul style="list-style-type: none"> - DPA0502: Distribution transformer capacity owned by High Voltage Customers: Data is not expected to be available, Ergon Energy does not archive this data and estimates would not be advisable.
<p>7. Quality of Services</p>	<ul style="list-style-type: none"> - STPIS reporting requires the inclusion of the Service Fuse and Beyond (SF&B) Outages. STPIS only became functional from the regulatory year 2010-11. Hence Ergon Energy did not put any emphasis on cleansing of outage data related SF&B events until the advent of STPIS. - Also, the SAIDI/SAIFI calculation (pre-STPIS) utilised monthly customer number counts. STPIS requires calculations based on Average number of customers between the start and the end of a regulatory year. Unplanned STPIS SAIDI/SAIFI pre 2010-11 will have to be calculated to include the SFB events and Average number of customers as required for populating the templates. This would be an onerous task to attempt a back calculation/restatement, and it is not clear if audit would be possible - Furthermore, Ergon Energy's reliability reporting has been subject to annual external independent audit as required by Queensland's Electricity Industry Code since the inception of regulatory reporting in 2005-06 and recently as required by the AER's annual performance RINs. The audit grades have been exceptionally favourable over the years. However, Ergon Energy does not have same level confidence on reliability data reported prior to 2005-06 for MSS and prior to 2010-11 STPIS reporting for reasons stated above. Ergon



Annual Reporting Template	Ergon Energy Response
	<p>Energy again proposes data collection begin no more than 5 years historically.</p> <ul style="list-style-type: none"> - DQS0101: SAIDI (System Average Interruption Duration Index): Clarification needed that the SAIDI/SAIFI reporting is by each of the feeder category – Urban, Short Rural and Long Rural. - DQS0105: SAIDI (System Average Interruption Duration Index): Clarification needed that the SAIDI/SAIFI reporting is by each of the feeder category – Urban, Short Rural and Long Rural.
<p>8. Operating Environment</p>	<ul style="list-style-type: none"> - Terrain Factors: Confirmation (or otherwise) is required if all factor data requirements apply to Rural areas only. - Normalisation of benchmarking data: Ergon Energy manages a network with approximately 160,000 kilometres of powerlines and one million power poles – across one million square kilometres of regional Queensland. The vast geographical spread of Ergon Energy’s service area impacts the performance of the distribution system in a number of ways. There is an extensive list of geographic and related environmental features that impact on the network which will have a significant impact on Benchmarking results across all contributing DNSPs: <ul style="list-style-type: none"> o high probability of and high exposure to cyclones; o high storm and lightning activity; o significant summer-winter and day-night temperature variations; o high rainfall areas (e.g. increases pole-top rot in Far North Queensland); o other weather impacts (e.g. the Channel Country is flooded by rains hundreds of kilometres away); o significant termite populations affecting power pole integrity; and o unstable soil types (e.g. Darling Downs). - These geographic and environmental variations influence the design criteria for infrastructure, as well as the ability to respond to incidents on the distribution system. The low-load density and geographical spread impact on network topography, with much of the subtransmission and distribution network being characterised by long radial lines. - Vegetation Zones: Ergon Energy’s tropical areas experience high rainfall, high temperatures and associated fast vegetation growth rates in these areas which require regular vegetation management. Conversely the Ergon Energy Network covers a proportion of central and western Queensland which has comparatively low



Annual Reporting Template	Ergon Energy Response
	rainfall and slow vegetation growth rates requiring infrequent vegetation management and long inter-treatment cycles, including up to six (6) years in length.
9. Data Sources	Refer earlier comments. Provision should be made for information in relation to the methodology applied to the requested data, including explanations of how data was derived and assumptions made, to be submitted in an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather than explicitly required as an excel workbook (namely <i>Template 9 Data sources</i>).
10. Confidentiality	<p>Refer earlier comments. With regards to Confidentiality (paragraph 1.3), the AER should make clear that the <i>Confidentiality Guidelines</i> will apply to the provision of information under the Economic Benchmarking RIN.</p> <p>Provision should be made for information in relation to Confidentiality claims, to be submitted in an electronic Microsoft Word, Microsoft Excel or PDF format as appropriate rather than explicitly required as an excel workbook in <i>Template 10 Confidentiality</i>.</p>