



Final Decision

**Priorities and objectives of electricity network
service provider performance reports**

April 2011

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Shortened forms

AER	Australian Energy Regulator
NEL	National Electricity Law
NEM	National Electricity Market
NER	National Electricity Rules
NSP	network service provider

1 Nature and authority

1.1 Introduction

This document sets out the Australian Energy Regulator's (AER) final decision on the priorities and objectives of electricity distribution and transmission network service providers (NSP) performance reporting.

1.2 Authority

Section 7 of the NEL provides that the objective of the Law is to promote efficient investment in, and efficient operation and use of, electricity services for the long term interests of consumers of electricity with respect to electricity supply and the national electricity system.

Section 15(1)(ea) of the NEL confers functions and powers of the AER to prepare and publish reports on the financial and operational performance of electricity NSPs.

Section 28F(3)(d) of the NEL provides that a regulatory information notice must not be served for the sole purpose of collecting information for performance reporting.

Section 28V of the NEL provides for the AER to report on the financial or operational performance, network profitability and other performance matters as considered appropriate.

Clause 8.7.4 of the NER provides that prior to the AER preparing NSP performance reports it must determine appropriate priorities and objectives for the reports. NSPs and other stakeholders must be consulted during the preparation of the performance report. NSPs must also be given an opportunity to comment on a draft report prior to the publication of the final report.

1.3 Role of this Final Decision

The role of this final decision is to detail the AER's priorities and objectives to be addressed through the preparation of network service provider performance reports. The priorities and objectives of NSP performance reporting outlined in this paper, will be reflected in future electricity NSP performance reports.

1.4 Confidentiality

The AER's obligations regarding confidentiality and the disclosure of information provided to it by a NSP are governed by the *Competition and Consumer Act 2010*, the NEL and the NER.

2 Objectives of electricity NSP performance reporting

The AER considers performance reports will enhance the effectiveness of the regulatory regime and reflect the NEL requirements to foster the achievement of the NEO through incentive based regulation. The AER considers this will be achieved through enhancing the transparency and accountability of NSPs, and facilitating performance improvements.

2.1 Education

Performance reporting will enable the AER to publish meaningful regulatory information. The information in performance reports will educate stakeholders on the NSPs' performance and the outcomes of regulatory processes. Access to the information will encourage a greater understanding of and participation in future regulatory processes. This should lead to greater effectiveness of the regulatory framework as a whole, and improvements in the regulatory framework over time.

2.2 Transparency

Performance reporting promotes transparency. Reporting on the NSPs' expenditure, investment decisions and service levels allows for comparisons to be made between NSPs and over time. This will provide an insight into the NSPs' business practices and decision making. This will lead to better informed stakeholder participation in regulatory processes, and enhance the effectiveness of the regulatory framework.

2.3 Accountability

Performance reporting enhances accountability through outcomes monitoring. Performance reports will allow users to see whether an NSP's actual expenditure is consistent with its forecast expenditure, and to review why differences may have occurred. Performance reports will also review and compare the NSPs' service performance levels. This information will provide all stakeholders with the opportunity to assess the actual performance of the NSPs against the forecast performance levels specified in the NSPs' regulatory proposals.

2.4 Improve performance

Performance reporting will enable comparisons between the NSPs' expenditure, revenues and performance, in different regulatory years and jurisdictions. This may encourage NSPs to adopt more efficient processes and promote technologies applied successfully by better performing NSPs. It may also provide NSPs with an incentive to increase service performance while maintaining efficient investment levels.

Performance reporting will also aim to establish benchmark expenditure and investment levels. These benchmarks may be applied by the AER when undertaking future transmission or distribution determinations to identify areas for more detailed review.

3 Priorities of electricity NSP performance reporting

In order to achieve each of these objectives, the priorities of NSP performance reporting are:

- Report the NSPs' compliance with approved cost allocation methods, and elements of the regulatory determination, including service standards and incentive schemes.
- Report the NSPs' forecast and actual outputs, including measures of network utilisation and asset age, to identify areas of NSP performance that may be reviewed by the AER.
- Report forecast and actual capex and opex, and identify reasons for differences between forecast and actual expenditures.
- Report benchmark expenditure information to allow comparison of NSP performance over time and between NSPs, including in different jurisdictions.
- Report and compare the NSPs' network operations, including service standard levels and demand management information.
- Report comprehensive, accurate and reliable information, enabling stakeholders to undertake analysis of performance and have confidence in the results of that analysis. Provide information over time to enable trends to be identified and comparisons of changes in performance, outputs and expenditures to be made between NSPs.
- Report the NSPs' profitability, comparing businesses within and across jurisdictions and regulatory control periods.
- Report information that can be utilised for future distribution determinations, including information on cost drivers, expenditure trends, service levels and variations in network performance.