

7 February 2011

Mr Warwick Anderson
General Manager
Network Regulation North Branch
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Dear Mr Anderson

Reporting the performance of distribution and transmission network service providers – discussion paper

Integral Energy appreciates this opportunity to provide comment on your discussion paper "Objectives and Priorities of Electricity Network Service Provider Performance Reports".

Integral Energy appreciates the need for a transparent and public set of key performance data for regulated energy infrastructure. In recent years as the cost of delivered energy has increased there has been a predictable and justified increase in public scrutiny on issues such as network performance and reliability, safety and the achievement investment objectives. We are careful to ensure, however, that costs do not increase further as a result of responding to additional reporting requirements without a clearly demonstrated benefit to customers.

Integral Energy already publishes a range of information in a variety of documents annually and would expect that these publications would serve as source documentation for relevant aspects of the AER's annual comparative reporting. In addition, Integral Energy expects that the current regulatory accounts and scheme reporting arrangements would meet the remaining information needs of the comparative reporting.

While Integral Energy has information that is readily available for inclusion by the AER in its annual reporting, there are some issues that will require some consideration and consultation through the remainder of this process. Issues that the AER will need to consider include:

- When reporting opex and comparing it against the regulatory allowance, Integral Energy is expecting that the appropriate opex to report would be that which is reported to the AER through the EBSS reporting and not simply that included in the regulatory accounts.
- Integral Energy notes that the AEMC is in the process of completing its TFP review. One of the clear objectives in the short to medium term of that review is to develop a consistent set of data to be captured across regulated networks. While Integral Energy has expressed some reservations with the manner in which this was to be achieved, it would seem reasonable to align data collection and publication as closely as practical across all policy needs to minimise regulatory costs and improve comparability of costs over time.

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- Integral Energy notes that one of the perennial issues with any form of benchmarking or comparative analysis is the degree to which the various businesses are indeed comparable. Care should therefore be taken when comparing the relative performance and cost structures of the various regulated businesses.

Some of the issues that will limit comparability include differences in the services (eg voltage levels), activities or legal obligations of regulated infrastructure particularly between jurisdictions as well the physical environmental conditions and diverse geographic area in which each network operates.

- One element of the comparative reporting arrangements that apply to transmission networks is the ability for the networks to provide the AER with explanatory text for inclusion in the reports annually. Integral Energy believes that this is a critically important feature of the transmission reporting arrangements as it helps to provide a context to the users of the report and improve understanding and usability of the information provided. For these reasons Integral Energy would expect that such features would also be part of any distribution comparative reporting.
- Integral Energy is aware that the AER includes a range of benchmarking metrics within its transmission comparative report. Integral Energy would like to work with the AER if it proposes to report some form of benchmarking metrics as experience has shown that some metrics are more relevant to the operation and assessment of network businesses than others.

Should you have any questions in relation to the attached submission please contact our Manager, Network Regulation, Mr Mike Martinson on (02) 9853 4375.

Yours sincerely

A handwritten signature in blue ink, appearing to read 'Rod Howard', with a long, sweeping horizontal line extending to the right.

Rod Howard

Group General Manager Network