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Dr. Kris Funston
Executive General Manager, Networks Regulation
via email: networksinformation@aer.gov.au

Dear Kris

Submission to the Network Information Requirement Review – Discussion paper

Thanks for giving Power and Water Corporation the opportunity to respond to the AER's Network Information Requirements Review discussion paper (the discussion paper) and Consultation Workbooks. Reviewing from time to time what information the AER collects from regulated transmission and distribution electricity networks is important. It will help ensure that the actual information collected is relevant, robust, accessible and fit for purpose into the future.

As the energy sector changes, it is important to assess what information is no longer required, and what additional information is required. Opportunities for efficient exchange of information is also important for the both the AER and the regulated networks to investigate. Our perspective comes from being the smallest electricity network regulated by the AER. Unlike other businesses who have sufficient scale to invest in systems to easily extract, collate, audit and present information, Power and Water relies on legacy systems, information stored in uncontrolled environments and manual processes to present the same level of information. It follows that any increase in reporting requirements places a disproportionately higher burden on us compared to other distributors which would necessarily flow through to our customers in the form of higher bills.

Our responses to the questions raised in the discussion paper can be found in Attachment A to this letter and is summarised below.

Regulatory Information Orders (RIO) should give the AER opportunity to remove duplication that exists in Regulatory Information Notices (RIN) and will give stakeholders a chance to provide input on what data should be provided in future. To this end, we support the change.

The AER must take into consideration Power and Water's issues regarding information provision. This includes the unique nature of our business relative to larger, NEM connected businesses, as well as the

range of circumstances outside our control and unique to us when making comparison to other distributors. Benchmarking based on data historically collected via RINs, and in the future potentially by RIOs needs to consider differences in the scale and nature of our business, as well as the accuracy of data based on our limitations in supporting and providing mentioned above. We full accept and support the provision of necessary information to enable customers and the AER to make appropriate decisions on our expenditure forecasts. However, subjecting Power and Water to the same expectation levels in terms of information systems and reporting capability is not in our customer's best interest.

To assist in the AER in formulating the proposed RIOs, we have reviewed our current Annual Reporting, Category Analysis and Economic Benchmarking RIN templates for their complexity, accuracy and usefulness. In Attachment B we have provided a table outlining areas where the current RINs could be streamlined and taken into consideration for the design of future RIOs. We agree with the AER's position that the retention of independent audit/review and statutory declaration requirements are essential for good-quality information and regulatory outcomes, but again note the costs of these arrangements in the context of a small customer base. We encourage the AER to keep the reporting requirements at a level comparable to that currently applied to the RINs and consider alternative arrangements for Power and Water's obligations as costs are likely to increase.

We welcome the AER's proposal to introduce a scheme to update its network information requirements to a periodic four years, but would again highlight the challenges for material changes each period for a small distributor. Any improvement to current information exchange should be web-based, have the need to provide actual, estimated and consolidated versions of data workbooks removed, and offer higher levels of transparency where stakeholders can easily access non-confidential data with the same ease as the distributors who are providing it.

We have provided suggested comments on the distribution Consultation Workbooks which the AER may wish to consider as part of its review at Attachment C.

We would be happy to discuss this with you further. Please contact Andrew Fahey, Regulatory Analyst, from our team if you would like to arrange a further discussion on any of the issues raised.

Yours sincerely



Brendon Crown
Senior Manager, Regulation, Economics and Pricing

20 May 2022

List of attachments:

Attachment A – Responses to questions raised in discussion paper

Attachment B – Proposed streamlining of current RIN templates

Attachment C – Consultation Workbooks with comments

Attachment A: Responses to questions raised in discussion paper

Discussion paper topic	AER questions and Power and Water Corporation’s response
<p>New regulatory information instrument</p>	<p><i>Do you see any risks or benefits in relying on regulatory information orders, rather than bilaterally negotiated regulatory information notices? Should any regulated networks be excluded from the scope of the proposed information orders? If so, why?</i></p> <p>The move to using Regulatory Information Orders (RIO) does not eliminate the issues we have with using Regulatory Information Notices (RIN):</p> <ol style="list-style-type: none"> 1. We are a much smaller scale network and operate in a natural environment vastly different compared to our National Electricity Market (NEM) connected peers. 2. We undertake functions that other DNSPs do not. For example: <ol style="list-style-type: none"> i. We provide a transmission service to deliver power from generators to load centres albeit at much lower voltages than NEM transmission network service providers (TNSP). This involves all the asset management, planning and control functions that TNSPs normally are required to undertake. ii. Our distribution assets support our transmission network and <i>act</i> as dual function assets, again at lower voltages than other DNSPs. This involves all the asset management, planning and control functions that only DNSPs with <i>actual</i> dual function assets normally are required to undertake. iii. Our wider business operations includes the Northern Territory (NT) Market Operator undertaking dispatch of the wholesale market and real time monitoring. This has impacts for what functions we must perform that other DNSPs do not have. iv. We perform functions that would be normally undertaken by a jurisdictional regulatory authority. For example, the requirement to update the technical code. v. We provide other electricity network services as part of our Indigenous Essential Services Pty Ltd (IES) subsidiary for remote communities across the NT. Given the nature of these services, the AER approved Cost Allocation Method only allocates the marginal overhead costs to IES resulting in other operating activities having higher overheads. Other DNSPs do not have this kind of community service obligation. 3. The NT is a jurisdiction that does not have the benefit of being a NEM participant for the last 15 to 20 years. We are currently transitioning to the present NEM arrangements which involve significant changes.

Discussion paper topic	AER questions and Power and Water Corporation's response
	<p>We therefore see some risks in a one size fits all approach to information collection, particularly where the case is made that the costs of providing the information exceed the benefits.</p>
<p>Data requirements</p>	<p><i>Is there any new data that the AER should consider including in its data requirements? If so, why is it needed and how should the data be used? Is there any data you consider could be removed from the current data requirements? Are there any other changes you would like to see to our data requirements?</i></p> <p>As noted in the discussion paper, collecting data by RIN type, or regulatory purpose has created some duplication and inefficiencies in how data is managed by the AER.¹ In answering this question we reviewed existing RIN data requirements in an attempt to find efficiencies in order to reduce the compliance burden on our staff and free up resources to engage in more meaningful reporting metrics.</p> <p>To this end, we have reviewed our current Annual Reporting, Category Analysis and Economic Benchmarking RIN templates for their complexity, accuracy and usefulness. In Attachment B we have provided a table outlining areas where the current RINs could be streamlined and taken into consideration for the design of future RIOs.</p> <p>Additionally, with regard to the questions of any new data the AER should consider and changes to data submission requirements, we currently have underway a meter-to-cash (M2C) program across our network and would like clarification from the AER on how this program would be reported in the proposed RIO. Our concern is that the burden to collect and process this data would not outweigh the utility the AER derives from its use in their regulatory activities.</p>
<p>Other information requirements</p>	<p><i>What non-data information do you consider should be provided to the AER? Are there any non-data requirements you would support being removed from future reporting processes? Are there any examples of a basis of preparation you consider to be materially better than others?</i></p> <p>Please refer to response in question 2 and Attachment B.</p>

¹ AER, *Network Information Requirements Review – Discussion Paper*, March 2022, pp. 7–8.

Discussion paper topic	AER questions and Power and Water Corporation's response
Transmission information guideline	<p><i>Do you consider the transmission information guideline should be retained in its current form or for any other purpose?</i></p> <p>Given the AER's powers under the National Electricity Law and links to information collected under the current RINs, there appears to be no benefit in retaining the guideline.</p>
Information assurance	<p><i>Do you have any feedback on the AER's proposal to maintain the current assurance processes?</i></p> <p>We agree with the AER's discussion paper position that the retention of independent audit/review and statutory declaration requirements are essential for good-quality information and regulatory outcomes.²</p> <p>However, as one of the smaller DNSPs in the NEM, performing such functions places a larger burden on us versus other DNSPs, and we would seek assurance from the AER that when it transitions to the issuance of RIOs the requirements and standards of the audit/review would be comparable to that currently in place for the RINs.</p> <p>We also feel it is important that the AER be able to demonstrate efficiency in the way it uses its obligations to collect information. As a general principle we think information should only need to be presented and audited once, and not subject to duplicate audit or presentation between annual RIOs and Reset RINs.</p>
Updating information requirements	<p><i>How should the AER deal with changing information requirements? How frequently should the information order (or notices) be updated? How should we get the information we need prior to the requirements being included in an updated information order?</i></p> <p>A scheme to update network information requirements to a periodic four years. This proposed schedule will provide certainty and allow us to plan and be in a position to make a meaningful contribution to the process.</p> <p>However, as noted in the discussion paper, such an undertaking by its nature will involve many stakeholders and will need to balance the cost of the review versus the benefits of having good-quality information.³</p>

² AER, *Network Information Requirements Review – Discussion Paper*, March 2022, p. 11.

³ AER, *Network Information Requirements Review – Discussion Paper*, March 2022, p. 13.

Discussion paper topic	AER questions and Power and Water Corporation's response
	<p>As one of the smaller DNSPs in the NEM, the cost of this additional recurrent regulatory obligation would again fall disproportionately on us and therefore our customers. We would seek assurances from the AER that any additional reporting requirements would be comparable to our current level of requirements.</p>
<p>Information exchange</p>	<p><i>What tools will best meet the needs of networks submitting information to the AER? What constraints should we be aware of in designing new information collection systems and process?</i></p> <p><i>and;</i></p> <p><i>How would you like to access the AER's data relating to regulated networks? Are there other agencies that are good at sharing data and information?</i></p> <p>We agree that modernising the current information exchange processes would be beneficial in reducing the 'manual handling' and processing of data provided to the AER.</p> <p>Although it is out of scope of this review, we believe any future system for data submission should be web-based, preferably not reliant on Excel spreadsheets and be introduced over a reasonable transition period agreed to by the majority of DNSPs.</p> <p>Finally, we believe that any future information exchange system should be advanced enough to negate the need for DNSPs to provide actual, estimated and consolidated versions of data workbooks, and offer a higher level of transparency to stakeholders for non-confidential data. Achieving this would represent a material step-forward from the current system and free-up resources to concentrate on more important areas of our RIN analysis.</p>

Attachment B: Proposed streamlining of current RIN templates

See attached *Proposed streamlining of current RIN templates* Excel spreadsheet.

Attachment C: Consultation Workbooks with comments

See attached *Consultation Workbooks with comments* Zip folder.