Ref. A4888421

11 May 2022

Dr Kris Funston
Executive General Manager, Network Regulation
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

Via email: networksinformation@aer.gov.au

Dear Dr Funston,

SUBMISSION ON NETWORK INFORMATION REQUIREMENTS REVIEW

Powerlink Queensland (Powerlink) welcomes the opportunity to provide input on the Australian Energy Regulator's (AER's) Network Information Requirements Review Discussion Paper (Discussion Paper) published in March.

We support the AER's intention to streamline information requirements for regulated electricity networks and consider the new framework should be designed to:

- minimise the compliance costs that networks incur to meet the requirements; and
- provide confidence to consumers and networks that the information collected has a well-defined and demonstrated case for its collection and use.

Given the breadth and rapid pace of change in the energy market, the framework should also be sufficiently flexible to ensure information relevant to the operation and range of services provided by electricity networks, both now and in the future, is adequately captured. This includes the collection of information on inputs, outputs and operating environment factors identified through periodic reviews of economic benchmarking specifications. For the purposes of this review, we note the AER has already foreshadowed a review of the electricity transmission network benchmarking specification during 2022.

To ensure the new information requirements framework is fit-for-purpose, we recommend the AER:

- consider an interim information notice instrument to allow networks to transition to agreed common definitions as part of the adoption of an information order framework in future;
- confirm the Confidentiality Guideline will apply to the new information instrument consistent with the treatment under the current Regulatory Information Notices (RINs);
- describe how the data items collected will be used; and

- progress a proposal to change the National Electricity Rules (the Rules) if the final new information instrument incorporates the information currently collected under the Transmission Information Guideline.

More detail on these and other matters, including responses to questions posed in the Discussion Paper, are provided in the attachment. We would also welcome the opportunity to participate in and contribute to follow-up data requirement workshops convened ahead of the Preliminary Draft Instrument's publication.

We have also provided input to and support Energy Networks Australia's submission.

If you have any questions regarding this submission or would like to meet with Powerlink to discuss this matter further, please contact me on [redacted] or email [redacted]

Yours sincerely,

[redacted]

Jennifer Harris
GENERAL MANAGER, NETWORK REGULATION

ATTACHMENT: DETAILED FEEDBACK
NETWORK INFORMATION REQUIREMENTS REVIEW DISCUSSION PAPER

1. New regulatory information instrument

We appreciate the use of information orders, rather than information notices, may improve the efficiency of the AER's administration of a new information instrument and acknowledge the potential improvements in transparency and consistency from the use of common definitions across multiple transmission and/or distribution networks. However, there appear to be practical limitations to the ready adoption of common definitions, as networks currently use different reporting conventions that reflect their history and business models and to address needs of their specific stakeholders. For example, Powerlink understands that different networks adopt different approaches when they report information on secondary systems. This flexible treatment extends to financial reporting standards, cost allocation methodologies and capitalisation policies. Consequently, it may take considerable time and resources for networks to transition to a framework that adopts common regulatory information reporting definitions.

If the AER wish to pursue an information order framework that applies to classes of networks in the long term, we recommend the information notice framework operate as an interim measure to enable networks and the AER to agree on definitions to use, communicate and gain customer acceptance for the costs associated with these changes and for networks to implement the required system changes.

We support the AER's proposal to publish guidance material on its website to assist businesses consistently apply information requirements. This could take the form of a "frequently asked questions" page or a non-binding guideline. However, we consider the AER is not required to identify the businesses that make requests for guidance. We are not aware of any relevant regulatory requirement on the AER to identify businesses that request guidance and consider this is not required to get the intended outcome. Moreover, this could dissuade businesses from seeking advice and may adversely affect compliance with the new instrument.

For several information reports, including the RINs and regulatory accounts, Powerlink claims confidentiality on some information currently provided under the AER's Confidentiality Guideline. However, the Discussion Paper and consultation workbooks do not clarify how confidential information will be handled under the new information requirements framework. We recommend this aspect of the framework be confirmed in the next stage of consultation.

2. Data requirements

We support an approach to streamline information requirements for electricity networks. These requirements impose costs on network businesses, which are ultimately borne by electricity consumers. For networks and consumers to have confidence that the information obligations provide value for money, we recommend the AER publish advice on its website for stakeholders that describes the purpose for the data items collected and how they will be used.

We consider this advice from the AER will be particularly valuable to assess whether some highly disaggregated data required in the current RIN templates, such as motor vehicle asset and expenditure data, need to be collected in their current form in future. Information on how the data series will be used will also be relevant for data series requested in the annual RIN returns but where historical information or forecasts are not requested as part of the Revenue Proposal RINs. Examples of these series include information on corporate and network overheads and direct expenditure related to labour regarding ordinary hours and

overtime collected in Table 2.11.2 of the annual Category Analysis RIN template, which was not collected in Powerlink's 2023–27 Revenue Proposal RIN.

We are also cognisant of the changes in the operation and range of services provided by electricity networks as part of the rapid transformation of the energy system. We therefore encourage the AER to consider how the data collected through the information requirements instrument will reflect future network requirements and not just past operating environments. We understand that the review of the transmission benchmarking model specification to be conducted this year will address this issue in part and therefore request that the new information instrument accommodates any changes to inputs, outputs and operating environment factors identified as part of that review.

We understand the AER has sought to group data series to reflect the purpose and type of information, rather than the instrument or mechanism through which the information is collected. In some cases, however, we consider that the proposed reorganisation of existing data series from the RIN templates, regulatory accounts and other information requests are not appropriately justified. Examples of this include:

- the separation of coincident and non-coincident demand data between different tables; and
- the classification of motor vehicle activity metrics under the operational outputs workbook rather than the network metrics workbook with other motor vehicle data.

We recommend the AER reconsider how it proposes to group data series to assist stakeholders, including networks and consumers, navigate the final templates and interpret the information requests.

Powerlink appreciates the opportunity to provide early input on the data requirements for a new information instrument. The comments below highlight our key insights based on the consultation workbooks provided by the AER. We would welcome the opportunity to provide more detailed feedback on additional elements of the data requirements as part of follow-up workshops with the AER ahead of the Preliminary Draft Instrument.

(a) Recommended additions

Energy not supplied

This series is currently included in the economic benchmarking specification for transmission networks and is obtained through a separate AER information request. We consider this could be collected as part of the operational outputs workbook.

Augmentation and replacement expenditure projects related to essential system services

The provision of system strength and other essential system services is becoming a key feature of the services provided by transmission networks now and into the future. We recommend this information is captured as separate categories under the capital expenditure workbook.

System-level minimum demand

In addition to maximum demand, we consider minimum demand at a system level should be collected as part of network information requirements. Decreases in minimum demand have implications for how transmission network service providers (TNSPs) can operate their networks and may mean updated standards and/or new system services are required to maintain the security and reliability of the power system. Regular reporting of this information will assist longer-term planning and improve stakeholder awareness of the different challenges businesses face in operating their networks.

(b) Recommended deletions

Installed transmission system transformer capacity for directly connected end-users where the transformer is owned by the end-user
This data series is of low quality, as we do not have direct oversight of these facilities and rely on reporting of changes by third parties, such as customers who are directly connected to Powerlink's network. The series is also not included as part of the transmission economic benchmarking specification.

Service Target Performance Incentive Scheme (STPIS) data series
Powerlink appreciates the update to the consultation workbooks that allows networks to report information based on the current version of the STPIS that applies to them. We recommend the AER confirm in the next stage of consultation that the data will only be sought through the annual STPIS reports lodged by TNSPs with the AER in February. Such an approach would remove the current duplication of requirements between the annual STPIS reports and the annual Economic Benchmarking RIN returns.

(c) Recommended changes to data requirements

Transformer capacity calculation methodology
Powerlink acknowledges there are several ways to calculate transformer capacity under the AER's existing guidance for the RIN returns and recommends the AER clarify its preferred approach as part of the new information instrument. We consider this will improve the comparability of data between networks.

Alignment of vegetation and maintenance categories with international classification structures
We recommend the AER explore opportunities to align its vegetation and maintenance categories with those adopted in other reporting arrangements. This could improve the ability to benchmark these costs with overseas transmission networks and reduce the duplication of effort by network businesses to reclassify information used for other purposes to meet the AER's regulatory information requirements.

Labour classification structures
The AER requires networks to use unique categories and labour classifications that are not adopted by Powerlink as part of normal business. As the data reported in Table 2.11 of the Category Analysis RIN template excludes a significant share of Powerlink's workforce, this information appears inconsistent with the basis for how other data series are reported in the RIN templates. To improve the internal consistency of data under the new information instrument and reduce the costs networks incur in preparing this data, we would welcome further consultation from the AER on an appropriate labour classification structure.

Asset age profile information
We suggest the AER consider where this information could be collected in modified form to reduce the scope of information requests, such as through requests for information on asset augmentation, disposals and decommissioning (i.e. "flow" data) rather than "stock" data each year.

Adjustments for load transfers in maximum demand data
For maximum demand data at each connection point, TNSPs are currently required to incorporate adjustments for load transfers (i.e. temporary switching to a directly connected main transformer or feeder when a fault occurs) into the calculation of raw adjusted maximum demand. It is difficult to construct estimates of load transfers on a consistent basis, as transmission networks have to infer these transfers from operations on third-party

networks. Powerlink recommends this adjustment requirement be removed to improve the quality and consistency of the data series reported by networks.

Disaggregation of non-prescribed transmission services
Powerlink suggests the AER consider whether the disaggregation of non-prescribed transmission services into negotiated and non-regulated services is required in a new regulatory information instrument. Much of the information requested in the RINs and regulatory accounts is not publicly available, as these network activities are commercially sensitive and therefore subject to confidentiality claims.

Treatment of depreciation
The values for straight-line depreciation currently reported in the AER's Economic Benchmarking RIN templates are based on the forecast real straight-line depreciation in the AER's Final Determination for Powerlink for the relevant regulatory period, consistent with the AER's Roll-Forward Model. In contrast, the depreciation reported in the regulatory accounts is based on actual depreciation.

The AER's proposal to combine information from the RINs and regulatory accounts in a single information instrument could result in discrepancies in the reporting of depreciation between the asset base values and revenue and financial statements workbooks. We request the AER provide further advice on how depreciation should be reported under the new information requirements if there is an expectation the depreciation reported will reconcile with the audited statutory accounts of networks.

Treatment of energy storage systems
The data currently collected in the RINs on energy storage systems allows for differentiated treatment of pumped hydroelectric storage systems and other energy storage systems, such as batteries. We recommend the AER adopt an approach that allows for all storage systems to be treated in the same way. For instance, with reference to data on system losses, this would ensure energy losses in storage or generation from pumped hydroelectric facilities are not ascribed to transmission networks.

3. Other information requirements

We support the AER's proposals to minimise non-data reporting included in the annual information requirements and investigate alternative sources for non-data requirements. Both initiatives should save networks time and costs in the preparation of information for the AER.

In light of earlier comments related to the challenges associated with the adoption of common definitions, Powerlink considers basis of preparation documents will still be required in future. However, they could be more focused to provide explanations of:

- the key concepts and definitions as applied by the individual business; and
- the approach to data collection and processing adopted by the business to conform to the AER's requirements.

4. Transmission Information Guideline

We consider there would be benefit in seeking to consolidate network information requirements under a single regulatory instrument and consider there is no merit in retaining a separate Transmission Information Guideline if the existing requirements are mapped into the new instrument.

5. Information assurance

We support the AER's proposal that information submitted to the AER must continue to be:

- endorsed by company officers by a statutory declaration; and
- subject to review by independent audit or assurance providers.

This process entails a significant time and cost for networks, but we appreciate it provides greater confidence in the veracity of the information to the AER and other key stakeholders, including our customers.

6. Updating information requirements

Powerlink supports the AER's proposal to schedule formal reviews of network information requirements every four years. This approach provides a degree of predictability for networks and strikes an appropriate balance between the need to ensure information collected remains relevant and the potential costs associated with more frequent revisions of the information instrument.

We appreciate that informal collaborative processes under the AER's established information gathering powers can help address information collection gaps between reviews. In the next stage of consultation, we recommend the AER provide more guidance on how interim requests for additional information would work in practice, including:

- how the AER would seek to demonstrate the need for the collection and use new data series to networks and other stakeholders; and
- how feedback provided by networks may be accommodated by the AER between formal reviews and during subsequent formal review processes.

7. Information exchange

We support the exploration of an information exchange portal or a system to streamline information submission and data-sharing and consider the AER's proposal to address this outside the formal review process appropriate. While this is an important consideration, we consider this is a less immediate priority than the information requirements themselves.

Powerlink is mindful of the complexities of potential technology solutions and how feasibly they will integrate with the patchwork of systems and/or configurations currently used by networks. As past technology platform choices by networks have reflected what best fits their business models and the needs of their stakeholders, networks will have to carefully consider the cost and resource implications if the use of a new information exchange or sharing platform requires system, process or reporting changes. In turn, the AER should weigh up the potential benefits against the costs of prospective technology solutions in the context of these potential system and configuration integration challenges.