



Statement of approach

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

March 2009

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Shortened forms

AER	Australian Energy Regulator
CAM	Cost allocation methodology
NEL	National electricity law
NER	National electricity rules
TNSP	Transmission network service provider

1 Nature and authority

1.1 Introduction

This document sets out the Australian Energy Regulator's (AER) statement of approach to the priorities and objectives of transmission network service providers (TNSP) performance reporting.

1.2 Authority

Section 28V(1) of the NEL allows the AER to prepare and publish reports on the financial and operational performance of network service providers in providing electricity network services.

Section 28V of the national electricity law (NEL) and clause 8.7.4(a) of the national electricity rules (NER) require the AER, before embarking on the preparation of network service provider performance report to consult with:

1. network service providers; and
2. bodies representative of the network service providers and network service users; and
3. the public generally;

in order to determine appropriate priorities and objectives to be addressed through the preparation of network service provider performance reports.

Section 16 of the NEL states that the AER must exercise its economic regulatory function and powers in a manner that will or is likely to contribute to the achievement of the national electricity objective, which 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:

- price, quality, safety, reliability and security of supply of electricity; and
- the reliability, safety and security of the national electricity system.

This statement of approach has been developed and published in accordance with these provisions.

1.3 Role of this statement of approach

The role of this statement of approach 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 TNSP performance reporting outlined in this paper, will be reflected in the AER's future TNSP performance reports.

1.4 Confidentiality

The AER's obligations regarding confidentiality and the disclosure of information provided to it by a DNSP under this scheme are governed by the *Trade Practices Act 1974*, the NEL and the NER.

1.5 Version history and effective date

A version number and an effective date of issue will identify each version of this paper.

2 Objectives of TNSP performance reporting

The AER considers that the appropriate objectives in publishing network performance reports are to provide transparency, and maintain accountability to provide an incentive to increase performance.

2.1 Provide transparency

The performance reporting of TNSPs is good regulatory practice as it promotes transparency and understanding in the AER's decisions, and also in the TNSP's investment and expenditure decisions.

Without transparent reporting of the outcomes of the regulatory process, the national electricity objective in the NEL,¹ of efficient investment in and efficient operation of electricity systems may be more difficult to achieve. Information on the price, quality, reliability and security of supply of electricity must be provided to meet this end. Customers and other stakeholders require access to this information if they are to have meaningful input into the regulatory process.

2.2 Maintain accountability to provide an incentive to increase performance

By publicly reporting performance information, TNSPs will become further accountable for their performance to customers and other market participants.

Accountability will help to ensure that the overall goals of the network businesses are in line with the national electricity objective. This will provide TNSPs with an incentive to increase their service performance while maintaining efficient investment levels in their networks.

¹ Section 7 NEL.

3 Priorities of TNSP performance reporting

In order to achieve these objectives the priorities of TNSP performance reporting are as follows:

- Report on service performance.
- Report on compliance with the TNSP's approved cost allocation methodology (CAM).
- Report the profitability of TNSPs.
- Report on performance against and compliance with revenue determinations in a format that allows for comparison between different jurisdictions and regulatory control periods.
- Report information in a format that can be utilised for future revenue determinations, to reduce information asymmetry and make the revenue reset process more streamlined.
- Assess whether the national electricity objective is being achieved.