

Our Ref: D14/1463

Your Ref:



17 January 2014

Mr Chris Pattas
General Manager, Network Operations and Development
Australian Energy Regulator
GPO Box 520
MELBOURNE VIC 3011

Attention: Blair Burkitt

Dear Chris

AER Draft Regulatory Information Notice (RIN) for the 2014–2019 Revenue Reset

Transend welcomes the opportunity to comment on the draft RIN for the 2014–2019 revenue reset.

As you are aware, Transend has been actively participating in the AER's consultation process and workshops in relation to the economic benchmarking RIN (which was finalised in November 2013) and the category analysis RIN, which is currently in draft form and subject to further industry consultation. The Energy Networks Association and Grid Australia will also lodge submissions in relation to the category analysis RIN, which Transend supports.

We note that the draft category analysis RIN has effectively been incorporated in our draft RIN for the 2014–2019 revenue reset. In the AER's explanatory statement for the draft category analysis RIN, the AER recognised the burden arising from overlapping RIN documents¹:

'In RIN recent discussions, NSPs noted the inconvenience of having to comply with and consult on multiple RINs. For example, some NSPs are currently:

- collating data for annual reporting purposes in compliance with (annual reporting) RINs the AER has already issued;
- consulting on revised annual reporting RINs that deal with the remaining years of existing regulatory determinations;
- preparing data in response to RINs for economic benchmarking;
- consulting on RINs for category analysis; and
- anticipating further consultation on RINs to be issued for regulatory determinations commencing in 2014 and beyond.

We are mindful of the burden these multiple processes create for NSPs.'

¹ AER, Draft regulatory information notices to collect information for category analysis Explanatory Statement, page 13, December 2013.

We note that transmission businesses must also prepare data annually under the AER's Information Guidelines, which includes regulatory accounting and other business data.

The AER has also explained its preference to merge all annual data reporting requirements into a Regulatory Information Order from 2015. The AER noted that this merging of data requirements would enable NSPs to provide annual information thereafter in the same format and at the same time for category and economic benchmarking data. Transend is supportive of this approach, as it would reduce the regulatory burden on both the NSPs and the AER by eliminating duplication of effort and overlapping information requests. Transend also considers that the AER should take this opportunity to review and consolidate its Information Guidelines, including regulatory accounting information requirements.

In the interim, however, Transend faces an unusual and especially onerous set of circumstances. In particular, the RIN for the 2014–2019 reset must be completed by 31 May 2014 and submitted alongside our revenue proposal. In addition, as you are aware, as part of reforms to the Tasmanian electricity supply industry Transend is in the process of completing its merger with Aurora Distribution to become TasNetworks from 1 July 2014. This merger will deliver savings to network customers.

Given these particular circumstances, data requests that require estimating methods to be developed or information to be manually extracted from systems will prove to be an excessive burden. In addition, while we support the AER's objectives of improving its expenditure assessment and benchmarking, we doubt whether it is possible for the AER to assimilate all of the information collected from TNSPs for the purpose of assessing Transend's forecast expenditure. As a practical matter, in our view the AER will need a significant period of time to assimilate information, assess its usefulness, and refine its future information requirements.

These observations strongly suggest that the AER should take a 'step by step' approach to the collection of data and analysis of forecast expenditure. At present, we regard the draft information request and the associated resource burden as disproportionate to the AER's task of reviewing our expenditure forecasts.

To further illustrate this point, our recent discussions with AER staff—which have been very helpful and cordial—have highlighted a significant number of problems with the data requests. In some instances, the data sought by the AER is not available because it has no practical purpose from a planning or operational perspective—the request for historic and forecast system MVA is one such example. In other instances the data sought suffers from serious definitional problems, such as the request for the “average number of trees per maintenance span”, in addition to being of no operational significance.

As a general principle, Transend does not consider that it should be providing information in its RIN for the 2014–2019 reset that it does not presently collect. There are three practical reasons for adopting this general principle:

1. As already noted, the tight time constraints and limited resources are heightened by our other revenue reset preparation requirements and the impending merger with Aurora Distribution;
2. Data that is not currently collected or forecast by Transend is likely to have little or no operational significance and therefore is unlikely to assist the AER in its assessment of our expenditure forecasts.
3. Even if the detailed data collected for the first time were important (which is highly unlikely) the timeframes are so limited that Transend will not have considered its relevance in developing its expenditure forecasts.

With this general principle in mind, we have reviewed the draft RIN for the 2014–2019 revenue reset and supporting templates. We have identified data that will be very difficult to obtain. In some instances we have proposed alternative data that is available. We have suggested removal of some data requirements, including where the requirement makes no sense in a transmission context.

Our review also identified a number of definitional issues. The attached templates include suggested changes to clarify data requirements.

A further concern in relation to the RIN is the broad ‘catch all’ nature of the information request, which includes requirements to provide:

- any other supporting information or documentation used to comply with the requirements of this Notice (clause 1.3); and
- any source material (including models, documentation or any other items containing quantitative data) used by Transend to develop its forecast capex (clause 3.4); [emphasis added].

In order to comply with these ‘catch all’ obligations, Transend would need to submit substantial amounts of information to the AER that may be of very limited relevance to the AER’s regulatory task. Further, for each piece of information provided, Transend will have to comply with the AER’s new confidentiality guideline, which will add even more time and cost to the compliance effort. Transend’s view is that these broad information requests should be qualified to recognise that only ‘material’ supporting information should be provided in the first instance. Engagement with the Transend throughout the revenue reset process will provide further opportunities to request more detailed information in a more targeted and efficient way, should it be required.

For the purpose of this first review under the new Rules, in our view it would be proportionate and reasonable for the AER to modify or remove a number of the information requirements in the final RIN.

In addition, while Transend will use its best endeavours to provide third party models and material to the AER, it would not be appropriate for the AER to impose a legal obligation on Transend to provide data that it does not own.

We look forward to continuing to work constructively with you and your staff in finalising the category analysis and reset RINs. To progress matters, we would welcome a further teleconference or meeting with your team to discuss the points raised in this letter and attachment. In the meantime, if you have any queries regarding this submission, please do not hesitate to contact me.

Yours sincerely,



Bess Clark
Executive Manager Corporate Strategy and Compliance