



13 November 2013

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Dear Mr Pattas

## **RE: Economic Benchmarking Regulatory Information Notice (RIN)**

### **1. Introduction and context**

United Energy (**UE**) welcomes the opportunity to provide further comments on the Australian Energy Regulator's (**AER**) Draft Economic Benchmarking RIN (**Draft RIN**) as per the AER's 30 October 2013 further request for comment in relation to the following:

- Revised definitions for vegetation management operating environment factors;
- Instructions for a standard approach to disaggregating the RAB; and
- Definitions for actual and estimated financial information.

In accordance with the AER's consultation timeframe, UE filed a submission on the Draft RIN on 18 October 2013. This submission should be read in conjunction with UE's earlier submission.

Each of the matters for which the AER has sought further specific comments is addressed in section 2 below.

### **2. Issues**

#### **2.1. Revised definitions for vegetation management operating environment factors**

Based on a preliminary review of the revised definitions for vegetation management operating environment factors, UE considers that it is able to provide the requested information provided that:

- Rural is defined as High Bushfire Risk Area (**HBRA**); and
- Urban is defined as Low Bushfire Risk Area (**LBRA**).

Energy Safe Victoria (**ESV**) requires UE and other distribution network service providers (**DNSPs**) to report annually in accordance with a number of regulations on a HBRA and LBRA basis.

The LBRA and HBRA classification was derived based on “a default classification of urban areas as having low risk and non-urban areas having high risk”<sup>1</sup>. UE considers that, for consistency and cost efficiency reasons, the AER should align its reporting requirements with ESV’s by changing rural to HBRA and urban to LBRA.

## 2.2. Instructions for a standard approach to disaggregating the RAB

Based on a preliminary review of the proposed approaches to be followed by DNSPs to disaggregate the regulatory asset base (**RAB**) being:

1. Common approach. This approach requires DNSPs to allocate financial data using either:
  - Direct attribution; or
  - RAB allocation approach.
2. Optional additional approach.

UE considers that:

- The common approach provides a reasonable basis for UE to report its RAB for the purposes of economic benchmarking, provided it can apply the direct attribution approach. The RAB allocation approach relies on a significant amount of estimation and allocation and to this end does not appear to provide a robust or reliable approach; and
- The optional additional approach requires further explanation and clarification. UE encourages the AER to provide a more detailed explanation of this approach so as to assist it better understand how this could be applied.

UE considers that the AER should more fully explain how the information used under the optional additional approach would be used by reference to its economic benchmarking model. In particular, if some DNSPs provide the optional additional information and some do not, how would this be incorporated into and affect the outcomes of the model?

UE reiterates that the AER should publish its models for economic benchmarking as soon as possible.

## 2.3. Definitions for actual financial information and estimated financial information

UE reinforces its earlier positions on reporting of data, also put forward by the Energy Network Association, that:

- The absence of a document that details the basis on which the AER expects regulatory information instruments to be prepared and presented by DNSPs, and audited or reviewed, is a key gap in what the AER has described in its Explanatory Statement and draft RIN; and
- The AER should commit to preparing Regulatory Accounting and Assurance Guidelines that set out a regulatory accounting and assurance framework in relation to the provision of historical and forecast financial information by the DNSPs under its RINs and regulatory information orders (**RIOs**)

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<sup>1</sup>Found at: <http://www.esv.vic.gov.au/Portals/0/About%20ESV/Files/Consultation%20Paper%20June%202012.pdf>



### 3. Closing

Please do not hesitate to contact Stephanie McDougall, Price Review Manager, on (03) 8846 9538 or [stephanie.mcdougall@ue.com.au](mailto:stephanie.mcdougall@ue.com.au) if you would like to discuss any of the matters raised in this submission.

Yours sincerely

Andrew Schille  
**General Manager Regulation**