

Networks Information Requirements Review

Workshop 1: TNSP Economic Benchmarking

Summary

July 2022

Networks Information Requirements Review: TNSP Economic Benchmarking Workshop (Workshop 1)

Date of Workshop: 21 July 2022

Attendees

Attendees included representatives from: AER, APA, AusNet Services, ElectraNet, Energy Queensland, Evoenergy, Powerlink, TasNetworks and Transgrid.

Workshop structure

The workshop discussion followed the current transmission Economic Benchmarking Regulatory Information Notice (RIN) template. The group discussed the issues on the issues register and the data use cases for each worksheet in the current transmission Economic Benchmarking RIN. The issues register (with responses) and the data use cases relating to the transmission Economic Benchmarking RIN were provided to workshop participants prior to the workshop via our website. See [Workshop materials](#)

Topic 1. Operational data

Issue #98 - Energy not supplied

Issue raised by Powerlink: This series (energy not supplied) 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.

AER response: Agree. We will add the Energy not supplied data to the operational outputs data category.

Action: AER will work with TNSPs to define 'Energy not supplied.'

Issue #110 - Energy storage systems

Issue raised by Powerlink: 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.

The discussion covered differences between energy transported through the TNSP network compared to energy delivered to end users. While the benchmarking RIN currently collects data on energy delivered to end users and pumping stations, energy delivered to other forms of storage such as battery storage may not be captured. TNSPs also noted energy losses may occur within storage systems, and it is important not to attribute those losses to the transmission network.

The AER agrees with the TNSPs that it is important to tighten the definitions of losses. This is important from an Economic Benchmarking perspective and a reset perspective. This will mean further discussions internally within the AER and between the AER and the TNSPs to develop these definitions.

Action: AER will review the current Economic Benchmarking RIN data requirements on energy delivered and losses and work with the TNSPs to address the issues raised.

Use cases

Powerlink and ElectraNet raised concerns over the AER's future use case for table 3.4.3.3 Power factor (power factor conversion between MVA and MW).

Action: AER to review its proposed future use case for power factor conversion data.

Topic 2. Physical assets

Issue #101 - Transformer capacity for directly connected end-users owned by the end-user

Issue raised by Powerlink: 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.

AER response: Agree. We will remove TPA0504 - transformer capacity for directly connected end-users owned by the end-user.

Issue #103 - Transformer capacity calculation

Issue raised by Powerlink: 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.

Workshop discussion: The AER acknowledged the measurement of transformer capacity could benefit from refinements (this is also the case for conductor and cable capacity). The TNSPs were supportive of working with the AER to develop consistent methodologies.

Action: The AER will create a preliminary methodology for transformer capacity, conductor capacity and cable capacity calculations. The AER will then work with the TNSPs to further refined the methodology.

Use cases

There were no issues raised on the AER use cases relating to Physical Assets.

Topic 3. Assets (RAB)

Issue #109 - Depreciation

Issue raised by Powerlink: 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.

AER response: We acknowledge there are different forms of depreciation used throughout the Data Requirement Workbooks. We have used different descriptors to distinguish between the different types of depreciation. The definitions of each type of depreciation link back to the Roll Forward Model. We do not propose to change the Depreciation definition used for Economic Benchmarking RIN reporting.

Workshop discussion: The TNSPs are OK with this approach so long as AER uses different names for different types of depreciation and all definitions are provided.

Use cases

There were no issues raised on the AER use cases relating to Assets (RAB).

Topic 4. Operating environment

Use cases

The following data tables are considered (by the TNSPs) to be heavily estimated and hence unreliable.

3.7.1 Terrain factors (particularly TEF0106 Standard vehicle access by km)

3.7.2 Network characteristics (particularly TEF0203 Concentrated load distance in km)

The TNSPs challenged the AER's published use cases for this data. The use cases for this data are as follows:

1. Input to benchmarking review
2. Information to describe network differences may be used for future performance analysis

TNSPs have offered to speak with relevant individual within the AER regarding the inappropriateness of this data to be used for future performance analysis.

Action: The AER will review its use cases for these data tables.

Topic 5. Quality of services

Issue #102 - STPIS data series

Issue raised by Powerlink: 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.

Action: The AER will review the timing of submissions of services performance data as well as the audit and assurance requirements. Further consultation with TNSPs will be undertaken.

Use cases

The TNSPs asked the AER to review its use cases for these data tables as the use cases likely related to the STPIS data rather than the RIN data. The AER can confirmed the data is required for the annual STPIS reports.

Topic 6. Opex

Issue #118 – Reconciliation

Issue raised by AusNet Services: We request the new instrument include a detailed reconciliation (by line item) between Regulated Opex and Benchmarked Opex. This would improve the transparency of information used for performance analysis and highlight differences between Opex funded by customers and Opex benchmarked. We also request that in Consultation Workbook Distribution 06 Operating Expenditure, the Economic benchmarking table “Breakdown 2” include a new category for ‘Opex associated with Approved Pass Through Applications’. The current aggregation of this data within ‘Opex for Network Services’ distorts trend analysis and does not promote transparency and understandability of information reported.

AER Response: Agree. This can be achieved with the addition of a reconciliation report using the current data requirements. The AER agrees the separate reporting of opex cost pass throughs should be incorporated, noting the breakdowns referred to are only relevant to distribution.

Issue #128 – Provisions

Issue raised by AusNet Services: In relation to the reporting of Provisions in Consultation Workbook Distribution & Transmission 09 Revenue and Financial Statements, we request removing the obligation to present each Provision separately and recommend moving to an aggregate reporting approach consistent with the requirements in the Transmission Regulatory Accounts. We consider aggregated reporting to be a more pragmatic approach, which doesn’t hinder the useability of the information.

AER Response: We will continue to collect the data for each provision separately. We commonly need to exclude certain provision amounts (but not all) from the calculation of the movements in provisions that we use.

Use cases

The TNSPs requested guidelines outlining how they should deal with data that is affected by a change in Accounting Standards. The opex team is considering this issue internally as this will affect both Economic Benchmarking and reset analysis. It is likely the AER will require both sets of data (as it would be before the accounting change and as it is after the accounting change).

Action: The AER will respond to this issue in the context of Economic Benchmarking reporting.

Topic 7. Revenue

There were no issues raised on the AER use cases relating to Revenue, noting new information requirements for revenues will be discussed at workshop 3.

Other Business/Other issues

Request from AusNet Services: Could the new Regulatory Instrument please set out a definition of how to treat Group 3 assets: "Excluded Prescribed." These assets are unique to AusNet Services.

Action: AER will include defined treatment of Group 3 assets: "Excluded Prescribed" in the new Regulatory Instrument.