

Networks Information Requirements Review

Workshop 2: DNSP Economic Benchmarking

Summary

28 July 2022

Networks Information Requirements Review: DNSP Economic Benchmarking Workshop (Workshop 2)

Date of Workshop: 28 July 2022

Attendees

Attendees included representatives from: AER, Ausgrid, AusNet Services, Economic Security Board, Endeavour Energy, Energy Queensland, Essential Energy, Evoenergy, Jemena, Power and Water, Powercor, Rosetta Analytics, SA Power Networks, TasNetworks and Consumers.

Workshop structure

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

Topic 1. Operational data (EB 3.4)

Issue #7 and #8 – Customers by feeder, Definition

Issue #7 raised by Essential: This replaces 3.4.2.2 which is an average of the start customer numbers and end customer numbers of the FY with unmetered proportioned over. Will the customers be an average same as current definition with unmetered added? SAIDI/SAIFI is currently calculated on average customer base with no unmetered added.

Issue #8 raised by Essential: This replaces AR 3.6.8 & 6.2.4 – 3.6.8 is the customers by feeder at the end of the FY. 6.2.4 is also an average of start customers and end customers for the FY – no addition of unmetered customers. Will the customers be same as current definition – as at end of FY?

AER response: We can calculate average customer numbers (for use in STPIS) from the end of period data for concurrent years.

The definitions of Customer Numbers will be reviewed for consistency across all workbooks, to ensure we have the information we need for STPIS, benchmarking, tariffs and performance reporting.

Workshop discussion

AER is not trying to change definitions of customer numbers. We will correct definitions in our next iteration of workbooks.

The concepts page in workbook 4 attempts to breakdown customers into all their exhaustive categories. The definitions are then based on listing the base level customers that make up respective customer groups. We will continue to work on refining this for the next iteration of workbooks.

Energy Queensland highlighted the averaging method may not work where the beginning of year STPIS customers definition does not match the end of year STPIS customer definition. This would happen, for example if there was a change in the STPIS definition of customers during a year.

AER Response: The AER will consider options to deal with this for example:

1. Always collecting beginning and end of year data every year.
2. Making beginning of year data optional and only collecting it in specific circumstances.
3. Collecting beginning of year data outside of the RIO – that is, via an information request, where required.

Action Item 1: AER to consider options to deal with instances where beginning of year STPIS customer definition does not match end of year STPIS customer definition.
--

AusNet Services queried the need for Customer numbers by feeder.

AER response: This data is required for service performance analysis.

Issues on the issues register (#28, #116, #134)

No further comments were made. Please refer to the issues register for AER responses.

Note: Issues #177, #178, #180, #182, #200, #201 are specific to PWC and were not discussed at the workshop.

Use cases

There were no issues raised on the AER use cases relating to Operation Data.

Topic 2. Physical assets (EB 3.5)

Issue #156 - Transformer capacity of high voltage customers

Issue raised by Ausgrid: Optimising for the AER's established expenditure assessment methods would remove unnecessary data collection requirements, saving costs and promoting greater accessibility for customers.

- Transformer capacity of high voltage customers - (Economic Benchmarking RIN template 3.5.2)

Information is not used for partial performance indicators or capital expenditure (capex) multilateral partial factor productivity (MPFP).

AER Response: Agree to removing distribution transformer capacity owned by High Voltage Customers (DPA0502).

Issue #157 - Cold spare capacity of zone substation transformers

Issue raised by Ausgrid: Optimising for the AER's established expenditure assessment methods would remove unnecessary data collection requirements, saving costs and promoting greater accessibility for customers.

- Cold spare capacity of zone substation transformers - (Economic Benchmarking RIN template 3.5.2)

Information is not used for partial performance indicators or capital expenditure (capex) multilateral partial factor productivity (MPFP). Information is collected but unclear how/if used.

AER Response: Noted. This data is used in performance reporting and benchmarking reviews. Estimated data can be provided where actual data is not available.

Workshop discussion

Ausgrid asked how this data is integrated into the benchmarking process.

AER Response: The data is used in the MTFP indexes for benchmarking. The data consists of 5 variables where 4 of these variables sum to give the fifth variable. Receiving all 5 variables from the NSPs allows the AER to use the fifth variable as a cross check.

Issues on the issues register (#136)

No further comments were made. Please refer to the issues register for AER responses.

Note: Issue #183 is specific to PWC and was not discussed at the workshop.

Use cases

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

Topic 3. Assets (RAB) (EB3.3)

Workshop discussion

The AER's purpose for collecting RAB data is to have a clear picture of what is happening with businesses' asset bases each year. The asset base can only be indicative prior to the AER's final decision in relation to the regulatory asset base roll forward, usually made in the final year of a regulatory period. The AER is not trying to change definitions but rather use different terms where there are different treatments of depreciation.

Issues #74 - reporting year X-1

Issue raised by Jemena: We recommend automatically linking the relevant reporting year X-1—closing value cells to the respective reporting year X—opening value cells, rather than requiring these cells to be reinput.

AER Response: This has been listed as a data validation, so there is visibility of the link, but the data is not linked in the worksheet to address circumstances where the opening value of a given year does not equal the closing value of the previous year (for example, in Year 1 of a regulatory period).

Workshop discussion

Participants noted the opening value in year X will not always equal the closing value in year X-1.

Issue #86 – Asset Base Values (Benchmarking Estimates)

Issue raised by CPU: The Regulated Asset Base (RAB) values disaggregation by Alternative Control Services (ACS), Standard Control Services (SCS) and network services and by kva rating in the existing Benchmarking RIN is currently heavily estimated. Significant audit time is spent reviewing the estimation methods, even though only a limited subset of the data is utilised by the AER. In this case the cost of audit compared with the value to the AER does not align and costs could be saved for consumers by lowering or removing the audit standard.

AER Response: The benchmarking asset base is used in benchmarking analysis and review for all service categories, and in reset analysis.

The review of assurance standards will be undertaken after the data requirements are finalised.

Workshop discussion

The AER Benchmarking requirements are different to the RFM requirements but are still required.

Issue #3 - Estimated residual service life

Issue raised by Essential: Arbitrary data

AER Response: The AER will explore its ability to use data collected under CA RIN 5.2 to avoid duplication with EB RIN 3.3.4.

Issue #4 – Asset life

Issue raised by Essential: The current categories used are inconsistent with the RFM – suggest that the AER look for consistency in this.

AER Response: The asset categories are standardised in the benchmarking requirements, and do not align with the RFM. The variation in asset categories in the RFM makes it unsuitable for benchmarking. We accept that there is estimated data reported due to the aggregated nature of the asset groups.

The AER will explore its ability to use data collected under CA RIN 5.2 to avoid duplication with EB RIN 3.3.4.

Workshop discussion

In accordance with AER response, we will explore using CA data to calculate asset lives.

Some issues with this include:

- timing issues
- assumptions used to make calculations – that is, AER will use its own assumptions to calculate asset lives (current reporting by businesses under the EB RIN allows the NSP to use its own assumptions when calculating asset lives).

The AER is not sure how problematic this will be but will investigate this as an option.

Note: Issue #211 is specific to PWC and was not discussed at the workshop.

<p>Action Item 2: The AER will review the substitutability of asset life data currently collected by asset class and category with the EB RIN asset life data.</p>

Use cases

Energy Queensland asked why we have an ASC asset base.

AER response: The Pricing team uses this information for reset analysis work and to response to ad-hoc enquires about public lighting. In these instances, the disaggregated data is more useful than the aggregated data across metering and lighting.

Topic 4. Operating environment (EB 3.7)

Workshop discussion

AusNet Services asked how the AER benchmarks vehicle use when each NSP has different terrain which determines the different vehicle use.

AER Response: The Economic Benchmarking team has an environment adjustment factor they use to account for this when analysing the data.

Issues on the issues register (#6, #27, #85, #121, #186, #187, #213)

No further comments were made. Please refer to the issues register for AER responses.

Use cases

There were no issues raised on the AER use cases relating to Operating environment.

Topic 5. Quality of services (EB 3.6)

Issues on the issues register – New data collection - (#84, #117, #144, #145, #146, #147)

No further comments were made. Please refer to the issues register for AER responses.

Issue #185 – System Losses

Issue raised by Power and Water: [The system losses] calculation is based on figures pulled from Economic Benchmarking RIN tables 3.4.1.1, 3.4.1.2 & 3.4.1.3. Please see explanations for these tables as to why this should be removed. In the near future when Market Reforms are in place, this type of information will be readily available outside of the RIN such as displayed on the Utilities Commission website.

AER Response: This data requirement will be removed at this time.

Issue #184 – Energy not supplied

Issue raised by Power and Water: This data is difficult to extract and relies on assumptions, therefore not robust and may not be reliable.

AER Response: This data requirement will be retained for performance reporting.

Issue #41 – Energy not supplied

Issue raised by Jemena: We recommend adding a total calculation for energy not supplied (planned and unplanned) in cell H62.

AER Response: Totals will be available as part of the reporting function, a calculated total can be included for clarity but is not required by the AER.

Issues on the issues register (#82, #225, #226)

No further comments were made. Please refer to the issues register for AER responses.

Workshop discussion:

The AER acknowledges further detail is required in services information reporting including around major event days and stage restoration of services.

On duration of interruption, Energy Queensland noted they are not able to see, in the new workbooks, where the AER is asking for major event day information.

AER Response: It is the AER's intension to keep this information.

Action Item 3: The AER will investigate if there is enough information to calculate major event day information or if the data requirement needs to be added.

Use cases

Energy Queensland and AusNet Services questioned AER's use case for EB 3.6.4 capacity utilisation. The AER had said it does not use this information. Energy Queensland and AusNet Services stated this will continue to be useful information for the AER to collect.

Action Item 4: The AER will take this on notice and check with the Performance reporting team to confirm if we need the data in the future.

Topic 6. Opex (EB 3.2)

Issues on the issues register – 2014 CAM (#15, #149, #150, #248)

Workshop discussion

Total opex – 2014 CAM basis is currently collected (when required) through an information request. Not all businesses are (will be) required to provide this information.

The requirement to report on total opex based on the 2014 CAM will only apply to DNSPs where their CAM has undergone a material change. It is not the AER's intention to impose this obligation on every business.

Energex and Ergon highlighted the high costs to their business of providing this data. The information is currently collected as unaudited data. If it is included in the new formal reporting obligation the data will be subject to assurance review, noting it will be assured as estimated financial data. A number of businesses advised the AER of the high costs that would be associated with auditing this data.

Energy Queensland provided an alternative suggestion around benchmarking which aligned with their submission to the consultation paper: How the AER will assess the impact of capitalisation differences on our benchmarking. This will be addressed by the AER in the development of a guidance note on the subject.

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.

Issue #59 – Benchmarking categories

Issue raised by Jemena: We do not understand why DNSPs are required to report custom business defined opex categories for benchmarking purposes. DNSPs will report a range of different categories in this section and the data therefore will not be able to be used for benchmarking. Therefore, we recommend that this section is removed.

AER Response: This data is currently used in the Benchmarking review to verify trends and confirm other data. The AER will review this data to determine if CA 2.1.2 data can be used instead.

<p>Action Item 5: The AER will review opex data to determine if other data can be used instead.</p>
--

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.

Workshop discussion

Further issues were raised on the likely impact of lumpy opex expenditures such as cost pass through expenditure and changes in accounting standards.

AER Response: The benchmarking team is considering these issues and will generally ask for further information if underlying opex deviates significantly from historical trends.

Note: Issue #176 is specific to PWC and was not discussed at the workshop.

Use cases

Energy Queensland raised an issue with table EB 3.2.1 Opex Categories. This data is also collected in the AR RIN so can be removed from the EB RIN collection.

AER Response: See Action Item 5

Topic 7. Revenue (EB 3.1)

Issues on the issues register (#44, #46, #47, #174, #175, #267, #275, #281, #282, #288)

No further comments were made. Please refer to the issues register for AER responses.

Use cases

There were no issues raised on the AER use cases relating to Revenue

Other issues on this worksheet

Energy Queensland advised the definitions in workbook 9 for “revenue from on-peak energy delivery charges” and “revenue from shoulder period energy delivery charges” have been mixed up.

AER Response: The AER will correct this in the next iteration of workbooks. The AER is currently reviewing all the definitions in all its workbooks.

Action Item 6: The AER will correct the definition in the next iteration of workbooks
--

Topic 8. Any other issues

Issue #88 – Reconciliation

Issue raised by CPU: If the AER expects different parts of the RIN to reconcile, we suggest a compliance sheet is used which checks that these parts reconcile. As an example, a lot of financial information is reported in the ‘Income tab’ of the annual RIN, but the same information is reported in various other places in the RINs. This clarity will assist us to better meet the AERs needs.

AER Response: We included cross checks in the consultation workbooks to indicate where we are expecting data to reconcile. We will continue to develop these cross checks, as data requirements are finalised.

Workshop discussion

The AER agrees a compliance sheet is a good idea.

Action Item 7: AER will add a compliance sheet to the next iteration of workbooks
--

Other issues – network costs

Issue raised by a consumer attending the workshop regarding the cost allocation process, in particular the top down process used to develop total costs recovered from consumers.

Follow-up email received from the consumer stated:

1. *I don't understand why there's no bottom-up process for cost allocation that's built from meter-inwards (to grid) rather than the top-down method as proposed.*
2. *That is, customer-facing because LV poles and wires haven't changed for 40-50 years and customers don't understand black-hole that is where their money goes.*
3. *Customers do see better value from communications service providers, there's bidirectional flows, and there's stability in their retailers and understanding of billing.*
4. *Whereas top-down cost allocation is killing electricity retailers and bloating electricity businesses to build fences that aren't needed or defective, c.f. NSW vs SA.*

Workshop discussion

These issues were noted but not addressed on the day.