

# Networks Information Requirements Review

## Workshop 3: TNSP Revenue and Financial Information

Summary

11 August 2022

## **Networks Information Requirements Review: TNSP Revenue and Financial Information Workshop (Workshop 3)**

**Date of Workshop: 11 August 2022**

### **Attendees**

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

### **Workshop structure**

The group discussed the issues on the issues register and the data use cases for Asset base values then Regulatory accounts information. The issues register (with responses) and the data use cases relating to both topics were provided to workshop participants prior to the workshop via our website. See [Workshop materials](#).

## Topic 1. Asset base values

### Indicative RAB /TAB

#### Workshop discussion

The AER explained why the new instrument will include indicative roll forward of the RAB and TAB requirements. Currently the AER calculates this information itself. However, having this information provided by the NSPs will provide more transparency.

#### Issue #16 - Indicative RAB/TAB

**Issue raised by Essential Energy:** Can more detail be provided on how to calculate this. A worked example would be useful.

#### **AER response - Indicative RAB roll forward:**

This information is being collected to enable reporting on and analysis of changes in asset base values within a regulatory period. It reflects the Roll forward methodology, and the definitions and concepts will be updated to clarify:

- Year 1, opening value must equal Final decision PTRM opening value (\$ real)
- Opening value for all years except year 1 must equal closing value Year (x-1) from the previous year's RIO
- Year (x-1) closing value will be removed from the tables
- Closing value for the final year of the period will not align with the RFM closing value
- capex additions reflect actual capex in a reporting year and will be defined as gross capex (including capital contributions)
- capital contributions will be reported as a (new) separate data item
- disposals reflect actual disposal of assets in a reporting year
- capex timing adjustment is the half-year WACC adjustment applied as per the Roll forward model
- final year adjustments do not need to be reported and the item will be removed
- Closing value will be represented as a formula, not an input: Closing value = Opening value + Capex - Capital contributions - Disposals + 1/2 WACC timing adjustment - Forecast depreciation + inflation on opening value

#### **AER response - Indicative TAB roll forward:**

This information is being collected to enable reporting on and analysis of changes in asset base values within a regulatory period. It reflects the Roll forward methodology, and the definitions and concepts will be updated to clarify:

- Year 1, opening value must equal Final decision RFM closing value (\$ nominal)
- Opening value for all years except year 1 must equal closing value Year (x-1) from the previous year's RIO
- Year (x-1) closing value will be removed from the tables
- Closing value for the final year of the period will not align with the RFM closing value

- capex additions reflect actual capex in a reporting year and will be defined as gross capex (including capital contributions)
- capital contributions will not be reported separately in the TAB tables
- disposals reflect actual disposal of assets in a reporting year
- capex timing adjustment is NOT applied to derive the closing TAB and will not be reported
- final year adjustments do not need to be reported and the item will be removed
- Closing value will be represented as a formula, not an input: Closing value = Opening value + Capex - Disposals - actual depreciation

### **Workshop discussion**

AusNet Services questioned if the AER will be able to make sure its reporting systems will allow the end of the period closing balance to not equal the opening balance for the next year.

**AER response:** This will be achieved by removing the requirement to report the closing balance for the prior year.

The AER will have the ability to check against previously submitted data to ensure the data meets the requirements.

If closing balance doesn't equal opening balance for the next year, the NSP will need to provide an explanation (Note: This validation will not be required for the opening balance of the first year of a regulatory period).

### Issue #109 – Depreciation

**Issue raised by Powerlink:** This issue was discussed in workshop 1. Powerlink wished to clarify what was said in workshop 1 around depreciation terms and definitions.

**AER Response:** We will distinguish different depreciation concepts by using different terms. Appropriate definitions will be provided for each term used.

### Use cases

No issues raised on use cases relating to Asset Base Values.

## **Topic 2: Regulatory accounts information**

### **Non-prescribed transmission services**

#### Issue #108 – Disaggregation of non-prescribed transmission services

**Issues raised by Powerlink:** Powerlink suggests the AER consider whether the disaggregation of non-prescribed transmission services into negotiated and non-regulated services is required in a new regulatory information instrument. Much of the information requested in the RINs and regulatory accounts is not publicly available, as these network activities are commercially sensitive and therefore subject to confidentiality claims.

**AER response:** The disaggregation across all service segments provides the AER with visibility over the financial outcomes of the regulated network, rather than just a segment of the network's activities.

### **Workshop discussion**

Powerlink wants to explore if the AER requires the disaggregation of non-prescribed transmission services data into negotiated and non-regulated services, could this be combined as non-prescribed. This data is considered confidential.

**AER response:** Yes, we collect this information to allow us to perform our regulatory compliance responsibilities. The entire breath of this information assists us to interpret the information. We will not publicly disclose confidential information.

### **Allocators**

#### **Issue #123 – removal of allocators**

**Issue raised by AusNet Services:** In the interest of streamlining the volume of information requested and aligning requirements across the different networks, we request the following data be removed: 'Causal Allocators' and 'Non-Causal Allocators' Operating Expense data in Consultation Workbook Transmission 06 Operating Expenditure. We consider that this information does not add value and is not meaningful to users. Compliance with the AER reviewed, and approved cost allocation methodology is inherently embedded within the reporting requirements.

**AER response:** This data will be omitted from the ongoing reporting obligations.

### **Related party transactions**

#### **Issue #125 - Removal of related party transactions**

**Issue raised by AusNet Services:** In the interest of streamlining the volume of information requested and aligning requirements across the different networks, we request the following data be removed: 'Related Party Transactions' in Consultation Workbook Transmission 09 Revenue and Financial Statements. There is duplication in the data requested - related party transactions relating to Capital and Operating expenditure are required to be also reported within the respective workbooks. Balance Sheet balances associated with related parties do not impact decision making and are not required to be disclosed as part of Electricity or Gas Distribution reporting.

**AER response:** Related party transaction information is used by the AER to understand how the regulated networks operate across the whole sector. However, the duplicated information should not be collected twice, and we will review the information requirements.

### **Workshop discussion**

AER staff use related party transaction data to assist in providing an overall picture of the entity.

AusNet Services raised the issue of duplication and queried if the operational data might be sufficient.

**ACTION ITEM 1:** The AER will work with teams to investigate sources of duplication and make sure we only ask for the information once in the new instrument.

## **Provisions**

### Issue #128 - Provisions

**Issue raised by AusNet Services:** This issue was covered in workshop 1.

### **Workshop discussion**

The AER requires this data at the individual provision level. AusNet Services is ok with this.

### Use cases

Powerlink questioned the absence of a future use for Regulatory Accounts – Income Statement – RFS Inc.

**AER Response:** We are not convinced the current data requirements are fit purpose. If the AER can meet its requirements from data provided elsewhere, we will reduce/remove this requirement to eliminate duplication.

## **Other issues**

### **Rule change proposal to remove the information guideline**

### **Workshop discussion**

Based on feedback the AER received in submissions from NSPs on the discussion paper, a rule change to remove the information guideline requirement will likely be proposed. There will be further consultation on this when the AER consults on the draft RIO towards the end of the year.

There was a question on the timing of the order.

**AER Response:** We anticipate releasing the draft order in June 2023.

There was a question about whether the rule change will be required by June 2024 to mitigate the risk of duplicate reporting requirements (against two instruments) by the NSPs.

**AER response:** The AER will talk to our legal team about this.

**ACTION ITEM 2:** AER to talk to its legal team about the latest date for a rule change to avoid duplicate reporting requirements for NSPs. AER to then advise NSPs of this date. This action will be managed as part of the rule change consultation process.

## **Financial reporting use cases**

### **Workshop discussion**

There are 3 key reasons the AER collects financial reporting information; each relates to a role the AER must perform. The AER's challenge is to minimise duplication of reporting requirements for NSPs while making sure enough data is collected to satisfy each of its 3 roles.

- Role 1 - Performance reporting (including profitability reporting)
- Role 2 - Regulatory accounting framework
- Role 3 - Compliance reporting

Role 3 – Compliance reporting will be looked at more closely in the development of the new Orders. The AER is not convinced the current data collection allows us to perform this role effectively.

### **Any other issues**

Transgrid raised an issue concerning contingent project expenditure. The need to re-state as-commissioned expenditure to as-incurred expenditure is overly burdensome, could the AER explore reporting options to minimise workload.

<p><b>ACTION ITEM 3:</b> The AER will consider the options around cost pass through expenditure reporting and explore a way forward.</p>
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Powerlink asked if the Order would include an explanatory statement to formally document the AER's data use cases.

**AER Response:** The AER agrees it is a good idea to have its data use cases published in a more formal, permanent capacity. This may be as part of the data requirements workbooks, in a separate workbook, as an appendix to the Order or in an explanatory statement.