AusNet

19 October 2023

Adam Rapoport
Assistant Director – Network Expenditure
Australian Energy Regulator

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Dear Adam

RE: AER's draft 2023 Annual Benchmarking Report for DNSPs

We appreciate the opportunity to provide the following comments on the AER's draft 2023 benchmarking results for DNSPs:

- **Updating the MTFPs and MPFPs to address differences in capitalisation**: We appreciate the AER responding to stakeholder feedback and updating the MTFPs and MPFPs to address differences in capitalisation, that will improve the accuracy and confidence in the overall benchmarking framework and assist with consistency between the productivity and econometric results. The MTFP/MPFP update should be incorporated into the final report for 2023 even if it causes a slight delay in publication. If implementation cannot be done in time, then the executive summary should include strong caveats (currently missing from the draft report) on how to interpret the productivity results.

- **GSLs should be excluded from opex for benchmarking purposes**: We appreciate the AER's acknowledgement of our concerns that GSL amounts are heavily impacted by uncontrollable operating conditions and jurisdictional scheme differences, are unrelated to network productivity and also lead to double counting of the reliability output. This issue has been on the AER's future benchmarking work program since at least 2018 and we continue to consider it is an issue that can be addressed relatively quickly and easily, instead of continually being deferred. For example, table 8.4.1 of the Annual Reporting (AR) RIN contains the GSLs amounts, which can be subtracted from benchmarked opex. The same subtraction process can be used to update the opex series for the econometric models and MTFPs and MPFPs, without the need to make an equivalent adjustment to the capex or RAB.

- **A review of the OEFs framework, including our proposed new OEFs**: We acknowledge that resourcing constraints places practical limits on what the AER can prioritise in the short to medium term versus what it must defer to a future period. We look forward to progressing a review of the broader OEFs framework with the AER when resources become available.

- **Monotonicity violations**: We made a submission on 9th February 2023, expressing our concerns with respect to the monotonicity violations observed in the translog models, yet this has not been acknowledged. Specifically, footnote 21 acknowledges submissions from Ausgrid, Evoenergy, Jemena, Ergon, and Energex, but not AusNet.

- **Customer friendly benchmarking overview**: We look forward to seeing the AER's customer friendly benchmarking overview as customers and consumer advocates place high importance on the AER's benchmarking reports in assessing whether businesses are efficient. We encourage the AER to include commentary on various issues raised which have not yet been addressed but have a material impact on benchmarking results (for example, GSLs and potential new OEFs proposed by us/ Sapere Merz in relation to differences in terrain).

Please contact Angella Nhan ███████████████ with any questions in relation to this submission.

Sincerely,

███████████

Charlotte Eddy
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