

Network Information Requirements Review

Draft Annual Information Orders
Explanatory statement

December 2023

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Inquiries about this publication should be addressed to:

Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601
Tel: 1300 585 165

AER reference: AER213511

Contents

1	Introduction	4
1.1	Scope of the review.....	4
1.2	Getting involved	4
1.3	Invitation for submissions	5
2	Discussion topics	6
2.1	Regulatory information instrument.....	6
2.1.1	Type of Instrument	6
2.1.2	Class of persons - coverage	6
2.1.3	Reporting period.....	8
2.1.4	Annual submission date	8
2.2	Data requirements.....	12
2.2.1	New information – Customer Service Incentive Scheme	13
2.2.2	New information – Export Services Incentive Scheme.....	14
2.2.3	New information – transmission revenue reconciliation	15
2.2.4	New information – safety outcomes.....	15
2.2.5	New information – legacy meters	16
2.2.6	Export services.....	17
2.3	Other information requirements.....	17
2.3.1	Basis of Preparation	17
2.3.2	Assurance requirements	18
2.3.3	Policies and procedures	19
2.3.4	Capex transparency	19
3	Other matters.....	21
3.1	Compliance and flexibility.....	21
3.1.1	Compliance framework.....	21
3.1.2	Amending Orders or obligations	21
3.2	Transmission information guideline	22
3.3	Information exchange.....	22
	Attachment A – Information updates.....	24
	Electricity distributors.....	24
	Electricity TNSPs	26

1 Introduction

This explanatory statement accompanies the Draft Annual Information Orders (draft Orders) the AER will serve on the electricity transmission and distribution networks it regulates. It describes our positions on matters we have identified as relevant to achieving our long-term vision for how we collect, manage, and share information about regulated electricity networks.

Publication of the draft Orders is a key milestone in our Networks Information Requirements Review (the review). Our review is about ensuring the information we collect from and about regulated electricity networks is robust, accessible, and fit for purpose into the future. It is also about improving the quality of the information about electricity networks that we use and share and improving the efficiency of the data collection processes.

Decision-makers and energy sector participants working for the long-term interests of consumers need consistent, relevant, and transparent information about electricity networks. That information is critical to our ability to undertake our regulatory roles, including making revenue and price determinations and assessing and reporting on the performance of regulated network service providers. It underpins our analysis of regulatory proposals and supports the work of all stakeholders as they contribute to the future development of electricity networks and the energy sector.

We instigated this review due to both the ongoing energy sector transformation and the need to update our current information requirements and collection processes.

1.1 Scope of the review

The review focuses on the information we collect from electricity networks each year. Our annual information requirements support our assessment of regulatory proposals and our performance reporting functions. We use the information in our annual compliance and approval processes, including determination of service performance incentive rewards or penalties, annual pricing approvals, and demand management reports. We also use the information to review and refine our regulatory tools, to assess the impact of our decisions and to develop tools to analyse new areas of interest, such as the incentive arrangements relating to export services.

The annual information is an important input to assessing expenditure forecasts and revenue proposals. Our review focusses on annual historical information but is being informed by changes in the regulatory assessment tools and models we use in regulatory determination processes.

This review does not address changes to information exchange IT systems and processes.¹

1.2 Getting involved

Issuing the draft Orders marks the third stage of the review and is a legal requirement in developing regulatory information orders. We are now asking stakeholders to provide

¹ See AER website Future Technology Platforms Review:
<https://www.aer.gov.au/industry/registers/resources/reviews/future-technology-platforms>

feedback on the draft Orders, and we will consider that feedback as we finalise the annual Orders.

Details of the review milestones are on the AER's website, including our decision in June 2023 to defer the development and consultation on draft Orders until December 2023.²

We aim to develop final Orders by March 2024. We encourage engagement by all energy sector participants and stakeholders. The decisions we make and the actions we take affect a wide range of individuals, businesses, and organisations. Hearing from those affected by our work helps us make better decisions, provides greater transparency and predictability, and builds trust and confidence in the regulatory regime.

Table 1 sets out the key milestones planned for the completion of this review.

Table 1 Key dates for Network Information Requirements Review

Milestone	Date
AER published Preliminary Draft Instrument (including data requirements)	December 2022
Consultation on the Preliminary Draft Instrument	Q1 2023
AER issues Draft Annual Orders	7 December 2023
Consultation on Draft Annual Orders	31 January 2024
AER issues Final Annual Orders	March 2024
Reporting periods	2024-25 to 2027-28

1.3 Invitation for submissions

We invite energy consumers and other interested parties to make submissions on the draft Annual Information Orders by Wednesday, 31 January 2024.

Submissions should be emailed to: networksinformation@aer.gov.au

Alternatively, submissions may be sent to:

Dr Kris Funston
Executive General Manager, Networks Regulation
Australian Energy Regulator
GPO Box 3131
CANBERRA ACT 2601

We prefer all submissions be publicly available to facilitate an informed and transparent consultative process. We will treat submissions as public documents unless otherwise requested. We will publish all non-confidential submissions on the AER's website. For further information on the AER's use and disclosure of information provided to it, see the [ACCC/AER Information Policy](#).

We request parties wishing to submit confidential information:

- clearly identify the information that is the subject of the confidentiality claim
- provide a non-confidential version of the submission in a form suitable for publication.

² See AER website <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review>

2 Discussion topics

2.1 Regulatory information instrument

The AER compels regulated network service providers to provide information to it by serving regulatory information instruments on regulated network service providers. Regulatory information instruments may only be served when the AER believes it is reasonably necessary to collect the information being requested. A regulatory information instrument sets out the type of information to be provided by the regulated network and the reasons the AER requires the information, but it must also describe:

- the business or businesses on whom it is served (coverage)
- the period for which it applies (reporting period).

In this section we discuss the type of regulatory information instrument the AER may serve, the coverage of the instrument and the period for which it applies.

2.1.1 Type of Instrument

AER draft Orders

The AER will develop regulatory information orders specifying annual information reporting obligations imposed on regulated network service providers.

The AER currently uses a range of regulatory information notices (RINs) and informal information requests issued to individual networks requiring them to provide information to the AER each year. In the preliminary Orders we proposed issuing Regulatory Information Orders (Orders) applying to all regulated network service providers in a defined 'class'.

Our draft Orders confirm our position as set out in the preliminary Orders. We have balanced the perceived reduction in flexibility against the drive towards consistency in information requirements, the reduction in administrative burden and the increased transparency associated with the expanded consultation process.

2.1.2 Class of persons - coverage

AER draft Orders

The AER will develop Annual Information Orders for transmission networks, distribution networks and regulated interconnectors.

The AER will exclude Power and Water Corporation from the distribution Orders and instead define the annual reporting obligations for Power and Water Corporation under a separate Regulatory Information Notice.

Our draft Orders reflect the preliminary Orders and will cover the following three classes:

Distribution

Applies to the following specified class of *regulated network service providers*:

- *regulated distribution system operators* that own, control or operate a *distribution system* located in the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania or Victoria.

Transmission

Applies to the following specified class of *regulated network service providers*:

- *regulated transmission system operators* that own, control or operate a *transmission system* located in the Australian Capital Territory, New South Wales, Queensland, South Australia, Tasmania or Victoria.

For the avoidance of doubt, this draft Order does not apply to *regulated interconnectors* or AEMO.

Interconnectors

Applies to the following specified class of *regulated network service providers*:

- *regulated interconnectors*.

For each class we have used terms defined in the *National Electricity Law* or *National Electricity Rules* to limit the coverage to only those electricity networks we regulate.³

Consistent with the preliminary Orders, the draft Orders recognise different electricity distributors may supply different services or operate in different regulatory environments, meaning not all information requirements may be relevant to every electricity network within a class of participants. For example, not all distribution networks provide public lighting services; and Tasmania categorises its network using criteria different from other states. The draft Orders accommodate such issues, by allowing the networks to explain why specific material is not relevant, or by specifying the requirements in such a way that all variations are included.

We differentiate interconnectors from other regulated transmission networks in the draft Orders as they are smaller than other transmission networks and provide a specific

³ NEL, Part 1 – Preliminary, 2 – Definitions:

regulated network service provider means—

- (a) a regulated distribution system operator; or
- (b) a regulated transmission system operator

regulated distribution system operator means an owner, controller or operator of a distribution system—

- (a) who is a Registered participant; and
- (b) whose revenue from, or prices that are charged for, the provision of electricity network services are regulated under a distribution determination

regulated transmission system operator means an owner, controller or operator of a transmission system—

- (a) who is a Registered participant; and
- (b) whose revenue from, or prices that are charged for, the provision of electricity network services are regulated under a transmission determination

NER, Chapter 10 – Glossary:

regulated interconnector

An interconnector which is referred to in clause 11.8.2 of the Rules and is subject to transmission service regulation and pricing arrangements in Chapter 6A.

transmission service between regions of the National Electricity Market. Where possible the information requirements are consistent with those applying to transmission networks.

We have maintained our position to exclude Power and Water Corporation from the distribution Orders and instead define the annual reporting obligations for Power and Water Corporation under a separate RIN. This is because, compared to other distributions networks in the National Electricity Market, Power and Water Corporation:

- is smaller in network size
- undertakes unique functions such as management of the technical code, market dispatch operations and transmission functions
- has community service obligations to remote communities
- is transitioning to NEM arrangements.

The Power and Water Corporation Notice will allow for reduced information reporting in circumstances where it has not yet developed its systems and processes to meet the required reporting standards, but otherwise will be consistent with the distribution Orders. We expect to transition Power and Water Corporation to the distribution Orders in the future.

2.1.3 Reporting period

AER draft Orders

The draft Orders cover reporting periods for the financial years 2024–25 to 2027–28.

The reporting period refers to the years for which the Orders will apply and, consequently, the length of time before we update the Orders. The reporting years correspond to each network service provider’s relevant financial years (reporting years), for the duration of the Order.

We will use the Orders to collect information each year where the information relates to the preceding reporting year. All electricity network service providers are regulated on a financial year basis, and for all but AusNet Transmission their reporting years end on 30 June. AusNet Transmission reports on a Singaporean financial year ending 31 March.

The Orders will apply for four years and will commence in the 2024–25 reporting year, which is a change from the preliminary Orders. We advised stakeholders of this proposed change in June 2023 at which time we also advised regulated network service providers of changes to the review timing.⁴

2.1.4 Annual submission date

AER draft Orders

The draft Orders require annual information responses to be provided:

- for the first reporting year - 5 months after the end of the reporting year

⁴ AER website – deferral notification: <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review> “Updated timing”

- for the second, third and fourth reporting years - 4 months after the end of the reporting year

Under the current annual RINs regulated network service providers must provide responses to the AER by 31 October each year.⁵ The preliminary Orders were consistent with the existing RINs and specified a date 4 months after the end of the reporting period.

Several network service providers requested the date of the annual submissions be moved to 5 months after the end of the reporting period. They stated the need for an extension in time reflects the increased scope and complexity of the information requirements and will allow additional time for network service providers and their auditors to collect, review and interrogate the information to be provided.

Other factors raised by the networks include:

- better alignment with annual pricing processes – reducing duplication of information provided
- the need to map existing RIN requirements to the new data requirements to allow for consistent time series analysis (relevant to both internal review and scrutiny of auditors)
- a lack of assurance practitioners experienced in regulatory audits or reviews, and the high demand for such services across the sector.⁶

In reviewing the annual submission date, we considered issues the network service providers had with meeting the current RIN timing, changes in information requirements compared to current arrangements and the capacity of assurance practitioners to deliver against the assurance requirements set out in the Orders. We also considered the impact on the AER's processes for managing and sharing the information provided by network service providers.

We note there have been very few instances where an electricity network service provider requested the AER vary a RIN to allow extra time for submissions to be prepared. In the most recent RIN submission process, all electricity distribution and transmission network service providers were able to provide the required information and assurance reports within the four-month timeframe. This suggests that while the current process might be difficult it is manageable, for both the electricity network service providers and their assurance providers.

We then considered the impact of the increased scope of the information required under the Orders. We considered the amount of information not previously sought via RINs or information requests, as well as the removal of some existing data requirements, and the data amendments where existing requirements have been varied or consolidated. Each of these changes will impact the regulated network service provider's ability to meet the requirements of the Orders. Data requirements not previously collected using RINs or information requests are limited. They relate to:

⁵ AusNet Services Transmission is the exception, as it reports at end July each year, four months after the end of the Singaporean financial year (31 March).

⁶ See submissions from ENA, Ausnet Services, SAPN, TransGrid, Tasnetworks, CPU, Jemena, EQL and Essential. <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/preliminary-decision>

- Small scale incentive schemes (distribution only)
- Small business customer numbers and energy delivered (distribution only)
- Unregulated revenues (distribution only)
- Revenue reconciliation (transmission and interconnectors only)
- Large project expenditures
- Safety outcomes
- Operating expenditure inputs
- Regulatory asset base and tax asset base roll forward.

However, compared to existing RINs or data proposed in the preliminary Orders we have removed data requirements relating to:

- Labour costs and work hours
- Augmentation project data
- Price reduction/recovery (transmission and interconnectors only)
- Opex for high voltage customers (distribution only)
- Power factor conversion
- Capacity utilisation
- Density factors
- Avoided Transmission Use of System (TUOS) payments
- Benchmarking data recast under 2014 cost allocation methods
- Total expenditure inputs
- Capex transparency.

In addition, we have mitigated the burden relating to the new data requirements by excluding some requirements from the audit or review process, for example safety outcomes data.

We have amended a number of data requirements. In many cases the amendments require explicit reporting of details that were previously implicit in the data compilation process (for example data relating to asset base values). In other cases, the amendments reflect a more streamlined approach to reporting, aligning detailed disaggregation across multiple data requirements to help drive consistency in reporting – for example data relating to replacement capital expenditure, asset maintenance and inspections. Other amendments change the detail of the data requirements to better align with other regulatory processes – for example tariff based information on customers and energy delivered now aligns with the annual tariff approval process.

It is also important to note the Orders consolidate information requests or RINs that previously had different timing obligations. For example, the data on export services has previously been sought via ad hoc information requests and did not align with other RIN timeframes, and the data on profitability was sought under a profitability RIN, with its own definitions and requirements. By consolidating these various RINs and information requests

we are reducing administrative complexity and increasing consistency across data requirements. As such, the Orders should help regulated network service providers manage our information requirements.

Overall, we consider the new Orders are likely to increase the difficulty regulated network service providers will face in compiling their responses to the Orders. However, we recognise that until the regulated network service providers undertake the process to prepare the information and data required under the Orders, the impact of the changing requirements is uncertain. And while we could address this issue by using our powers to amend the Orders or exempt specific network service providers from the Orders (or components of the Orders), we prefer to use those powers only in exceptional circumstances rather than to manage transitional issues.⁷

The regulated network service providers raised concerns about mapping data requirements from the Orders to the existing RINs. We consider the need to map the information requirements set out in the Orders to existing RIN requirements is not onerous as we have identified and documented like-for-like information in the data workbooks. Further, we do not require regulated network service providers to use the data workbooks attached to the Orders as the data collection or reporting tool.

The Orders specify regulated network service providers must agree the form of the information submission with the AER. We intend to work with network service providers to develop data submission workbooks after the Orders are issued. We consider the existing RIN workbooks will be the starting point for that work, to minimise the amount of work imposed on the networks in meeting the information requirements under the Orders, especially in the first reporting year. We expect network service providers will be able to use existing reporting systems to meet the data reporting obligations under the Orders. As such, we consider the shift from the existing RIN processes to the Orders will not introduce significantly more work or complexity to prepare annual information submissions.

The AER is concerned about any difficulty faced by regulated network service providers in accessing the audit and review services required to fulfill their obligations to provide information to the AER. We consider the independent audit and review of the annual information submissions critical to driving the data quality standards we expect. We note that in the 2022–23 annual RIN submission process no electricity network service provider requested relief from the current submission timing of four months after the end of the reporting period. We have taken that as an indication that audit and review assurance on future submissions will also be able to meet that timing.

We also note not all new data is subject to audit or review. We have carefully considered new and existing information requirements and have actively eliminated audit or review requirements where possible. We have been informed in this process by the type and quality of the information, whether the information is available in a different form and how it is used by us and other stakeholders. Where audit or review obligations are specified in the Orders,

⁷ See section 3.1 for a discussion on our powers to amend the Orders.

we have carefully considered the standard to be applied and note the bulk of the existing data has not had its audit or review standards increased.⁸

The information collected under the Orders is a key input to the AER's annual assessment processes, the AER's network performance reporting and helps inform stakeholders participating in reviews of regulatory proposals. If the annual reporting date is moved to the end of November, our ability to use and share the information will be impacted. Other stakeholders who rely on access to the data for their own analysis will also be impacted.

After careful consideration of the issues raised by the regulated network service providers and mitigating factors, we have decided to amend the annual reporting date for the first reporting period. The first reporting period ends on 30 June 2025 and the information is required by 30 November 2025, five months after the end of the reporting period.⁹ This change has been made as we consider the transition to the Orders will be hardest in the first year, as any new data systems and reports are developed. For the remaining reporting years, we have opted to maintain the existing annual reporting date of 4 months after the end of the reporting period.

2.2 Data requirements

In this section we discuss new data requirements. Changes in data requirements are set out in Attachment A – Information updates and documented in the workbooks attached to the draft Orders.

Data is at the core of the annual information requirements set out in the draft Orders.

We collect financial data covering regulated network service providers' revenues, expenditures, and asset base values, as well as non-financial data that describes the network service providers' outputs, operating environment, service performance and customers. The data informs our regulatory decisions, including decisions on forecast revenues, annual prices, and targets for service performance standards. The AER and other industry stakeholders also use the data for performance reporting and informing analysis of the energy sector.

We specify the data requirements in section 3 of the draft Orders and in the workbooks attached to the Orders at Appendix A. The workbooks specify data requirements – we do not intend network service providers use them as a data collection tool for annual data submissions. Each workbook includes relevant definitions, validation rules and audit or review requirements. We also identify where data requirements in the Orders match data reported in current RIN tables and workbooks.

In specifying the data requirements, we classify the data by category, grouping like concepts together in individual workbooks created for each category:

⁸ Transmission networks and interconnectors that reported financial data under the existing information guideline may have a higher standard associated with actual financial data. This is discussed in section 3.2.2.

⁹ AusNet Services Transmission is the exception, its annual submission date for the first reporting year will be end August 2025, 5 months after the end of its reporting period.

• Operational outputs	Information about the volume of services delivered by the network service provider.
• Network metrics	Information about the configuration of the electricity network and the environment in which it is located.
• Customer numbers	Information about the network service provider’s customer base.
• Service performance	Information about how well the network service provider delivers its services to consumers.
• Operating expenditure	Information about expenditure used to operate or maintain the electricity network.
• Capital expenditure	Information about expenditure used to build or expand the electricity network.
• Asset base values	Information about the value of the assets of the electricity network.
• Revenue and financial statements	Information about revenues, financial transactions, and balances
• Prices	Information about prices charged or paid by network service providers.

We have also introduced a supplementary workbook for distribution network service providers – Workbook 11 – SCS legacy metering. We have included this data requirement pending future AER determinations regarding the classification of metering services to customers without smart meters. We are including it at this draft stage to facilitate feedback from stakeholders but will update the requirements to reflect relevant AER determinations made prior to the Orders being finalised. We discuss this new data requirement in section 2.2.5 of this explanatory statement.

2.2.1 New information – Customer Service Incentive Scheme

AER draft Orders

The draft Orders set out the information distribution network service providers must provide where the AER has applied a Customer Service Incentive Scheme in the reporting year.

The Customer Service Incentive Scheme encourages distribution network service providers to engage with their customers and provide customer services in accordance with their customers’ preferences. The scheme is flexible and allows the AER to apply tailored incentives to each distribution network and its customers and set rewards and penalties against the specific customer service targets implemented.

At the time of the preliminary Orders, we removed the customer service incentive scheme data requirements, noting the variability in schemes and timing meant we could not

accurately specify information requirements for the distribution networks in all years covered by the Orders. We were concerned the obligations in the Orders would become out of step with the outcomes of our regulatory decisions.

However, we have now included an obligation on distribution network service providers to report against the Customer Service Incentive Scheme - if one applies to them in a reporting year. We have defined the information requirement by reference to the AER's relevant final distribution determination, rather than including specific data or information requirements. That detail will be set out in the relevant distribution determination, and the distribution network service providers will be required to provide information as specified in the distribution determination. The new obligation relating to provision of annual Customer Service Incentive Scheme information is set out in section 4.22 of the draft Orders.

By including the overarching reporting obligation in the Orders, we ensure distribution network service providers provide information that complies with their final determinations and is subject to assurance standards. In addition, there will be a corresponding obligation to document, in the basis of preparation, the sources and methods used to compile the information. We also minimise administrative burden by consolidating annual reporting obligations to the extent possible.

2.2.2 New information – Export Services Incentive Scheme

AER draft Orders

The draft Orders set out the information distribution network service providers must provide where the AER has applied an Export Services Incentive Scheme in the reporting year.

The role of the Export Services Incentive Scheme is to provide incentives for distribution network service providers to improve the delivery of export services, where the improvements are driven by customer preferences.

In the preliminary Orders we did not include any information requirements relating to the Export Services Incentive Scheme – at that time, the scheme had not been finalised.¹⁰

However, like the Customer Service Incentive Scheme, we have now included an obligation on distribution network service providers to report against the specific Export Services Incentive Scheme if one applies to them in a reporting year. We have defined the information requirement by reference to the AER's final distribution determination, but we have not included specific data or information requirements. That detail will be set out in the relevant distribution determination, and distribution network service providers will be required to provide information as specified in the distribution determination. The new obligation relating to provision of annual Export Services Incentive Scheme information is set out in section 4.22 of the draft Orders.

By including the overarching reporting obligation in the Orders, we ensure distribution network service providers provide information that complies with their final determinations and is subject to assurance standards. In addition, there will be a corresponding obligation to document, in the basis of preparation, the sources and methods used to compile the

¹⁰ See AER website: <https://www.aer.gov.au/industry/registers/resources/schemes/export-service-incentive-scheme>

information. We also minimise administrative burden by consolidating annual reporting obligations to the extent possible.

2.2.3 New information – transmission revenue reconciliation

AER draft Orders

The draft Orders set out the information transmission networks must provide to disclose annual revenue requirements and recoveries.

The AER's transmission revenue determinations set limits on the revenue transmission network service providers can recover from customers each year. These so called 'revenue requirements' feed into the process for setting transmission prices, which in turn impact the final charges electricity consumers face. The transmission pricing process is complex, but unlike the equivalent processes for electricity distribution and regulated gas pipelines, the AER does not have a role in approving annual pricing proposals for transmission networks. Our role is limited to approving the pricing methodology transmission network service providers must use to determine transmission charges.

One of the consequences of the existing regulatory framework is the AER does not have a mechanism for reviewing transmission revenue recoveries, or ensuring any over or under revenue recoveries are accurately reflected in subsequent transmission pricing processes. We have introduced a new data requirement to enable us to track transmission revenue requirements and recoveries as part of our annual compliance activities. We have worked with transmission network service providers to develop this data requirement, so that we can link it back to the annual transmission pricing process, as well as the AER's revenue determinations. The requirements are set out in Data category 09 – Revenue and financial data.

2.2.4 New information – safety outcomes

AER draft Orders

The draft Orders set out the information electricity networks must provide relating to safety incidents.

Electricity network service providers raised multiple issues regarding the collection of safety incidents information set out in the preliminary Orders.¹¹ The issues related to the concepts and definitions proposed for the data requirements, duplication of information reported to jurisdictional safety regulators and concern about how the data might be used, given significant variations in operation environments and safety risk factors.

In response to the issues raised we have changed our data requirements relating to safety incidents. We still consider reporting on safety incidents important – safe and reliable operation of the electricity network is a core component of the National Electricity Objective, and a key driver of network operation and management activities and expenditures. For that reason, we think it important to understand the number and type of incidents assessed as

¹¹ See for example submissions from ENA, TransGrid, SA power Networks, Powerlink, Jemena, Essential Energy, Powercor, Ausnet Services and Ausgrid. Available at: <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review>

‘safety’ incidents. While we have excluded safety data from the data workbooks, we are still requesting information be reported as supporting information.

The requirements in the draft Orders shift from just quantifying the impact of safety incidents (that is, reporting the number of people impacted, as per the preliminary Orders) to also classifying the impact of safety incidents (who or what was impacted, and the severity of the impact). The change in requirements facilitates reporting of safety data in a manner that reflects the standards applying to each electricity network and enables stakeholders to review the information and use it to inform their contributions to regulatory determinations or other analysis.

We have considered existing jurisdictional reporting obligations in formulating our information requirements and mirrored existing concepts and definitions to the extent possible. As the information requirements are new, we have not imposed audit or review obligations on this information.

2.2.5 New information – legacy meters

AER draft Orders

The draft Orders set out the information distribution network service providers must provide where the AER has classified legacy meters as standard control services.

Legacy meters are assets owned and serviced by electricity distribution network service providers. These are mainly accumulation meters (type 6) but also interval meters (type 5). The term ‘legacy meters’ refers to meters that cannot be read remotely and do not provide for two-way information flows – they are not ‘smart meters’.

As the energy sector transitions to greater consumer participation in energy markets – supported by data on energy consumption and exports – there is a shift towards smart meter technology.¹² However, some customers (albeit a declining number) do not have smart meters installed – they remain on legacy meters. The AER is considering how to address the cost impacts of the declining legacy meter customer base. One of the options being considered is the reclassification of legacy meter services as standard control services – rather than alternative control services.

Distribution network service providers recover the costs of providing standard control services from all customers connected to its electricity network. However, they recover the costs of alternative control services from the customers that receive the service. In our consideration of this issue, we have stated the reclassification of legacy meter services to standard control services is likely to be more appropriate. This approach will result in the benefit of recovering metering services costs across a wider customer group during the smart meter transition and maintain compliance with the pricing principles in the NER.¹³

The AER has not yet reached a final position on this matter and will address the issue in detail in future distribution determinations. However, we have opted to include new data requirements in the draft Orders to try and ‘future proof’ our data requirements, and to

¹² AEMC, Final Report: Review of the regulatory framework for metering services, August 2023.

¹³ AER, Draft decision, Ausgrid distribution determination 2024-29, Attachment 13 – Classification of Services, p. 9.

provide stakeholders with the opportunity to consider options for collecting data relating to legacy meters.

The draft Orders require legacy meter data to be provided only if the AER's final distribution determination has classified these services as standard control services in the reporting year. If that happens, we wish to maintain our historical time series data by continuing to collect standard control services data that excludes legacy metering services, while also collecting specific information relating to legacy metering expenditure, asset volumes and services.

We have specified stand-alone data requirements relating to legacy metering services in Appendix C to the draft Orders, Workbook 11 – Legacy metering. The instructions in Appendix A to the Orders require standard control services information reported in data categories 6 – Opex, 7 – Capex, 8 – Asset base values and 9 – Revenue and financial data to exclude any data related to legacy meters classified as standard control services.

2.2.6 Export services

AER draft Orders

The draft Orders include information requirements that reflect the outcomes of the AER's Review: Incentivising and measuring export services.

The AER finalised its incentivising and measuring export services review in March 2023.¹⁴ The final report includes a detailed information request to enable ongoing and consistent measurement of export services outcomes and service delivery to customers. The AER has issued information requests reflecting the outcomes of the export services review, and we have integrated the data requirements, currently set out in our information requests, into the draft Orders.

2.3 Other information requirements

We require information, in addition to data, to help us understand the data submitted by electricity networks. The information includes the *Basis of preparation*, explanatory material, details of relevant policies, processes and methodologies, incentive scheme reports and compliance information. We also collect information relating to data quality – independent assurance reports and declarations from company officers.

In this section we discuss the basis of preparation and other non-data requirements. We discuss assurance requirements in section 2.3.2.

2.3.1 Basis of Preparation

AER draft Orders

The draft Orders specify the information to be provided in the *Basis of preparation*.

The *Basis of preparation* is critical to understanding how the regulated network service providers compile their data. We use it to identify sources and understand the methods used to prepare information provided to the AER. We also use it to assess year on year movements in data against changes in data sources or methodologies. It is also critical to the

¹⁴ See AER website: <https://www.aer.gov.au/industry/registers/resources/reviews/incentivising-and-measuring-export-services-performance>

independent assurance process. In that process an independent auditor assesses the data against the audit or review standards, RIN requirements and the *Basis of preparation* before supplying an opinion or review report.

Some regulated network service providers raised concerns about mandating an excel workbook as the type of file required for a *Basis of preparation*, noting difficulties in formatting and presenting detailed information in excel.

In the draft Orders, we have retained the requirement to use a standardised table structure for the basis of preparation but have not specified the type of file to be used.

The information we require reflects the instructions in the Orders (section 5.2) and are consistent with current RIN requirements. However, additional information is sought in the proposed *Basis of preparation* in the draft Orders. The additional information covers reporting of NULL responses, explanations for NULL responses, and description of changes compared to the previous year's *Basis of preparation*.

2.3.2 Assurance requirements

AER draft Orders

The draft Orders require company officers to endorse the information provided to the AER and that information must be reviewed by independent audit or assurance providers.¹⁵

We have set the audit or review standards to reflect the type of data, quality of data, AER use case, maturity of data requirements and other factors.

Our current RINs require company officers to endorse the information by way of statutory declaration. That position was included in the preliminary Orders and has been retained in the draft Orders.

The historical data we collect using RINs is subject to independent assurance assessment (audit or review). The assurance requirements give us confidence the data we use to perform our regulatory functions is reliable and accurate, meets the requirements specified in a RIN and is supported by evidence or documented methodologies.

The draft Orders reflect our position in the preliminary Orders. We include independent assurance requirements reflecting both the type and quality of the data sought but also our data use case, the maturity of the data requirements, timing of data submissions and any existing independent scrutiny (for example from AEMO or jurisdictional regulators) of the data.

TransGrid raised concerns about the increase in assurance scope and the standards applying to some data currently collected under the transmission information guideline.¹⁶ TransGrid advised its audit costs may increase by 30% and take an additional 2 weeks to complete.

¹⁵ AER, *Networks Information Requirements Review – Discussion Paper*, March 2022, p 11.

¹⁶ See submissions to the preliminary Orders:
<https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/preliminary-decision>

The transmission information guideline sits outside the regulatory information instrument framework. It is a standalone guideline and we have integrated those information requirements into the Orders. We propose to have the transmission information guideline set aside.¹⁷

We have set the assurance requirement for this data by applying the same assessment criteria we have used for all data requirements. The data requirements are not new, and the data is integral to our assessment of all other financial information. We consider it appropriate to include that information within the scope of the audit requirements under the draft Orders. In doing so we note the potential cost impact but consider that is mitigated by excluding some data tables found in the Information guideline from draft Orders.

We consider the benefits arising from the active review and assessment of information outweigh the additional costs to regulated network service providers. Our regulatory decisions impact all energy consumers – we want our regulatory decisions to be based on the best information available. It is not enough to demonstrate that data meets the basic validation rules, or that information is current, the regulated network service providers must also be able to say it is the best information and data available that meets our requirements. Quality assurance work imposes additional costs on regulated network service providers because it requires a critical review of information and assessment of the information's integrity.

2.3.3 Policies and procedures

AER draft Orders

The draft Orders require key policies and procedures be documented and provided to the AER, and the reasons for and impact of any policy changes be described.

The preliminary Orders required network service providers to identify policy documents and changes in those policies during a reporting year. In response network service providers raised concerns about the scope of the requirements, and the usefulness of the required documents.

The AER has now limited the information requirement to key policies and procedures that are likely to materially impact the presentation of data. These are regulatory accounting principles and policies, capitalisation policy and policies or procedures governing the allocation of overheads, in accordance with the approved cost allocation method. We consider these core policies and procedures critical to understanding the way in which financial information will be prepared and reported annually in response to the information orders. We may supplement the reduced reporting requirements in the Orders with specific requests for more detailed policy or procedural documents, if we consider such information will assist our analysis of the data provided.

2.3.4 Capex transparency

AER draft Orders

The draft Orders do not require provision of capital expenditure transparency information.

¹⁷ See section 3.2 of this Explanatory statement for a discussion on the Transmission Information Guideline.

In 2023, the AER completed its review of incentive schemes, including the Capital Expenditure Sharing Scheme. As part of that review, the AER committed to requiring network service providers to explain their decisions relating to the amount of capital expenditure they undertake, in comparison to the amounts they proposed to undertake. The AER decided it did not require this ‘capex transparency’ information annually but that it should form part of a network service providers regulatory proposal.

We sought feedback from stakeholders on our proposed capex transparency requirements. In their responses network service providers focussed on clarifying the detail required to be reported and recommended enabling transparency of explanations and stepping back from detailed line by line assessment of capital expenditure decisions.¹⁸ We also received a submission from the chair of the Consumer Challenge Panel, sub-panel 29 (CCP29), David Prins.¹⁹ Mr Prins focussed on how the AER would use information gathered as part of the capex transparency measures, and challenged the AER to document the tangible benefits to consumers. He also emphasised the potential benefits of network service providers integrating transparency statements into their consumer engagement processes.

The AER does not intend to use the transparency information in a prescriptive manner but endorses the sentiments of Mr Prins regarding how such information might be used to improve consumer engagement outcomes and be used by stakeholders to increase their understanding of the expenditure and investment decisions of the network service providers.

We will include a requirement for network service providers to present capex transparency information with their regulatory proposals, ensuring such information is subject to overarching assurance processes. The information we require is not a year-by-year trend analysis but does require the network service providers to present information for capital expenditure categories or drivers, consistent with their regulatory proposal capital expenditure modelling. They must provide a narrative to explain the variations between forecast and outturn expenditures in the current regulatory period, as well as drivers of changes between the current period and the next period. We expect this narrative to support consumer engagement and reflect network service providers capital expenditure proposals.

We will monitor the effectiveness of the capex transparency requirements in future distribution and transmission determinations.

¹⁸ ENA, SA Power Networks, available at: <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/preliminary-decision>

¹⁹ David Prins, Chair of CCP 29, available at <https://www.aer.gov.au/industry/registers/resources/reviews/networks-information-requirements-review/preliminary-decision>

3 Other matters

3.1 Compliance and flexibility

3.1.1 Compliance framework

The Orders impose a legal obligation on network service providers covered by the Order. Section 28O of the *National Electricity Law* requires regulated network service providers to comply with a general regulatory information order and classifies a breach as a ‘tier 1 civil penalty provision’. Tier 1 civil penalty provisions carry the most severe penalties for non-compliance, reflecting the importance of the obligations to the regulatory framework and operation of the National Electricity Market.

The AER has a range of options to address non-compliance with an Order, including:

- Administrative resolution – accept a voluntary commitment from a network to address the non-compliance and undertake steps to minimise non-compliance in the future.
- Issue guidance notes / compliance bulletins – the AER may publish education / guidance materials to clarify and inform expectations around non-compliance.
- Issue an infringement notice– for a tier 1 civil penalty provision, a payment of \$67,800 (for body corporates) applies. Payment of an infringement notices does not constitute an admission of a breach, but if a business chooses to make payment the AER cannot later bring proceedings in relation to that breach.
- Depending on the nature / severity of the breach, the AER may also:
 - commence court proceedings to seek a declaration by the court of the breach and payment of a civil penalty amount, or
 - accept a court enforceable undertaking (which is used to obtain commitments from the company to undertake steps to ensure the network service provider identifies the cause of the breach and mitigates the risk of future breaches, and/or other types of commitments which, for example, could relate to customer redress).

The AER uses the compliance and enforcement factors to determine an appropriate compliance outcome. These are set out in our compliance and enforcement policy.²⁰

3.1.2 Amending Orders or obligations

To amend an Order the AER must follow the same process it uses to develop an Order – that is, issue and consult on a draft amendment prior to issuing a final amendment. The consultation process is open to all stakeholders, and we must allow a minimum of 20 business days for stakeholders to respond to our draft amendments. We expect the process to amend an Annual Information Order to take a minimum of 3 months, depending on the complexity of the change.

However, while the AER is not able to amend Orders quickly in response to specific issues raised by a network, it does have the power to exempt networks from complying with an

²⁰ See AER Website: <https://www.aer.gov.au/publications/reports/compliance/aer-compliance-enforcement-policy>

Order.²¹ That power allows the AER to impose conditions to limit the application of the exemption to specific networks for a specific period, and/or specific obligations under the Order. We cannot use these powers to vary the Orders, but they do provide us with the ability to address exceptional circumstances a regulated network service provider may face from time to time.

For these reasons we do not consider a shift to Orders materially increases the risk of non-compliance faced by regulated network service providers. As noted in section 2.1.1, the annual reporting process is not new, and the timing and extent of the obligations are well known. We consider regulated network service providers should be able to manage those risks where the reporting obligations transfer to regulatory information orders.

3.2 Transmission information guideline

Currently transmission network service providers are required to submit information in accordance with an Information Guideline, most recently updated by the AER in April 2015.²² The *National Electricity Rules* require the AER to have the guideline in force, and it must include the manner, form and date by which transmission networks must submit to the AER certified annual statements, and any other information required by the AER.

Rule 6A.17.2 requires the AER to develop and publish the Information Guidelines and states the guidelines must apply from 28 September 2007.²³ We consider the development of the Orders renders this rule redundant, and we have flagged our intention to propose a rule change to remove the obligation on the AER to develop and publish the Information Guidelines.

The AER raised this issue in the development of the preliminary Orders and noted our intention to consult with stakeholders on a proposed rule change after the publication of the draft Orders. With the change in timing of the review, we will now progress this rule change after we issue the final Orders.

3.3 Information exchange

Consistent with our earlier advice, the draft Orders do not mandate any specific technology or tool by which regulated network service providers must provide information. We intend for the Orders to remain ‘technology neutral’ to allow for information exchange to keep pace with changing technological solutions, but also to allow all networks (and the AER) time to transition to alternative technologies.

The AER commenced a process for consultation on development of new technology solutions for information exchange in November 2022.²⁴ The AER is now proposing to

²¹ Section 28P of the *National electricity Law* allows the AER to exempt a person or class of persons from complying with a regulatory information order.

²² AER, *Final Electricity Network Service Provider Information Guideline*, Version 2, April 2015, <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/information-guideline-2015/final-decision>

²³ *National Electricity Rules*, Rule 6A.17.2(a) and 6A.17.2(c).

²⁴ <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/future-technology-platforms>

integrate the development of technology solutions for networks information into its overall digital transformation proposal. Stakeholder engagement on our digital transformation commenced in late 2023, and will continue into the future, as we develop proposals, and implement any approved projects.

Attachment A – Information updates

This section details changes to the data requirements specified in the preliminary *Orders*. Additional detail, especially that relating to minor formatting changes, or changes to heading and units of measure, is provided in each data workbook.

Electricity distributors

The changes made to the *electricity distributors'* data requirements have been reflected, where relevant, in the data requirements for specified in the *Power and Water Notice*.

Operational outputs

- **Energy delivered** – removed requirement to report energy delivered by meter type by tariff; and reverted to higher level disaggregation
- **Replacement and maintenance activities** – revised asset groups (staking of/ staked wooden pole) and poles and service lines asset categories
- **Metering activities** – remote meter reading – the validation rule has been amended to NULL invalid
- **Export services** – amendments to export services data requirements to reflect the latest export services information request.

Network metrics

- **Asset age profile** – range of year reduced to 90 years and revised asset groups (staking of/ staked wooden pole) and poles and service lines asset categories
- **Terrain** – data requirements amended to reflect existing obligations under the economic benchmarking RIN
- **Export services** – substantial amendments to export services data requirements to reflect the latest export services information request.
- **Safety** – safety data has been removed from the workbook, and the AER's information requirements are now included as supporting information under section 4 of the Orders.

Customer numbers

- **Meter types** – detailed disaggregation by meter type by feeder classification by tariff removed
- **Tariff class** – new disaggregation of low voltage small business customers introduced
- **Secondary tariffs** – new data relating to customers on secondary tariffs introduced
- **Export services** – substantial amendments to export services data requirements to reflect the latest export services information request.

Service performance

- **Interruptions** – data requirements now limited to sustained interruptions, rather than all interruptions. This had led to new data requirements relating to service outcomes for economic benchmarking; and MAIFI/MAIFle outcomes. In addition we have introduced more details for interruptions reporting to enable accurate calculation of reliability outcomes under the AER's DRMG.

- **MAIFI / MAIFle** – data requirement reinstated, reflecting decision to only capture detailed interruptions data that exceed the duration threshold required for reporting for STPIS purposes.
- **Call centre performance** – data requirement removed (note call centre daily performance still collected)
- **GSL – indicative data** – requirement removed
- **Complaints** – technical quality of supply; Connection services; Repair of faulty street lights; complaints – data requirements removed
- **Service outcomes** – new requirement included to collect data for economic benchmarking under STPIS V1
- **Export services** - requirements updated to reflect latest Export Services Information Request

Operational expenditure

- **Overheads expenditure** – no longer collected as a standalone table – reported in other sections of the Orders
- **Input table** – new requirement to replace the total expenditure input tables
- **Total opex 2014 CAM basis** – table removed
- **Alternative control services** – service classification modified to clarify reporting of connections services; economic benchmarking categories – table removed
- **Other services** – expenditure on negotiated services – new table
- **Large projects** – replaces previous RIT-D and contingent project data
- **Export services** - requirements updated to reflect latest Export Services Information Request

Capital expenditure

- **Overheads expenditure** – no longer collected as a standalone table – reported in other sections of the Orders
- **Standard control services** – new disaggregation of capital contributions by type; new table relating to additions to the regulated asset base added
- **Standard control services** – revised asset groups (staking of/ staked wooden pole) and poles and service lines asset categories
- **Alternative control services** – service classification modified to clarify reporting of connections services
- **Other services** – expenditure on negotiated services – new table
- **Large projects** – replaces previous RIT-D and contingent project data
- **Export services** - requirements updated to reflect latest Export Services Information Request

Asset base values

Depreciation – terms and definitions amended to correctly reflect the AER’s Roll Forward Model.

Revenue and financial information

- **All service categories - Income statement** – row descriptors and sub tables rationalised
- **Distribution business - Regulatory adjustments** – supporting information requirements have been amended to include detail of regulatory adjustments,

reflecting that previously collected in the regulatory adjustments journal in the Information Guidelines.

- **Distribution business** – jurisdictional scheme payments, payments to embedded generators – data requirements amended to exclude audited statutory accounts and adjustments.
- **Distribution business** – Overheads expenditure, cross boundary expenditure – removed
- **Standard control** - jurisdictional scheme payments, cross boundary expenditure, TUOS expenditure – removed
- **Profitability data** – tax losses carried forward removed
- **Alternative control services** – service classification modified to clarify reporting of connections services
- **Alternative control services** – Revenue rewards and penalties - removed
- **Alternative control services** – public lighting – expenditure of public lighting activities included
- **Total expenditure** – input tables – removed
- **Provisions** – instructions updated to clarify presentation of data

Prices

No changes

Legacy metering

- **Legacy metering services – opex, asset base, revenue** - New data requirement. Only applies where the AER has classified legacy metering services as standard control services in the reporting year.

Electricity TNSPs

The changes made to the *TNSPs*' data requirements have been reflected, where relevant, in the data requirements for *regulated interconnectors*.

Operational outputs

- **Energy delivered** – new row descriptor to capture energy delivered to new storage facilities (like batteries)

Network metrics

- **Assets in commission** – range of year reduced to 90 years
- **Safety** – safety data has been removed from the workbook, and the AER's information requirements are now included as supporting information under section 4 of the Orders.

Service performance A

- **STPIS annual compliance data** requirements removed from data workbooks; noting the data submitted to the STPIS annual compliance review must be included in the assurance review of non-financial information, submitted under section 6 of the Orders.

- **STPIS outcomes** – STPIS V4 – requirement removed

Service performance B

- Workbook removed from requirements.

Operational expenditure

- **Large projects** – we have replaced the information relating to RIT-T and contingent projects with expenditure information for ‘large projects’ to reduce potential duplication. The data requirements are supported by additional information requirements in the supporting information section of the Orders.
- **Opex by category** – new row descriptors have been introduced to drive consistent reporting of key expenditure categories

Capital expenditure

- **Large projects** – we have replaced the information relating to RIT-T and contingent projects with expenditure information for ‘large projects’ to reduce potential duplication. The data requirements are supported by additional information requirements in the supporting information section of the Orders.

Asset base values

- Depreciation – terms and definitions amended to correctly reflect the AER’s Roll Forward Model, and benchmarking asset base data requirements.

Revenue and financial information

- Income statement – row descriptors and sub tables rationalised
- Disaggregated revenue by chargeable quantity removed
- Regulatory adjustments – supporting information requirements have been amended to include detail of regulatory adjustments, reflecting that previously collected in the regulatory adjustments journal in the Information Guidelines.
- Total expenditure – input tables – removed
- Balance sheet items – table added, reflecting current profitability information request
- Revenue requirements – more detailed disaggregation of adjustments to the maximum allowed revenue in each year has been included
- Revenue requirements – aggregate service revenue requirement has been renamed and simplified
- Revenue requirements – budgeted revenue from customers – added
- Revenue recoveries – revenue earned – additional ‘other revenue’ row descriptor added
- Revenue reconciliation (t-2) – new table added