



Ref. A5383074

31 January 2024

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

Via email: networksinformation@aer.gov.au

Dear Dr Funston,

NETWORKS INFORMATION REQUIREMENTS REVIEW - DRAFT DECISION

Powerlink appreciates the opportunity to respond to the Australian Energy Regulator's (AER's) Draft Decision for the Networks Information Requirements Review.

We acknowledge the AER has sought to incorporate feedback from electricity Network Service Providers (NSPs) and other stakeholders in its Draft Annual Information Orders (AIOs). In particular, we recognise the AER's decisions to delay the commencement of the new AIO framework until 2024/25 and provide a one-month extension to the deadline for 2024/25 NSP submissions. We also acknowledge the AER's willingness to engage on future information requirements, particularly as the roles and responsibilities of NSPs and the operational challenges they are expected to face change over the course of the energy transition.

Powerlink is committed to working with the AER to develop information requirements for NSPs that:

- minimise compliance costs, which are ultimately funded by electricity consumers;
- provide reasonable and meaningful information to key stakeholders; and
- provide confidence to consumers, industry stakeholders and NSPs that the information requested by the AER has a well-defined and demonstrated case for its collection and use.

To this end, we recommend the AER:

- remove safety incident data from the AIO entirely, as we do not consider this data is aligned with network safety in the context of the National Electricity Objective (NEO) and the case for its use in the AER's role as an economic regulator has not been established;
- remove information requirements related to large capital and operating expenditure projects, as we consider there are more effective mechanisms to improve transparency of network expenditure and projects than through information orders; and
- further refine its revenue and pricing information requirements for Transmission Network Service Providers (TNSPs) to better align with its intended purpose.



To provide ongoing clarity to NSPs, our customers and other stakeholders, we also request the AER:

- document the current and intended use for all AIO workbook tables and supplementary information as an Appendix to the AIOs; and
- include all definitions of terms and concepts in the AIO Instrument to ensure consistency of treatment over the reporting period.

We also recommend that the AER's Final Decision clarify its intended approach to accommodate framework and Rule changes during the period covered by the AIOs. For example, we note that the outcomes of the AER's Transmission Service Target Performance Incentive Scheme (STPIS) Review and the Australian Energy Market Commission's (AEMC's) Improving Security Frameworks for the Energy Transition Final Rule could affect the appropriateness of information collected through the Draft AIOs.

Detail on these and other matters are provided in the Attachment.

If you have any questions or require further clarification on this submission, please contact me.

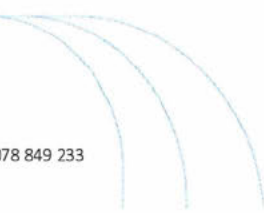
Yours sincerely,



Jennifer Harris
General Manager, Network Regulation

Email: [REDACTED]

Phone: [REDACTED]





**ATTACHMENT: DETAILED FEEDBACK
NETWORK INFORMATION REQUIREMENTS REVIEW DRAFT DECISION**

1. Proposed Data Requirements

In our submissions on earlier stages of the consultation process,¹ we supported the AER's broad approach to streamline information requirements for networks, including:

- the proposed type of instrument and its intended coverage;
- the reporting period covered by the new instrument;
- the frequency of updates to and reviews of the instrument;
- the minimisation of non-data reporting included in the information requirements; and
- the proposal to submit a Rule change request to remove the requirement to prepare and publish Information Guidelines for TNSPs.

These information requirements impose costs on NSPs which are ultimately borne by electricity consumers. We will also incur costs to meet changes to existing, and the introduction of new, information requirements in the AIO.

We recommend the AER publish information to describe the purpose for its data items and supplementary information to be collected as well as how it will be used. The AER published Excel workbooks to identify use cases for current and proposed information requirements following consultation on its Discussion Paper. Given the changes to proposed requirements since that time, we request the AER updates these tables and include them in the Explanatory Statement to the Final AIOs. In these explanations, the justification for specific information requirements need to be more targeted than the high-level reasons for issuing the AIO – that is, to assist the AER perform its functions and obligations under the National Electricity Law and the National Electricity Rules (the Rules).

The Draft AIO for TNSPs still includes several proposed data items that we consider the AER has no need to collect, or that require amendment to meet the need identified by the AER. In other instances, it is unclear how the information collected in the AIO will assist the AER to perform its functions as the economic regulator for NSPs.

(a) Safety Incidents

In response to feedback on the Preliminary Draft Decision, the AER has removed data for safety incidents from the proposed workbooks and replaced these items with supplementary information reporting requirements for significant events (section 4.19 of the AIO). We agree the safe and reliable operation of the electricity network is a core part of the National Electricity Objective. However, we consider the requirement for detailed information on safety incidents appropriately sits with jurisdictional safety regulators. We therefore recommend this proposed requirement be removed entirely from the Final AIO.

¹ Refer to our submissions on the AER's Discussion Paper (<https://www.aer.gov.au/system/files/Powerlink%20-%20Submission%20to%20AER%20Network%20Information%20Requirements%20Review%20Discussion%20Paper.pdf>) and Preliminary Draft Decision (<https://www.aer.gov.au/system/files/Powerlink%20Submission%20-%20NIRR%20-%20Preliminary%20Draft%20Decision%20-%202031%20March%202023.pdf>).



The AER's 2022 Electricity Network Performance Report (ENPR) proposed that information on network safety could inform revenue decisions and help ensure NSPs that benefit from spending less than their allowed revenues were not doing so at the expense of the safe supply of electricity. We also agree with the AER's observations in its 2022 ENPR that:

- currently available data is not well-suited to comparative analysis, given safety-related definitions vary significantly between jurisdictions; and
- the low number of reported safety incidents makes it difficult to monitor trends over time.

Further, we consider there is little association between the number and nature of significant events and safety-related expenditure, given some network events are outside our control while other non-significant events may require expenditure on our part to manage safety risks. In this context, we would have concerns about the reliability of conclusions the AER may draw from analysis of significant safety-related events.

Contemporary research highlights the limited validity of lagging indicators, such as injury frequency rates, as safety performance indicators. Instead, it recommends that lead indicators (e.g. injury-reduction activities and reviews of control environments) are a better way to measure safety performance and identify opportunities for improvement. As highlighted through the AER's 2023 ENPR, the Draft AIO already proposes to collect a range of leading (or potentially leading) indicators for safety, such as proactive maintenance, inspection and vegetation management activities and information on asset failures and near misses. We consider these indicators should remain the AER's focus through the AIOs, if at all.

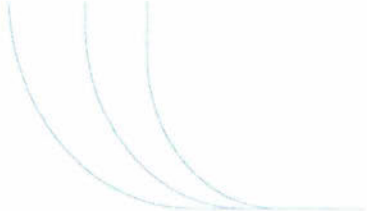
(b) Capital Expenditure Transparency and Large Project Information

We agree with the AER that capital expenditure transparency information are more appropriately collected through Revenue Proposals, as it allows NSPs to take a longer-term view of expenditure drivers.

In its Draft Decision, the AER has replaced information requested on Regulatory Investment Test for Transmission (RIT-T) and contingent projects with information requirements for large capital and operating expenditure projects. Powerlink agrees that NSPs should provide reasonable transparency of expenditure to our customers. As the AER is aware, Powerlink engages directly with our Customer Panel on key factors or developments that impact our business, including in relation to capital and operating expenditure. However, as the proposed information requirements are not consistent with the principles that underpin the ex-ante incentive regulation framework, we recommend they be removed from the workbooks and supplementary information requirements (section 4.20 of the AIO).

Under the regulatory framework for transmission, the AER provides total capital and operating expenditure allowances. It does not provide project-specific allowances in relation to our ex-ante forecasts. The regulatory framework also allows networks to reassess needs and risks, reprioritise work and consequently expenditure over the course of a regulatory period. The AER has consistently and rightly conveyed this position since the introduction of Chapter 6A of the National Electricity Rules. We therefore strongly question the need for the AER to collect project-level information. To the extent that any project-specific factors are material, NSPs should and do provide further details in their Revenue Proposals, which covers the entire regulatory period.





For similar reasons, we also recommend the requirement to provide further information on material differences between the AER's forecast expenditure by category or purpose and our actual spending on an annual basis (section 4.6 of the AIO) be removed from the AIO.

(c) Revenue and Pricing

We acknowledge the importance of providing assurance to electricity consumers and the AER that TNSPs are not collecting more than their Maximum Allowed Revenue. We also recognise that the AER's Draft Decision on pricing and revenue data requirements incorporates much of the feedback we provided at the Preliminary Decision stage.

In line with our earlier feedback, we recommend the AER adopt a more targeted presentation of pricing and revenue information in the Final AIO as described below. In addition to providing transparency of information consistent with the AER's role, this approach could more easily accommodate potential changes to transmission pricing Rules within the period covered by the AIOs. For example, we note the AEMC's Improving Security Frameworks for the Energy Transition Final Rule and potential Rules amendments related to the Orderly Exit Management Framework proposed by Energy Ministers may not be easily accommodated in the AER's current information requirements.

We understand that the Revenue Requirements subtables seek prescribed transmission pricing information to derive a budgeted revenue from transmission customers line item. However, the omission of several key items, including but not limited to adjustments for Australian Energy Market Operator Participant Fees and expected system strength revenues, from the AER's detailed breakdown means the tables will not add to provide the desired measure. Rather than seek additional detail, we recommend the AER simplify the information requested to:


- remove the locational and non-locational adjustments from the Adjusted Allowed Revenue subtable;
- incorporate the net revenue from the Modified Load Export Charge and (expected) System Strength Revenue into the Revenue from Prescribed Services subtable; and
- calculate the Budgeted revenue from customers line item via a formula that sums the first five line items of the current Revenue from Prescribed Services subtable.

For consistency between pricing and revenue information, the line items for the Revenue Earned subtable can replicate the revised Revenue from Prescribed Services subtable, subject to retaining the Other Revenue line item in the Revenue Earned table. This would also enable the under or overcollection of revenues within the reporting period to be calculated via a formula, simplifying presentation within the workbook.

We appreciate the intent behind the AER's inclusion of the Revenue Reconciliation (t-2) table, but consider it will not provide new information to the AER beyond that already included in the draft workbooks. For example, to ensure the components in the table add, the information would need to be presented in current, not real, dollars and exclude interest adjustments. We consider the resulting information will be of limited value to the AER and therefore recommend this table be removed from the Final AIO.

(d) Service Target Performance Incentive Scheme

In earlier submissions to this Review, we recommended the AER remove the current duplication of requirements between the annual STPIS reports and the annual Economic Benchmarking RIN returns.



The Draft Decision Service Performance workbook (Workbook 05) duplicates the Service Component and Market Impact Component (MIC) data templates that Powerlink submits to the AER as part of the annual compliance review process. To improve process efficiency for the AER and TNSPs, we recommend this duplication of requirements be kept to a minimum such that TNSPs continue to report:

- the Service Component performance values that include only reportable events (i.e. “with exclusions” measures); and
- one MIC value (the number of dispatch intervals) that is uncapped and includes only reportable dispatch intervals (i.e. the “with exclusions” measure).

Given the AER has now commenced its Transmission STPIS Review, we consider more detailed reporting requirements as part of annual compliance reporting can be considered through that consultation process.

For this proposed AIO, the reporting period includes the first year in which AusNet Services and Powerlink expect to be subject to an updated version of the STPIS. We request the AER clarify its intended approach to accommodate possible changes to workbooks that result from changes to the design of the STPIS in its Final Decision.

(e) Contract Expenditure Disaggregation

The draft Operating Expenditure workbook (Workbook 06) proposes TNSPs must separate contract expenditure into labour and non-labour components. This introduces a new requirement relative to the Category Analysis RIN Table 2.12 that the “Input Expenditure Category” table seeks to replace.

The split of contract expenditure into labour and non-labour components is not usually provided by contractors. As a result, TNSPs would need to develop methodology to estimate this information. We also consider that given the number and mix of network projects may change from year to year, the reliability of a top-down estimate may not be aligned to the AER’s intended use case. Conversely, a more detailed, bottom-up methodology to estimate this information would be resource-intensive and may not be appropriate for the AER’s intended purposes. In the absence of a compelling justification for collecting the disaggregated information, we recommend the AER retain the current requirement for TNSPs to provide contract expenditure as a single category in the Final AIOs.

(f) Vegetation Management

Powerlink notes that the Draft AIO’s definition of a tree requires the perennial plant to be equal to or greater in height than 3 metres when measured from the ground. As a cost-effective measure, we typically seek to remove incompatible species from maintenance spans when the vegetation is smaller. The opportunity to identify such proactive strategies has been made possible through the enhanced use of satellite data capture.

We consider this proactive approach to vegetation management could be better captured in the AIOs and recommend the AER creates a new activity category focused on regrowth or undergrowth control to separately identify active management of other vegetation that may not fit within the definition of a “tree”. Creation of a new reporting category is preferable to amending the definition of a “tree”, as the former will enable comparisons between information collected through the RINs and AIOs.

2. Other Information Requirements

(a) Policies and Procedures

The Draft AIO Instrument (section 4.2) requires TNSPs to:

- provide core policies and procedures related to the preparation of key financial information to the AER; and
- identify any changes to these key documents during the 12-month reporting period, describe the reason for the change and the impact of the change on the information reported.

Given TNSPs already supply these documents to the AER with their Revenue Proposals, we do not consider that the annual resubmission of these documents provides value to customers, NSPs or the AER. We therefore recommend the AER maintain its approach whereby these documents be lodged with an NSP's Revenue Proposal.

(b) Negative Cost Pass Through Event Process

The AIO Instrument (section 4.14) requires TNSPs to describe the process they have in place to identify a negative change event for a negative cost pass through under clause 6A.7.3(f) of the Rules and the materiality threshold applied to these events. We do not see how this is relevant to an annual information requirement and request this item be removed from the AIO.

3. Confidentiality

The AIO Instrument requires TNSPs to provide confidential and publishable versions of information as appropriate, and to highlight confidential information using a methodology agreed by the AER. We note the AER's suggested approach to identify protected information under the *Security of Critical Infrastructure Act 2018* (Cth) in the AIO Instrument is more prescriptive than the approach for confidential information. Given there are established processes for the identification of confidential information in the current RIN templates, we recommend the AER's Explanatory Statement on the Final Decision propose a methodology to identify confidential information in the AIO workbooks for TNSPs' consideration.

4. Basis of Preparation

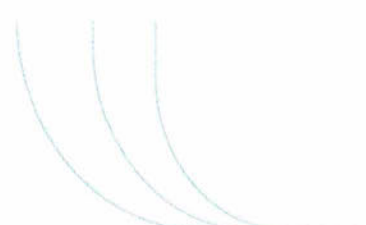
We agree that some standardisation of Basis of Preparation documentation will improve comparability and help stakeholders, including the AER, identify changes over time. We also acknowledge greater flexibility in the Draft Decision to allow a range of file formats to be adopted.

However, we remain concerned that mandating a tabular format for Basis of Preparation documents will compromise readability, particularly in printed form, and reduce the ability for networks to supply additional tabulated information within these explanatory documents. We consider there would be benefits in exploring more flexible approaches to presentation of Basis of Preparation documentation. For instance, the AER could allow NSPs to use the column headings and sub-headings listed in Appendix C of the Draft AIOs as headings and sub-headings within a Word or PDF document. This would reduce potential concerns that may render these documents less usable for our customers, other stakeholders and the AER.

5. Detailed and Specific Feedback

We have identified a range of detailed and specific issues with AIO documents and workbooks for the AER to consider and rectify in its Final Decision and provide a non-exhaustive selection of examples below.

<i>Workbook</i>	<i>Worksheet</i>	<i>Subtable</i>	<i>Powerlink comment</i>
03 – Network Metrics	Capacity	Selected Asset Characteristics	Data on transformer capacity under the “Selected Asset Characteristics” subtable on the “Capacity” worksheet has not previously been submitted under Category Analysis RIN Table 2.2.2. As no justification has been provided for the use of this information, we request the AER to delete these new series.
05 – Service Performance	System Losses	System Losses	The reference to “Identify the service target performance incentive scheme (STPIS) that applied in the reporting period” should be deleted, since system losses do not form part of the STPIS.
05 – Service Performance	Energy Delivered	Energy Not Supplied	We recommend the worksheet be renamed “Energy Not Supplied”.
05 – Service Performance	Service Component	Service Component Performance: Parameter 1 - Unplanned outage circuit, transformer, reactive plant event rate	Several formulae refer to incorrect cells to calculate the rates. These formulae should to be corrected in the final workbooks.
07 – Capital Expenditure	Audited Statutory Accounts; Regulatory Accounts	Network Overheads Expenditure	The tables list operating expenditure categories, despite this being a capital expenditure workbook. We request these categories be removed from the final workbooks.
09 – Revenue and Financial Statements	Other Financial Information	Adjusted Allowed Revenue	The reference to the CSIS (Customer Service Incentive Scheme) should be replaced with the SSIS (Small-Scale Incentive Scheme), as the former only applies to distribution networks.
09 – Revenue and Financial Statements	Other Financial Information	Reduction in Charges Paid by Transmission Customers	The item description “TUOS general charges” should be replaced with “Non-locational TUOS charges” to reflect current Rules terminology.

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- **Draft AIO Instrument and Appendix A – Data Workbook Instructions:**
 - References to the “optional additional approach” (section 4.16 of the AIO and section 7.11 of the Data Workbook Instructions) are not consistent.
 - References to the Economic Benchmarking RIN and associated series identifiers (e.g. section 2.1.3 of the Workbook Instructions) should be removed, given that instrument will no longer be in force.
 - **Appendix A – Data Workbook Instructions:**
 - Section 3.6: The instructions for the “Network Characteristics” subtable appear to have been omitted.
 - Sections 6.1 and 6.2: The instructions for capitalised overheads expenditure appear to have been copied inappropriately from the instructions for overheads expenditure allocated to operating expenditure (section 5.1).
 - Section 8.2: References and content related to “Revenue by Chargeable Quantity” should be removed, as these data items are no longer included in the Draft AIO.