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Claire Preston
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Australian Energy Regulator

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Via email: [REDACTED]

Dear Claire

Submission to the Australian Energy Regulator on the Draft 2024 Annual Benchmarking Report

AusNet welcomes the opportunity to provide feedback on the Draft 2024 Annual Benchmarking Report.

In this year's report AusNet's opex productivity has improved, and the econometric benchmarking confirms AusNet as a benchmark comparator firm for both the long and short periods in this year's report. This result is reflective of several drivers including an absence of uncontrollable extreme weather events for AusNet in the 2022-23 regulatory year.

AusNet intends to propose 2022-23 as the opex base year in our upcoming revenue proposal. We believe this year provides a representative view of opex in the absence of extraordinary external pressures, offering a realistic basis for projecting efficient future costs.

Despite our strong result, we would like to reiterate our ongoing concerns regarding aspects of the AER's benchmarking approach. As noted previously, AusNet is particularly exposed to extreme weather events due to its terrain and vegetation and is subject to a jurisdictional Guaranteed Service Level scheme that currently includes payments for major event days; these payments have materially impacted AusNet's benchmarking results in the past. Extreme weather events also negatively impact reliability and operational expenditure (opex) for emergency response. Our strong result in this year's report (for a year where there was no extreme weather event) reinforces our previous concerns about how these uncontrollable factors significantly influence benchmarking results and the need for an adjustment to be built into the benchmarking approach.

AusNet also notes the AER's indication of a forthcoming review in 2025-26 on benchmark comparator points. We consider this review is premature given the large number of important unresolved benchmarking issues, many of which the AER describes in its report. We strongly recommend that the Final Benchmarking Report include timelines for addressing these other development areas, including longstanding issues raised by AusNet, such as the treatment of GSLs in benchmarking and the consideration of operating environment factors (OEFs) for severe storms. We highlighted many of these concerns in our April 2023 benchmarking methodology proposal to the AER and set out an approach that could be used to address these, though this document is not referenced in this benchmarking report. Addressing the issues we raised will necessitate the collection of consistent new data from distributors, and we urge that this process be prioritized to enhance benchmarking accuracy. A review of the benchmark comparator point should not commence until these outstanding issues are resolved.

Finally, on page 17, the report notes that total factor productivity (TFP) outputs do not include export services, though other material outputs such as safety are also not factored into the TFP calculation. Safety is a key driver of operational activities and costs and should be considered as part of a comprehensive benchmarking framework.

AusNet appreciates the opportunity to provide this submission and remains committed to working with the AER to improve benchmarking processes in ways that support fair and accurate assessments.

Sincerely,

Charlotte Eddy
General Manager, Strategy and Regulation (Distribution)
AusNet Services