



Part of Energy Queensland

29 October 2024

Claire Preston  
Director, Network Expenditure  
Australian Energy Regulator  
GPO Box 520  
Melbourne VIC 3001

By email: [REDACTED]

Dear Ms Preston

**AER Consultation – Draft 2024 Annual Benchmarking Report for Electricity Distribution Network Service Providers**

Ergon Energy Corporation Limited (Ergon Energy) and Energex Limited (Energex), operating as Distribution Network Service Providers (DNSPs) in Queensland, appreciate the opportunity to provide a submission to the Australian Energy Regulator (AER) on its Draft 2024 Annual Benchmarking Report for DNSPs (Draft Report) and related supporting materials.

Ergon Energy's and Energex's feedback on the Draft Report and related supporting materials is included in **Attachment 1**. We have also reviewed the underlying data files and have no comments or concerns regarding the information presented.

Should the AER require additional information or wish to discuss any aspect of this submission, please contact me or [REDACTED] on [REDACTED].

Yours sincerely

[REDACTED]

Alena Christmas  
**Manager Regulatory Affairs**

Telephone: [REDACTED]  
Email: [REDACTED]

## Attachment 1: Ergon Energy's and Energex's Feedback on the AER's Draft 2024 Annual Benchmarking Report for Electricity Distribution Network Service Providers and Related Supporting Materials

Chapter Ref	Subject	Comments/Feedback
5	Econometric models	<p>We note that poor monotonicity performance is evident in the 2024 draft report and significant monotonicity violations remain evident, and that this has worsened since the 2023 benchmarking report. We also note that the AER is investigating this in conjunction with their consultant Quantonomics and has detailed the separation of this review into phases.</p> <p><b>Ergon Energy and Energex acknowledge the AER's approach to investigate the issues and the proposed timeframes included. As we have noted in previous submissions, we reiterate that the importance of robust and fit for purpose benchmarking models, given the results are used to set regulatory allowances. We look forward to the results of the review.</b></p>
8	MTFP and MPFP index analysis – Output weights	<p>We note the AER recently engaged the University of Queensland's Centre for Efficiency and Productivity Assessment (CEPA) to conduct an independent review of the non-reliability output weights used in the TFP and MTFP benchmarking.</p> <p>As changes in the output weights can have a significant impact on a DNSP's MTFP and MPFP index scores and rankings, we welcome this independent review, which the AER notes was primarily driven by DNSP feedback.</p> <p><b>Ergon Energy and Energex support the update of the output weights in the 2025 Annual Benchmarking Report. Further, we recommend the output weights be updated on ongoing (annual) basis, analogous to the way the elasticities and outputs weights are updated annually for the econometric benchmarking models, and particularly when revisions to the historical data have been made to correct data reporting errors.</b></p>
8	Benchmarking development - Benchmarking comparison point	<p>We recognise that one issue for further investigation listed is the benchmark comparison score of 0.75. Ergon Energy and Energex agree with the AER's comment that the comparison point provides a margin for general limitations of the models with respect to the specification of outputs and inputs, data imperfections, other uncertainties when forecasting efficient opex and quantification of OEFs.</p> <p><b>Ergon Energy and Energex suggest that it is appropriate to retain a conservative benchmarking comparison point and that the benchmarking models and OEF assessments should be significantly more mature before any changes to the comparison point are considered. It is unclear if significant maturation of the benchmarking approach would be in place by the proposed start review start date of 2025-26, and we suggest that this may potentially need to be delayed pending the outcomes of the other benchmarking development activities.</b></p>