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**Explanatory statement**  
**Electricity Transmission Network Service Providers**  
**Information guideline (Version 2)**

December 2014

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## Shortened forms

Shortened term	Full title
AEMC	Australian Energy Market Commission
AEMO	Australian Energy Market Operator
AER	Australian Energy Regulator
Information Guideline	AER's, ' <i>Electricity transmission networks service providers - Information Guidelines</i> ', September 2007
NEL	National Electricity Law
NEM	National Electricity Market
NEO	National Electricity Objective
NER	National Electricity Rules
NSP	Network service provider
RIN	Regulatory information notice
TNSP	Transmission network service provider

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## Request for submissions

This Explanatory Statement sets out the Australian Energy Regulator's (AER) proposed approach to revising the Electricity Transmission Network Service Providers Information Guidelines (Information Guideline).

Consistent with the transmission consultation procedures in Chapter 6A of the National Electricity Rules (NER) we are now inviting submissions from interested parties on our proposed amendments to the Information Guideline by close of business, **Wednesday 4 February 2015**.

We prefer that all submissions sent in an electronic format are in Microsoft Word or other text readable document form. Submissions should be sent electronically to [AERInquiry@aer.gov.au](mailto:AERInquiry@aer.gov.au).

Alternatively, submissions can be sent to:

Mr Warwick Anderson  
General Manager, Networks Finance and Reporting Branch  
Australian Energy Regulator  
GPO Box 3131  
Canberra ACT 2601

We prefer that all submissions be publicly available to facilitate an informed and transparent consultative process. Submissions will be treated as public documents unless otherwise requested.

Parties wishing to submit confidential information are requested to:

- 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.

All non-confidential submissions will be placed on our [website](#). For further information regarding our use and disclosure of information provided to us, see the [ACCC/AER Information Policy, June 2014](#) and the [AER's Confidentiality Guideline](#).

# 1. Summary

The Australian Energy Regulator (AER) is Australia's independent national energy market regulator. Our role is to promote the national electricity and gas objectives. Enshrined in the Electricity and Gas Laws, these objectives focus us on promoting the long term interests of consumers.

We are responsible for the economic regulation of electricity and gas monopoly network service providers. We regulate these service providers by establishing the prices that they can charge their customers for the conveyance of gas and electricity through their networks. These prices are based on an analysis of the efficient levels of capital and operating expenditures and a benchmark rate of return over a five year forecast period. We also monitor the compliance of each service provider with its pricing determination and has the power to publish reports on the service provider's performance during the period covered by the pricing determination.

Policy makers have recognised the information asymmetry which exists between service providers and the regulator by providing us with strong information gathering powers to allow us to have access to timely, accurate and verifiable cost information about the industry's costs. For electricity transmission network service providers (TNSPs) we have the power under the National Electricity Law (NEL) to issue Regulatory Information Instruments such as regulatory information notices (RINs) to obtain information we consider reasonably necessary for the performance or exercise of our functions or powers.<sup>1</sup> Chapter 6A of the National Electricity Rules (NER) also specifically provides for the development of an information guideline setting out the data requirements TNSPs must provide to us on an annual basis.

We first developed and published the '*Electricity transmission network service providers - Information guidelines*' (Information Guideline) in September 2007.<sup>2</sup> Under Chapter 6A of the NER this Information Guideline must be in force at all times and is binding on both the AER and each TNSP to which they apply.<sup>3</sup>

Prior to the implementation of our Better Regulation<sup>4</sup> program in late 2013 TNSPs provided all annual reporting information to us under the Information Guideline. This changed after the AER released its *Expenditure Forecast Assessment Guideline*<sup>5</sup> and sought to collect certain benchmarking and category analysis data from some

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<sup>1</sup> NEL, s.28F.

<sup>2</sup> The guideline is available at <http://www.aer.gov.au/node/10809>.

<sup>3</sup> NER, cl. 6A.17.2(c), cl. 6A.17.2(i).

<sup>4</sup> The Better Regulation program was aimed at enhancing the AER's approach to network regulation and occurred throughout 2013 resulting in the publication of a series of guidelines. More information about the Better Regulation program can be found on the AER's website at <http://www.aer.gov.au/Better-regulation-reform-program>.

<sup>5</sup> The guideline can be found here - <http://www.aer.gov.au/node/18864>.

TNSPs to assist in the assessing of expenditure (through the issuing of Better Regulation RINs).

In a recent review of the Information Guideline we found some reporting obligations are now duplicated (either directly or indirectly) in the Better Regulation RINs. Further, other reporting requirements were found to be redundant or not aligned with the current regulatory framework and the AER's approach to annual reporting for other electricity distribution and gas businesses.

To address these issues we propose rationalising the annual reporting requirements for TNSPs by amending the Information Guideline.

Our proposed amendments will:

- Remove reporting obligations which are duplicated in the Better Regulation RINs.
- Remove redundant reporting requirements.
- Make consequential changes to better reflect the current regulatory framework and the AER's current approach towards reporting requirements for other gas and electricity businesses.

We are not proposing to impose any new reporting obligations on TNSPs. Therefore, we consider that these proposed amendments will reduce the compliance burden on TNSPs and improve reporting efficiency, thereby contributing towards the achievement of the National Electricity Objective (NEO).<sup>6</sup>

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<sup>6</sup> NEL, s.7.

## 2. Current TNSP annual reporting framework

There are currently seven electricity TNSPs, including two interconnectors, in the National Electricity Market (NEM):

- ElectraNet (South Australia)
- Powerlink (Queensland)
- AusNet Services (Victoria)
- TasNetworks formally Transend (Tasmania)
- TransGrid (New South Wales)
- Directlink (interconnect between Queensland and New South Wales)
- Murraylink (interconnect between Victoria and South Australia).

All TNSPs report to the AER on an annual basis primarily through the provision of an annual statement. In addition TNSPs, with the exception of the two interconnectors (Directlink and Murraylink), are also required to comply with Better Regulation RINs.<sup>7</sup>

### 2.1 Information Guideline

Since September 2007 the AER has collected data from TNSPs in accordance with the AER's Information Guideline.<sup>8</sup> This guideline was developed in accordance with Chapter 6A of the NER.

Clause 6A.17 of the NER requires TNSPs to submit annual statements to the AER that:<sup>9</sup>

- provide a true and fair statement of their financial and operating performance;
- are certified in accordance with the Information Guideline; and
- otherwise comply with the requirements of cl. 6A.17.1 of the NER and the Information Guideline.

Under clause 6A.17.1 (d) any information collected under the Information Guideline may be used for the following purposes:

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<sup>7</sup> Generally, this information must be provided to the AER by the end of October each year.

<sup>8</sup> The guideline is available at <http://www.aer.gov.au/node/10809>

<sup>9</sup> NER, cl. 6A.17.1 (a).



- to monitor, report on and enforce the compliance of the TNSP with the total revenue cap for the TNSP for a regulatory control period, the maximum allowed revenue for the TNSP for each regulatory year, and any requirements that are imposed on the TNSP under a transmission determination;
- to monitor, report on and enforce compliance with the provider's Cost Allocation Methodology (CAM);
- as an input regarding the financial, economic and operational performance of the TNSP, to inform the AER's decision-making for the making of revenue determinations or other regulatory controls to apply in future regulatory control periods;
- to monitor and report on the performance of the TNSP under any incentive scheme that applies to it under clauses 6A.6.5 (efficiency benefit sharing scheme), 6A.6.5A (capital expenditure sharing scheme), 6A.7.4 (service target performance incentive scheme) or 6A.7.5 (small scale incentive scheme); and
- for the preparation of a network service provider performance report.

The Information Guideline is binding on both the AER and each TNSP to which they apply.<sup>10</sup>

## 2.2.1 Content of the Information Guideline

Clause 6A.17 sets out the requirements underlying the collection of information to be contained in a TNSP's certified annual statement and covers a range of specified provisions relating to the content of the Information Guideline. For example, the Information Guideline must include the manner and form in which TNSPs submit certified annual statements to the AER, including the date each year by which those statements must be submitted.<sup>11</sup> The guideline may also cover other matters such as requirements relating to prudent discounts and cost pass throughs.

The Information Guideline currently includes the following data requirements.

### Financial information

- Regulatory and disaggregation financial statements (income, balance sheet, cash flow);
- Operations and maintenance expenditure disaggregation including causal and non-causal allocations;

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<sup>10</sup> NER, cl. 6A.17.2(i).

<sup>11</sup> NER, cl. 6A.17.2(d).

- Historic operating and capital expenditure;
- Prescribed transmission services – regulatory adjustments, price reduction/recovery, prudent discount, revenue analysis, pass throughs;
- Asset statements – disaggregation statement, reconciliation, asset aging schedule;
- Provisions – summary and reconciliation;
- Related party transactions;
- Revenue reconciliation.

#### **Non-financial information**

- Current map of the network; and
- One year demand forecast.

#### **Service performance information**

- Inputs – performance against the service target performance incentive scheme parameters, exclusions as defined under the scheme;
- S-factor results;
- Revenue impact calculation;
- Outcomes – total performance, s-factor, financial incentives.

#### **Assurance requirements**

- An audit of financial information covering the basis and application of the CAM, arithmetic accuracy and reconciliation of statutory financial statements.
- A directors' responsibility statement (examples are set out in Appendix C of the Information Guideline).

## **2.2 Better Regulation RINs**

In 2013 as part of our Better Regulation program we developed and released the *Expenditure Forecast Assessment Guideline*.<sup>12</sup> This guideline describes the process, techniques and associated data requirements for our approach to setting efficient expenditure allowances for network businesses. As part of this process we also developed Economic Benchmarking and Category Analysis information requirements (to be collected through RINs). The information provided in response to those RINs is

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<sup>12</sup> See <https://www.aer.gov.au/node/21843>.

used by us for benchmarking of network businesses and to prepare regulatory determinations. We decided not to impose benchmarking or category analysis data requirements on interconnectors such as Murraylink and Directlink because we decided not to use their data in our benchmarking analysis.<sup>13</sup>

We issued the Economic Benchmarking RINs to all electricity distribution and transmission businesses on 28 November 2013. Category Analysis RINs were issued to electricity businesses on 7 March 2014, except for those in the midst of a regulatory reset. Two TNSPs - Transend (which became TasNetworks on 1 July 2014) and TransGrid - had category analysis reporting requirements embedded in their Reset RINs. The Reset RINs were issued on 7 March 2014.

Under the Economic Benchmarking and Category Analysis RINs businesses are required to provide us with economic benchmarking and category analysis data on an annual basis until 2024. The Reset RINs also contain ongoing obligations to provide category analysis data until 2024.

### 2.3 2013-14 annual reporting

Annual reporting for the 2013-14 regulatory year was completed by TNSPs in late October 2014 with the provision of the following:

- 2013-14 response to Better Regulation RINs by 31 October 2014 (with the exception of Murraylink and Directlink); and
- 2013-14 annual statement in accordance with the Information Guideline.<sup>14</sup>

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<sup>13</sup> See AER, *Explanatory Statement to Expenditure Forecast Assessment Guideline*, November 2013, p.104 which noted that while interconnectors would not be included in the AER's economic benchmarking dataset the AER would still be issuing RINs to gather data for resets when they arise.

<sup>14</sup> All TNSPs were required to provide this response by 31 October 2014 with the exception of AusNet Services. AusNet Services' financial year ends on 31 March, and their reporting date is 31 July each year.

### 3. Review of Information Guideline

All TNSPs are currently required to comply with the Information Guideline, as well as the Better Regulation RINs. However, the Information Guideline has not been revised since it was first developed and implemented in 2007.

We reviewed the Information Guideline (including the attached templates) to identify any information requirements which are now met by the Better Regulation RINs (duplicate information requirements). We also compared the Information Guideline against Annual Reporting RINs to identify any information or assurance obligations that are no longer required by us (redundant information requirements).

We found some reporting obligations are now duplicated (either directly or indirectly) in the Better Regulation RINs. As a result, TNSPs doubled up in the reporting of certain information when providing us with their 2013-14 annual reporting response. Further, other reporting requirements were found to be redundant or not aligned with the current regulatory framework and the AER's approach to annual reporting for other electricity distribution and gas businesses. In conducting the review, we also identified a number of out of date references (consequential amendments).

We are concerned that duplicated or redundant reporting requirements impose an unnecessary compliance burden on TNSPs. To address this issue we are proposing to rationalise the annual reporting requirements for TNSPs. It is not possible under the existing regulatory framework for us to waive the TNSPs' obligations under the Information Guideline.<sup>15</sup> Therefore, to change TNSPs' current reporting obligations we must amend the Information Guideline. This will reduce the compliance burden on TNSPs and improve reporting efficiency, thereby contributing towards the achievement of the NEO.<sup>16</sup>

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<sup>15</sup> NER, cl. 6A.17.1 (a), cl. 6A.17.2(i).

<sup>16</sup> NEL, s.7.

## 4. Proposed amendments to the Information Guideline

Our proposed amendments fall into three categories:

- Removal of reporting requirements duplicated in the Regulatory Information Instruments such as the Better Regulation RINs.
- Removal of redundant reporting requirements
- Consequential amendments reflecting changes to the regulatory framework and the AER's current approach towards reporting requirements for other gas and electricity businesses.

Each of these categories is discussed in more detail below.

### 4.1 Removal of reporting requirements duplicated in Regulatory Information Instruments

We are proposing to remove any obligation TNSPs may have to supply us with data when the TNSP has already provided the same data in response to a Regulatory Information Instrument such as a Better Regulation RIN.

Our proposed amendment is set out in Chapter 4, clause 4.17 of the draft Information Guideline. This clause states that if a TNSP provides information to the AER in response to a Regulatory Information Instrument it is not a requirement for this information to be provided to the AER in response to the Information Guideline. For example, we expect that TNSPs that are obliged to comply with the Better Regulation RINs will not be required to provide the data set out in table 4.1 below.

**Table 4.1: Duplicated requirements in the Information Guideline Financial Templates**

Information guideline requirement in Appendix A (Financial templates)	Alternative RIN source for information
Revenue analysis worksheet	Economic Benchmarking RIN, worksheet 3.1
Asset aging schedule	Category Analysis RIN, worksheet 5.2
Provisions schedules	Economic benchmarking RIN, worksheet 3.2
Historic opex by expenditure category	Category Analysis RIN, worksheets 2.5-2.10
Historical opex expenditure category, years 1-5	Economic Benchmarking RIN, worksheet 3.2

Information guideline requirement in Appendix A (Financial templates)	Alternative RIN source for information
Historic capex by project category	Category Analysis RIN, worksheets 2.2, 2.3, 2.4, 5.2
Historic capex by asset class	Category Analysis RIN, worksheets 2.2, 2.3, 2.4, 5.2
Historic capex – Network – by project	Category Analysis RIN, worksheets 2.2, 2.3, 2.4, 5.2
Historic capex – Non-network – by project	Category Analysis RIN, worksheets 2.2, 2.3, 2.4, 5.2

## 4.2 Removal of redundant reporting requirements

We are proposing to remove any reporting requirements contained in the Information Guideline which are now no longer required by us. These amendments will ensure that TNSPs do not have to provide data that is already provided to us through some other mechanism, or which we no longer use.

We have deleted any references to the redundant requirements in the draft Information Guideline. The proposed amendments are set out in table 4.2 below.

**Table 4.2: Redundant information requirements**

Information guideline requirement	Reason for redundancy
Clause 4.17 - Network support pass through	Information already provided to the AER.
Clause 4.18 Cost pass through	Information already provided to the AER.
Clause 4.19 Extension of statement of cash flow	Consistency with electricity distribution network service providers (DNSPs) and gas businesses.
Appendix A - RFS BAL (Statement of financial position - balance sheet)	Consistency with electricity DNSPs and gas businesses.
Appendix A - RFS CF (Statement of cash flows)	Consistency with electricity DNSPs and gas businesses.
Appendix A - DISAGG BAL (Disaggregated statement of financial position - balance sheet)	Disaggregation not required if financial statements not required.
Appendix A - DISAGG CF (Disaggregated statement of cash flow)	Disaggregation not required if financial statements not required.
Appendix A - PTS Pthrough (Network support pass through)	Information already provided to the AER.

Information guideline requirement	Reason for redundancy
Appendix A - PTS CostPthrough (Cost pass through)	Information already provided to the AER.
Glossary - Definition of 'regulatory financial statements'	Consistency with electricity DNSPs and gas businesses

### 4.3 Consequential amendments

We are proposing a number of consequential alterations to the Information Guideline to reflect both:

- changes which have been made to the regulatory framework since the Information Guideline was first published in 2007, and
- our current approach towards annual reporting requirements for other gas and electricity businesses.

We consider that these consequential amendments are likely to reduce (or have no effect) on the compliance burden currently imposed upon TNSPs. In addition, they will improve the alignment of TNSP annual reporting requirements with those of other electricity distribution and gas businesses.

**Table 4.3: Consequential amendments**

Information guideline requirement	Reason for consequential amendment
Clause 1.3 – Role of these guidelines - reference to cl 6A.17.2.(f) of the NER	Clause 6A.17.2.(f) has been deleted from Chapter 6A of the NER.
Clause 1.4 - Confidentiality	This clause does not reflect the AER's approach to dealing with confidential information as set out in the AER's Confidentiality Guideline.
Clause 1.6 – Process for revision - reference to cl.6A.17.2(b) of the NER	Clause 6A.17.2(b) has been deleted from Chapter 6A of the NER.
Clause 2.1 - Compliance	The binding nature of the Information Guideline is now also referred to in cl.6A.17.2(i) of the NER.
Clause 2.4 – Director's responsibility statement	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory

Information guideline requirement	Reason for consequential amendment
	declaration by an 'officer' (as defined under the NEL) <sup>17</sup> of the TNSP is required for annual reporting assurance purposes.
Clause 2.6 - Ad hoc information requirements	Consistent with the AER's approach for electricity DNSPs and gas businesses there is no need to specify the issues to be covered in any ad hoc information request.
Clause 2.8 - Audit assurance	Consistent with the AER's approach for electricity DNSPs and gas businesses the assurance requirements have been clarified and references to example audit reports have been removed.
Clause 2.9 - Disaggregation reporting by business segment	The diagram in this clause is replaced with a new diagram to reflect the AER's proposed amendments.
Clause 3.1 – Introduction to annual reporting - reference to the AER's purposes under cl.6A.17.1(d) of the NER	Clause 6A.17.1(d)(4) has been amended and now also includes reference to the efficiency benefit sharing scheme, capital expenditure sharing scheme and small scale incentive scheme.
Clause 3.5 – Service performance information	<p>Amended to reflect recent changes to the scheme such as the additional force majeure reporting obligations contained in the latest 'Electricity transmission network service providers - Service target performance incentive scheme' released by the AER in September 2014.</p> <p>The specific clause reference in the compliance review section has also been removed to reflect the fact that different versions of the scheme currently apply to different TNSPs.</p>
Clause 3.5 – Service performance information (publication and disclosure of information)	This clause does not reflect the AER's approach to dealing with confidential information as set out in the AER's Confidentiality Guideline.
Clause 4.10 – (Customer contributions) - reference to Urgent Issues Group's Abstract 17	The Urgent Issues Group's Abstract 17 was updated and replaced with Urgent Issues Group's

<sup>17</sup> NEL, s.2. This term has the same meaning as s.9 of the *Corporations Act 2001* and includes a company director, company secretary, a person who makes (or participates in) decisions that affect the whole or substantial part of the corporation's business; or a person who has the capacity to affect significantly the corporation's financial standing.



Information guideline requirement	Reason for consequential amendment
'Developer and Customer Contributions in Price Regulated Industries'	Interpretation 1017, 'Developer and Customer Contributions for Connection to a Price Regulated Network' in November 2004.
Clause 4.14 – Related party transactions - reference to director's responsibility statement	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory declaration by an 'officer' (as defined under the NEL) of the TNSP is required for annual reporting assurance purposes.
Clause 4.15 – Third party benefits - reference to director's responsibility statement	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory declaration by an 'officer' (as defined under the NEL) of the TNSP is required for annual reporting assurance purposes.
Clause 4.16 – Financing transactions - reference to director's responsibility statement	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory declaration by an 'officer' (as defined under the NEL) of the TNSP is required for annual reporting assurance purposes.
Appendix C – Example of directors' responsibility statement	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory declaration by an 'officer' (as defined under the NEL) of the TNSP is required for annual reporting assurance purposes.
Appendix D – Example of regulatory audit reports	Consistent with the AER's approach for electricity DNSPs and gas businesses no example audit reports are required to be included in the Information Guideline.
Glossary - Definition of 'Corporations Act'	This term has been inserted into the glossary in order to more accurately reference the relevant legislation.
Glossary - Definition of 'Directors' responsibility statement'	Consistent with the AER's approach for electricity DNSPs and gas businesses only a statutory declaration by an 'officer' (as defined under the NEL) of the TNSP is required for annual reporting assurance purposes.

Information guideline requirement	Reason for consequential amendment
<p>Glossary - Definition of 'Review of financial reports' reference to Australian Auditing Standard AUS 902</p>	<p>The reference to the specific auditing standard has been replaced with a more generic reference.</p>
<p>References to certain terms contained in various clauses throughout the Information Guideline and minor typographical amendments.</p>	<p>Certain terms (e.g. NEMMCO, Trade Practices Act 1974, SP AusNet Services) are now out of date and have been updated. New terms (e.g. Regulatory Information Instrument) have also been inserted into various clauses consistent with the other proposed amendments. In addition, minor typographical amendments have been made.</p>