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3 October 2008

Mr Chris Pattas
General Manager
Network Regulation South Branch
Australian Energy Regulator
GPO Box 520
Melbourne VIC 3001

Dear Mr Pattas

Submission to Electricity Distribution Network Service Providers, Annual Information Reporting Requirements Issues Paper

Aurora Energy Pty Ltd (Aurora) welcomes the opportunity to make a submission on the *Electricity Distribution Network Service Providers, Annual Information Reporting Requirements Issues Paper* released for comment by the Australian Energy Regulator in August, 2008.

Aurora is the sole licensed provider of distribution network services on mainland Tasmania, managing approximately 25,000 km of distribution network to serve approximately 260,000 customers.

Aurora recognises that the Australian Energy Regulator (AER) must collect a range of information from Distribution Network Service Providers (DNSPs) so that it can perform its functions of administration and regulation of the pricing of services offered by DNSPs. The development of a Regulatory Information Order (RIO) under the NEL to effect this is a good mechanism to ensure that such information is provided for this purpose.

Aurora notes, however, the information that the AER proposes to capture through the RIO is often different to that which is currently required of the DNSPs under existing jurisdictional arrangements, which will lead to duplication of effort and increased resources directed towards compliance.

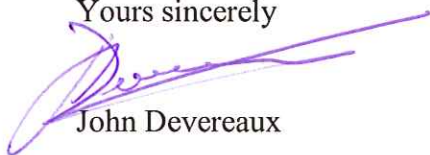
It also seems that the templates developed to collect information assume that the current and past pricing determinations were shaped and administered under similar conditions to those proposed for the future by the AER. This is not necessarily the case, which makes translation of past data into an appropriate format problematic.

Related to this last point is the common requirement in the templates to break down expenditure according to a Cost Allocation Methodology (CAM), without specifying which CAM should be used. While each DNSP must provide a CAM to the AER by January 2009, the categories within this CAM may be different to any CAM used by the DNSP in current or past pricing periods. Such differences may well render any serious comparison of expenditure across regulatory periods of limited value.

Please find in the attachment to this letter Aurora's comments to the specific questions contained within the Issues Paper along with comments raised on additional issues.

If you have any queries concerning this submission, please contact Leigh Mayne on (03) 6271 6544

Yours sincerely



John Devereaux

General Manager Network



ABN 85 082 464 622

Submission to Electricity Distribution Network Service Providers, Annual Information Reporting Requirements Issues Paper

3 October 2008

Overview

Key points

- The proposed Regulatory Information Order (RIO) and accompanying templates do not clearly reflect the functions and obligations the information is meant to address. Aurora accepts that it is incumbent on the AER to conduct and articulate a review of its regulatory obligations and the specific information required to meet those obligations.
- As part of this review, the AER should clearly specify that information that is required to be filed annually and that information required to meet functions associated with an assumed five-yearly review of a regulatory proposal. Only information required to meet annual functions should be included in the RIO.
- Once this review is complete, Aurora in conjunction with the Energy Networks Association and member businesses recommend that a working group be formed, with representation of the AER, ENA and member businesses to develop a useful and deliverable reporting framework and associated templates.
- Energy Networks Association is submitting an overarching discussion of the RIO, the AER process and the enabling legislation contained in the NEL. Aurora as a member of that organisation supports the submission and will confine responses to the specific components of the AER issues paper.

Background

This submission is in response to the *Electricity Distribution Network Service Providers Annual Information Reporting Requirements* issues paper, published by the Australian Energy Regulator (AER) in August 2008.

Aurora Energy Pty Ltd ABN 85 082 464 622 (Aurora) is licensed under the Electricity Supply Industry Act 1995 (ESI Act) to be the sole provider of distribution network services on mainland Tasmania. Aurora manages approximately 25,000 km of distribution network to serve approximately 260,000 customers.

Aurora is currently regulated under a Pricing Determination handed down by the Tasmanian Energy Regulator in 2007 for the period 1 January 2008 to 30 June 2012. At some point during this period, administration of the Pricing Determination will transfer from the Tasmanian Energy Regulator to the Australian Energy Regulator. However, under transitional arrangements provided in the National Electricity Rules, the administration of the Pricing Determination will be under the applicable Tasmanian Legislation and National Rules as at 31 December 2007.

Accordingly, reporting requirements upon Aurora are dictated by the ESI Act and Regulations, the Tasmanian Electricity Code (TEC), and Guidelines issued by the Tasmanian Energy Regulator (OTTER). In particular, the reporting of financial information for the administration of the current Pricing Determination is directed by the *Electricity Distribution and Retail Accounting Ring fencing Guidelines* issued by the Tasmanian Energy Regulator in 2008, located on the Tasmanian Energy Regulator's website at:

<http://www.energyregulator.tas.gov.au>

Responses to RIO reporting templates.

The numbers parenthesised in the headings refer to the template number on the AER's proposed reporting templates.

Expenditure (2)

Capital Expenditure (2.1)

Q. Are the proposed capex templates appropriate for the AER's regulatory functions?

Q. Please provide comments regarding the cost categories and definitions included in the capex templates.

System asset expenditure by asset type and cost drivers

Aurora currently provides reporting information to its jurisdictional regulator similar to the detail requested.

However Aurora currently performs a surrogate allocation of expenditure against various locational and assets class drivers.

Aurora Network CAM has yet to be submitted and approved by the AER and the CAM could affect the timing and cost in providing this information.

Non-system asset expenditure

Aurora is able to report this information as proposed.

Total Capex

Aurora is able to report this information as proposed.

Operating Expenditure (2.2)

Q. Are the proposed opex templates appropriate for the AER's regulatory functions?

Q. Please provide comments regarding the cost categories and definitions included in the opex templates.

Operating expenditure by category

Aurora currently provides reporting information to its jurisdictional regulator similar to the detail requested.

Aurora Network CAM has yet to be submitted and approved by the AER and the CAM could affect the timing and cost in providing this information.

Aurora bundles operating activities together to facilitate operational efficiency in the issue and performance of work. Where work is performed by external contractors (e.g. Inspections, Vegetation), the resulting data capture upon receipt of an invoice does not necessarily provide sufficient detail to breakdown by voltage or location. The issue of work to contractors in these instances is geographically based. The key imperatives for field workers when undertaking Emergency activities is safety and restoration of power. However Aurora currently performs a surrogate allocation of expenditure against various locational and assets class drivers.

Opex by expenditure category

Aurora is able to report this information as proposed.

Opex values

Aurora is able to report this information as proposed.

Material projects and programs (2.3)

Q. Is 2 per cent of the DNSP's anticipated revenue in the final year of the current regulatory period an appropriate threshold?

Q. Is the information collected in the template appropriate for the AER's regulatory functions?

Projects / programs

Aurora believes that 2 per cent of the DNSP's anticipated revenue in the final year of the current regulatory control period as an appropriate threshold to be too low and recommends jurisdictional level for reporting of a minimum of 5 per cent.

Capital Contributions (2.4)

Capital contributions, prepayments and financial guarantees

Aurora will be able to provide Capital Contribution information as proposed. However definitions and explanatory notes should be included to ensure understanding of the expectations and consistency of information.

Regulatory financial statements (3)

Income Statement (3.1)

Section 2.3.1 of the Issues Paper refers to the Income Statement for direct control distribution services, whereas the template refers to standard control distribution services (SCDS), Aurora requests clarification on the appropriate classification.

The categories of operating expense in the Income Statement do not directly align to the categories in the operating expenditure template (2.2); clarification is required to ensure appropriate allocation of costs to categories.

Aurora requests clarification of the heading 'Regulatory adjustments' and what they represent. Aurora interprets it to represent adjustments between the statutory representation of standard control services and the regulatory representation. (i.e. allowing for over/under recovery of revenue, etc)

Aurora does not currently assign journal numbers to adjustments as they are reflected in the work papers and models used to prepare the regulatory reporting statements. Regulatory reporting is prepared using offline models, as financial systems cannot handle processing of adjustment journals while maintaining statutory-reporting requirements.

Aurora suggests the requirement to provide supporting work papers for costs directly attributed and allocated to SCDS is not required on the basis that costs are attributed as per an approved CAM and is attested to in the signing and possible audit of the reporting statements.

Balance sheet – SCDS (3.2)

Refer to the comments above in section 3.1 – Income statement.

Cash flow statement – SCDS (3.3)

Current jurisdictional reporting does not require Aurora to provide a Cash Flow Statement: this information is, therefore, over and above current reporting requirements, requiring additional resources.

Aurora, as an incorporated company, collects financial information to meet its statutory reporting requirements. The Regulatory accounts are derived from the Statutory accounts. Given the requirement upon Aurora, as an integrated Distributor/Retailer, for extra disaggregation of its accounts into Regulated Distribution and Other businesses, any cash flow statement would need to suffer similar disaggregation, presumably based on the allocation of statutory balance sheet items to the respective Regulated and Other categories. Such an allocation process seems to severely limit the value of such a cash flow statement and Aurora questions the value of the statement to the national regulator.

Disaggregation statements (4)

Aurora's ability to meet the requirements of this statement is dependant upon the final outcome of the yet to be submitted and approved CAM.

Asset disaggregation statement (4.4)

Aurora is able to report this information as proposed.

Cost allocation (5)

Aurora's ability to meet the requirements of this statement is dependant upon the final outcome of the yet to be submitted and approved CAM.

Causal Allocations (5.1)

Aurora is able to provide detailed description and explanation of the basis of allocation for each allocator.

Non-causal allocations (5.2)

Aurora is able to provide detailed description and explanation of the basis of allocation for each allocator.

Regulatory asset base (6)

Property, plant & equipment reconciliation (6.1)

Reconciliation of property, plant and equipment

Aurora currently provides reporting information to its jurisdictional regulator similar to the detail requested.

However Aurora currently performs a surrogate allocation of expenditure against various locational and assets class drivers.

Aurora Network CAM has yet to be submitted and approved by the AER and the CAM could affect the timing and cost in providing this information.

Asset aging schedule (6.2)

Aurora currently provides similar reporting information to its jurisdictional regulator in line with the detail requested.

Network characteristics (6.3)

Line length

Aurora currently reports statistical data to its jurisdictional regulator.

Metered supply points

Aurora currently reports metered supply points data. However Aurora captures and reports this data at voltage and approved Network tariff level.

Service performance information (7)

Service target performance incentive scheme (7.1)

SAIDI & SAIFI

Aurora is able to report the values required, but notes that they have no relevance to the performance incentive scheme under which it currently operates.

MAIFI

Aurora is unable to provide this data to any degree of accuracy. Aurora has no SCADA system. Estimates of whole feeder MAIFI are based on manual data extraction, and estimates of partial feeder MAIFI are impossible. The introduction of a data collection and analysis system to provide MAIFI information would impose a major cost in infrastructure and resources, potentially far in excess of a community benefit.

Breakdown of unplanned interruptions by category

Aurora supports the collection of “high-level” cause data to better inform trend analysis of the performance measures, SAIDI, SAIFI and MAIFI.

The Energy Networks Association has been working with its members to develop a suite of Cause Codes for consistency in reporting. Aurora also proposes that the cause categories used by the AER be in accordance with the ENA proposed “High Level Cause Classification and Definitions”.

Aurora also recommends that the proposed AER cause breakdown include provision for “No Cause”, separately to “Other”.

Quality of supply complaints by complaint category & Quality of supply complaints by likely cause

Aurora is able to supply the proposed information, which is already collected as part of jurisdictional reporting requirements.

Telephone answering

Aurora requests definition of the terms ‘with exclusions’, ‘without exclusions’.

New connections (optional parameter in STPIS)

Aurora is able to supply the proposed information, which is already collected as part of jurisdictional reporting requirements.

Streetlight repair (optional parameter in STPIS)

Aurora is able to supply the proposed information, which is already collected as part of jurisdictional reporting requirements.

Response to written enquiries (optional parameter in STPIS)

Aurora is able to supply the proposed information, which is already collected as part of jurisdictional reporting requirements.

Customer complaints by category

Aurora requests definition of the complaint categories to ensure consistency of information reported.

Aurora should be able to supply the proposed information, which is already collected as part of jurisdictional reporting requirements.

Guaranteed service level (GSL) reporting requirements

Aurora currently reports payments made under its GSL scheme. The categories, however, are community-based, not based on feeder type. While it would be possible to recast the information, such will not be a trivial task.

Unplanned SAIDI and unplanned SAIFI of the worst performing 10% of feeders by feeder category

Aurora notes that the template is not clear on what criteria is to be used to judge worst performance for each of the categories CBD, urban, short rural and long rural. Aurora proposes that feeders be selected based on unplanned SAIFI performance, although both unplanned SAIDI and SAIFI would be reported against these feeders. SAIFI is the preferred indicator because it is the measure of the number of outages, which, according to research conducted in Tasmania, is of greater concern to customers than the duration of those outages. Further, the occurrence of an outage is the primary reliability indicator - without the occurrence of the outage, the duration is immaterial. Finally, the number of outages is a reflection of asset management processes, whereas SAIDI, the duration, is a reflection of resourcing strategies (number and locations of personnel and equipment).

Service performance – major event days (7.2)

Except for MAIFI, as discussed above, Aurora should be able to provide this information.

Service performance – Other Excluded Items (7.3)

Aurora is able to provide this information.

Passthroughs (8)

Network support passthroughs (8.1)

There is no current requirement to report to jurisdictional regulator, however Aurora has no issue with the proposed reporting requirement.

Cost passthroughs (8.2)

Positive passthroughs & Negative passthroughs

Aurora notes the requirement to report Cost passthrough events and associated funding approval and will be able to comply.

Relationships with other entities (9)

Relationships with other entities (9.1)

Aurora is able to report the information as proposed.

Expenditures with other entities (9.2)

Transactions in current regulatory control period.

Aurora is capable of providing the information requested in the template. However commercial and confidentiality implications need to be considered due to the level of information requested. Also worth noting is that unit price information may be meaningless as some providers may provide multiple goods and services.

Regulatory adjustment (10)

Regulatory adjustment journals – prescribed distribution services (10.1)

Aurora does not currently assign journal numbers to adjustments as they are reflected in the work papers and models used to prepare the regulatory reporting statements.

Regulatory reporting is prepared using offline models as financial systems cannot handle processing of adjustment journals while maintaining Statutory reporting requirements.

Other Information Requirements

Network planning and demand management

Q. Is the proposed information required for network planning appropriate for the AER's regulatory functions?

Aurora assumes the required data for each substation as part of Distribution System Planning Report (DSPR) and refers to zone substations rather than general distribution transformer substations.

Aurora's distribution network is connected to the transmission system at 40 Transend connection sites throughout Tasmania, where the voltage is reduced from 110kV to 44kV, 33kV, 22kV and 11kV. The distribution connection points, and the asset boundaries between the distribution and transmission networks, for the sub-transmission and distribution feeders are on the load side of the 'Transend owned' feeder circuit breaker equipment. Aurora has a sub-transmission network in the greater Hobart area, which consists of 8 zone-substations (33/11 kV).

Aurora is required, under the Tasmanian Electricity Code (TEC), to produce an annual DSPR to provide information to existing and prospective network users and other interested parties about expected changes to Aurora's distribution network for a five-year period. This DSPR is compiled from the results of the Annual Planning Review conducted jointly by Aurora and Transend Networks Pty Ltd (Transend) as part of the ongoing joint planning process.

Aurora believes that the AER's expectation that "it is anticipated that a DNSP to publish (distribution system planning data - capacity and demand) data on its website for the benefit of stakeholders" to be duplication of information that is published annually to the jurisdictional regulator as part of the obligations under the TEC and also required under 5.6.2 of the NER to undergo joint planning with the local Transmission Network Service Provider (TNSP)

Timing

Implementation of the RIO

Q. Does the implementation of the RIO for all relevant jurisdictions from the first regulatory year following the release of the RIO present particular issues for DNSPs?

Aurora is required to report to the jurisdiction regulator and the AER potentially different information each year until the end of the current regulatory period ending 2012.

Duplication necessarily creates additional compliance costs attributed to the DNSP.

Back casting Templates

Q. Are the proposed back-casting templates for capex and opex appropriate for the AER's upcoming distribution determinations?

Aurora agrees with the AER's comments on back-casting information raising potential issues.

"Back-casting information raises potential issues for the accuracy of information provided and such issues may be compounded by the length of the back casting period."

Aurora's concern is that there is no clear reason for back-casting information to be provided and why the AER is gathering this information. Particular concerns pertain to information being provided annually and thus repeated annually.

Aurora believes that this information is not consistent with annual reporting requirements set out by the AER.

In addition, Aurora requires clarification on what constitutes the previous reporting periods for purposes of back-casting information and whether the AER is satisfied with Aurora's level of back-casting in order to satisfy the AER's informational needs.

Back-casting information raises potential issues for the accuracy of information provided and as such issues may be compounded by the length of the back casting period. Aurora believes that the information it will provide in the Regulatory Information Notice for the upcoming determination will provide more reliable and relevant information and in a format appropriate to the forecasts used in the building block approach.

Back casting Template – CAPEX & OPEX

Refer above

Other Matters

Compliance costs

Q. What are the benefits of issuing the RIO? What are the costs? Do the benefits outweigh the costs?

Aurora believes the RIO to be more onerous than current jurisdictional reporting. However, subject to further detailed analysis on specific details, benefits outweighing costs of issuing the RIO are yet to be quantified. The duplication of reporting is also an issue.

With respect to the provision of back cast information, changes in the form of regulation has the potentially for compliance cost increases.

Assurance requirements

Q. Are the AER's proposed assurance requirements suitable?

Aurora has no issues with the requirement to provide audited accounts. However duplication of reporting will contribute to additional audit assurance costs.