

10 November 2020

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Dear Esther

**Re: Draft 2020 benchmarking results for Transmission Network Service Providers**

Thank you for providing the 2020 transmission network service providers (TNSPs) Draft Benchmarking results and the opportunity to provide further comments following those we submitted in relation to the preliminary results. In particular we would like to provide feedback on the results arising from new weightings as well as providing some comments relating to the 2019 results.

**1. Benchmarking results**

We note that Economic Insights considers the corrected output weights, which are highly weighted towards circuit length, is 'consistent with what we would expect conceptually' given '[t]he main function of the transmission network is the transport of bulk electricity from generation points to load centres. As such, we would expect circuit length to be the most important output.'<sup>1</sup>

As noted in our feedback in relation to the preliminary results, while the corrected output weights places a higher weight on circuit length, conceptually we would expect other outputs would be of greater importance to the functions carried out by a TNSP than the new weighting suggest. In particular we would expect customers to value other factors highly (such as reliability, energy throughput and the ability to meet peak demand) and be less focussed on the length of the circuit required to deliver energy. We would therefore appreciate it if Economic Insights could provide more information about the rationale for this conclusion.

As noted in the AER's Draft Benchmarking report,<sup>2</sup> we continue to consider that that this benchmarking analysis is best suited to providing insights into the productivity of individual TNSPs and the industry as a whole over time and not to compare the productivity of TNSPs relative to their peers. We note that the new weightings indicate that one TNSP (TasNetworks) is materially more efficient than all other TNSPs. This is unlikely to be the case and confirms

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<sup>1</sup> Economic Insights, Economic Benchmarking Results for the Australian Energy Regulator's 2020 TNSP Annual Benchmarking Report: Report prepared for Australian Energy Regulator (15 October 2020), p 2.

<sup>2</sup> Australian Energy Regulator, Annual Benchmarking Report: Electricity transmission network service providers (November 2020), p 12.

the limitations in using the benchmarking results to compare the performance of TNSPs. In light of these results, we therefore consider that the model specifications should be revisited.

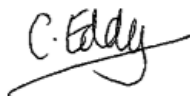
## **2. 2019 results**

Considering the results in 2019 compared to 2018, our productivity decreased, mainly as a result of one-off circumstances. As noted in the AER's Draft Transmission Benchmarking Report, our productivity results (e.g. multilateral total factor productivity and total factor productivity) were driven by negative impacts to our reliability performance when one large customer suffered a single outage and higher opex expenditure, which was driven by non-recurrent expenditure items including costs associated with organisational restructures.

Our indicative analysis of 2020 however shows that we expect to performance to improve and, depending on the performance of other networks, we may have the highest opex partial factor productivity in 2020.

If you would like to discuss any aspect of this feedback, please contact [REDACTED]

Sincerely



Charlotte Eddy  
Manager Economic Regulation  
**AusNet Services**