



9 October 2015

Mr Andrew Ley  
Australian Energy Regulator  
GPO Box 520  
Melbourne, VIC 3001

Dear Andrew Ley

**RE: 2015 DRAFT ANNUAL BENCHMARKING REPORT**

CitiPower and Powercor Australia (**the Businesses**) welcome the opportunity to make a submission to the Australian Energy Regulator (**AER**) on the 2015 draft Annual Benchmarking Report for Electricity distribution network service providers (**Draft report**).

The Businesses have two concerns regarding the Draft report, these include:

**1. The AER has added connection services opex to network services opex for the Businesses and not for other distributors.**

The Businesses 2014 benchmarking RIN separated connection services opex from network services opex. The Businesses also provided the AER with restated RINs which provide the information on an equivalent basis back for the period 2006 to 2013. The Businesses 2014 benchmarking RINs and restated RINs were audited and certified.

The AER has provided no rationale for benchmarking the Businesses opex on the basis of adding together network services opex and connection services opex while benchmarking all other distributors on the basis of network services opex only. Notably, the following six distributors also separated connection services opex from network services opex in the RINs: Jemena, ActewAGL, AusGrid, Essential, SA Power Networks and TasNetworks. However, the AER benchmarked these distributors only on the basis of network services opex.

**2. The AER has not included the results of its econometric modelling in the Draft report.**

Through the revenue determination process for NSW, ACT, QLD, and South Australia distributors the AER has placed the greatest reliance on econometric benchmarking for the purposes of assessing and substituting the efficient level of opex. Given the importance placed by the AER on the econometric modelling it is appropriate that the AER publish the results of the econometric modelling in the Draft report and does not withhold the results until the determination process. Notably, the AER requires the AER to have regard to the most recent annual benchmarking report in making its assessment of opex, yet the AER has had most regard to a model that is not contained in the Draft report.

The Businesses recommend that the Final 2015 annual benchmarking report:

- benchmark all distributors on the basis of network services opex only;
- the network services opex for the Businesses should be in accordance with the network services opex reported in the Businesses 2014 audited and certified benchmarking and restated RINs; and
- include the results of the econometric modelling for which the AER intends to have regard to in revenue determinations.

We would be pleased to discuss any aspect of this submission with the AER. If you have any queries regarding this submission please contact Megan Willcox on 03 9236 7048 or [mwillcox@powercor.com.au](mailto:mwillcox@powercor.com.au).

Regards

A handwritten signature in blue ink that reads "Renate Tirpcou". The signature is written in a cursive style with a large initial 'R'.

**Renate Tirpcou**  
**Manager Regulation, CitiPower and Powercor Australia**