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Warwick Anderson
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Submitted electronically to: aer inquiry@aer.gov.au

Dear Mr Anderson

Objectives and Priorities of Electricity Network Service Provider Performance Reports – Discussion Paper

Country Energy appreciates the opportunity to respond to the Australian Energy Regulator's (AER's) discussion paper on objectives and priorities of electricity network service provider performance reports ('the paper').

Country Energy understands the need for the AER to collect information it reasonably requires to carry out its regulatory function under the National Electricity Law (NEL) and National Electricity Rules (NER). Whilst Country Energy is largely supportive of the objectives and priorities listed in the paper, we discuss below some issues regarding specific aspects of the paper.

Duplication

Country Energy suggests that the paper incorporate an objective of minimising duplication of performance reporting. Country Energy currently reports numerous performance measures to various jurisdictional and statutory bodies, with scope for further reporting on a national scale in the future, for example, if proposed total factor productivity legislation is introduced. The AER needs to be mindful of the inefficiencies, confusion and misinterpretations that duplicate reporting of measures in a number of forms to various bodies may cause, as customers will ultimately bear the costs.

Performance reporting should not be required simply for reporting's sake. The AER must ensure that performance reports are necessary and the benefits to stakeholders outweigh the costs of collecting and using the information therein. The reasons for requiring performance reports must be clear, and the information reported must be meaningful, used appropriately, and unable to be obtained elsewhere in the public domain.

Benchmarking

The AER states in the paper that one purpose of performance reporting is to provide comparable information about network service providers (NSPs). This may be a reasonable aim at a high level, however any meaningful comparisons will be difficult to achieve due to the uniqueness of each NSP. The performance of each NSP is impacted by factors including, but not limited to:

- operating environment and location;
- jurisdictional obligations;
- definitions and measurement of performance parameters;
- asset mix (numbers, age, construction, valuation);
- business structure/model;
- customer mix, density, demand and consumption; and
- accounting policies (for example leasing arrangements, direct costing and capitalisation).

Country Energy believes the intended use of performance reports as a means of benchmarking is inappropriate, given the difficulty in comparing a diverse range of NSPs and the inherent limitations of such high level information. If performance reporting does not adequately reflect the influence of the above factors, comparisons will be misleading and an inaccurate representation of performance. Performance reports would need a significant number of caveats, reducing their actual usefulness to stakeholders in assessing NSP performance.

Business Practices and Decision Making

Country Energy believes the AER may need to temper expectations of what can be gleaned from NSP performance reports. The information contained in a performance report is likely to offer limited insight into NSP operations and decision making. For example, the AER has flagged the annual measurement of outputs including network utilisation and asset age as a priority. However, these measures would be unlikely to offer any true indication of a NSPs performance, as the change in these measures on a year to year basis over the entire network is immaterial. Measures such as these may not give the AER any real indication as to how the NSP is maintaining its network or making investment decisions. NSP decision making is complex and influenced to a large degree by the factors listed above, and is not easily assessed through a high level snapshot contained in an annual performance report.

Transitional Arrangements

A new national reporting regime will result in varying degrees of change for each NSP, and it is important that the AER is cognisant of the time and costs this will impose on NSPs. Modifications to reporting systems incur a considerable amount of time and cost, especially if they are likely to be combined with amendments to current jurisdictional and national performance parameter definitions. The AER must ensure that NSPs are given an adequate transition period for reporting changes to be made, and that the costs of the transition are able to be recovered from customers.

Changes to systems and definitions of parameters will also mean that any back casting of performance information would be problematic and meaningless. Country Energy therefore believes the AER should clearly rule out any requirements for back casting of information.

Country Energy appreciates that the paper does not detail the specific content or form of a performance report, and we look forward to working with the AER in future to develop appropriate and meaningful performance reports.

Country Energy would be pleased to discuss this matter further. Should you require further information please feel free to contact Jason Cooke on 02 6338 3685.

Yours sincerely



Natalie Lindsay
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