

Your ref:
Our ref:

9 October 2015

Mr Warwick Anderson
General Manager – Network Finance and Reporting
Australian Energy Regulator
GPO Box 3131
Canberra ACT 2601

Lodged by email: AERinquiry@aer.gov.au

Dear Mr Anderson

re: Draft Annual Benchmarking Report for Electricity Transmission 2015

ElectraNet appreciates the opportunity to comment on the Australian Energy Regulator's (AER) Draft Annual Benchmarking Report issued to ElectraNet on 16 September 2015. ElectraNet recognises that the Annual Benchmarking Report is intended to help inform the expenditure forecasting component of the Better Regulation framework for NSPs.

ElectraNet understands the purpose of the Report is, at a high level, to provide a view as to the relative productive efficiency of different transmission networks. However, ElectraNet is concerned that if viewed in isolation without the appropriate context, the report in its current form will not necessarily support informed analysis.

ElectraNet has reviewed the Draft Report and has identified some ongoing issues, which need to be addressed to ensure that the Annual Benchmarking Report forms a valuable component of a robust and consistent benchmarking approach.

ElectraNet welcomes the draft report highlighting that there are a number of limitations that remain within the data, which need to be recognised. In considering the relative efficiency of the transmission networks it is important to consider a number of issues with the data. These include:

1. The small benchmarking sample size. ElectraNet supports the observation in the Draft Report that the limited number of TNSPs in Australia makes efficiency comparisons problematic and, therefore, drawing firm conclusions as to relative efficiency is not feasible.
2. Differences in operating environment factors. Qualitative consideration of the effect of operating environment conditions and the widely differing characteristics of the networks is required when interpreting benchmarking results.

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3. Different frameworks between jurisdictions. Difficulties exist in reasonably comparing TNSP benchmarking data due to differences in the framework between jurisdictions. This is particularly the case as the report observes, with the data provided by AusNet Services. The AusNet Services data does not incorporate the costs associated with the TNSP functions undertaken by AEMO within the Victorian jurisdiction.
4. Interpretation of underlying RIN data. Further to the limitations noted by the AER in the Draft Report, ElectraNet also observes that ongoing differences in the interpretation of RIN requirements used to derive the Annual Benchmarking Report will continue to limit the comparability of some data between TNSPs, as noted previously by Grid Australia.

Given these limitations, the benchmarking data should be used with considerable caution and only as an informative tool, and not applied deterministically in expenditure forecast assessment.

ElectraNet supports ongoing improvement to the Benchmarking Report and underlying RIN reporting and stands ready to assist the AER to this end.

I look forward to your further consideration of these issues. Please contact Bill Jackson on (08) 8404 7969 to discuss the issues described above in more detail.

Yours sincerely



Rainer Korte
Executive Manager Asset Management