

## ENERGEX Responses to AER Annual Information Reporting Requirements – Reporting Templates

Template	Table	AER- Proposed Reporting Requirement
<b>2.1 – Capital Expenditure</b>	1 - System asset expenditure by asset type and cost drivers	ENERGEX currently provides reporting to the Queensland Competition Authority (QCA) at a higher level of detail than requested by the AER. ENERGEX does not record financial information at voltage or location/feeder levels as indicated in the proposed templates. In providing detail by location (e.g. CBD, urban, rural), ENERGEX currently performs a surrogate allocation of expenditure based on installed transformer capacity. To accurately capture location-based expenditure, ENERGEX would require changes to systems, field and administrative processes and data capture procedures. The expenditure reporting system would need to be aligned and integrated with the Network Asset Management system in order to provide the necessary location information. As individual projects can span multiple locations (e.g. urban, rural), an allocation or deeming of work to a location may be required in these instances.
	2 - Non-system asset expenditure	Information able to be reported as proposed.
	3 – Total Capex	Information able to be reported as proposed.
<b>2.2 – Operating Expenditure</b>	1 – Operating expenditure by category	<p>ENERGEX does not capture or report maintenance expenditure at a Voltage (e.g. HV, LV), Location/Feeder (e.g. CBD, urban) or Position (e.g. overhead, underground) level. In order to accurately capture expenditure by voltage, location and position, ENERGEX would require changes to its systems, field and administrative processes and data capture procedures.</p> <p>ENERGEX’s current regulatory financial reporting for maintenance and operating activities is categorised similar to that included in the Utility Regulators Forum Discussion Paper – <i>National Regulatory Reporting For Electricity Distribution and Retail Businesses</i> of March 2002. While these categories generally align with the activities for maintenance and operating expenditure in the proposed templates, they do not require reporting at voltage, location and position levels.</p> <p>ENERGEX 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 management), the resulting data capture upon receipt of an invoice does not provide sufficient detail to cost 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. The capture of data into voltage, location and position categories in these circumstances would take their focus away from the key imperatives.</p> <p>ENERGEX applies a fully-absorbed costing methodology in the application of overhead, where all relevant corporate and support overheads are allocated to services based on the approved Cost Allocation Methodology (CAM). Regulatory, Executive, Financial Management, HR and other corporate overhead costs are included in the overheads applied to maintenance, and operating</p>

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		activities. Therefore, these costs would need to be deducted from the maintenance and operating activities in order to be included separately, as indicated in the template. This would increase the effort, processes and costs required to capture and report the operating expenditure in the suggested template format.
	2 – Opex by expenditure category	Information able to be reported as proposed.
	3 – Opex values	Information able to be reported as proposed.
<b>2.3 – Material projects and programs</b>	1 – Projects / programs	ENERGEX would be able to report on material projects and programs. However, ENERGEX notes that forecast projects or programs that meet the 2% threshold may be cancelled, brought forward or deferred due to changes in the network and priorities over the regulatory control period. ENERGEX therefore suggests that comparisons against forecast would create additional reconciliation and reporting effort in each reporting period that is unnecessary under an ex ante framework.
<b>2.4 – Capital contributions</b>	1 – Capital contributions, prepayments and financial guarantees	Capital Contribution information is able to be reported. ENERGEX considers definitions and explanatory notes should be included to ensure complete understanding of expectations and consistency of information.
<b>3.1 – Income statement</b>	1 – Income statement – standard control distribution services (SCDS)	<p>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. ENERGEX requests clarification on the appropriate classification.</p> <p>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.</p> <p>ENERGEX requests clarification of the heading ‘Regulatory Adjustments’ . ENERGEX interprets it to represent adjustments between the statutory representation of standard control services and the regulatory representation (i.e. allowing for regulatory versus statutory depreciation expense, for instance).</p> <p>ENERGEX 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.</p> <p>ENERGEX 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 any possible audit of the reporting statements.</p>
<b>3.2 – Balance sheet</b>	1 – Balance sheet – SCDS	Refer to comments on template 3.1 – Income statement

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<b>3.3 – Cash flow statement</b>	1 – Cash flow statement - SCDS	<p>Current jurisdictional reporting does not require ENERGEX to provide a Cash Flow Statement.</p> <p>Most organisations do not capture information directly at both a statutory and regulatory level. Therefore, a Cash Flow Statement would need to be derived from the Income Statement and Balance Sheet prepared for regulatory reporting purposes. A regulatory balance sheet would be based on the allocation of statutory balance sheet items to the respective Regulated and Non Regulated categories. This allocation dilutes the reasonableness and usefulness of the resulting cash flow. Given that most balance sheet items require allocation, ENERGEX questions whether the outcome is likely to provide the regulator any significantly valuable information.</p>
<b>4.1 – Disaggregation statement - income</b>	1 – Disaggregation statement - income	ENERGEX notes in section 2.4.2 of the Issues Paper a reference to ‘non-allocated items’. However, this category does not appear in the disaggregated statement template.
<b>4.2 – Disaggregation statement – balance sheet</b>	1 – Disaggregation statement – balance sheet	ENERGEX notes in section 2.4.3 of the Issues Paper a reference to ‘non-allocated items’. However, this category does not appear in the disaggregated statement template.
<b>4.3 – Disaggregation statement – cash flows</b>	1 – Disaggregation statement – cash flows	Refer to comments on template 3.3 – Cash Flow Statement
<b>4.4 Asset disaggregation statement</b>	1 - Asset disaggregation statement	ENERGEX provides similar reporting under current jurisdictional reporting requirements.
<b>5.1 – Causal allocation</b>	1 - Causal allocation 2 – Detailed description and explanation of the basis of allocation for each allocator	ENERGEX considers this template should be excluded from the reporting requirements on the basis that the AER approves the CAM to be applied by each DNSP, and that compliance with this methodology is attested through the signing and any possible audit of the Annual Reporting Statements.
<b>5.2 – Non causal allocation</b>	1 - Non causal allocation 2 – Detailed description and explanation of the basis of allocation for each allocator	Refer to comments on template 5.1 – Causal Allocation
<b>6.1 – Property, plant &amp; equipment reconciliation</b>	1 – Reconciliation of property, plant and equipment - SCDS	<p>The intention of the template is unclear. Further explanation of the expenditure descriptions is necessary.</p> <p>In addition, ENERGEX does not distinguish between voltage, location and position levels as indicated in the proposed templates. Asset financial information is captured and reported at an aggregated component level. Asset components (e.g. circuit breakers, transformers, conductor, poles, etc) are categorised together and are suitably identified for the calculation of depreciation on similar asset lives. ENERGEX considers this classification to be superior when compared with</p>

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		reporting on feeder position, for example, where a feeder may include both overhead and underground components with different asset lives. Any change in the mix between overhead and underground components over time would result in the need to revise the average useful life of the feeder.
<b>6.2 – Asset aging schedule</b>	1 – Asset ageing schedule - SCDS	ENERGEX records assets at an aggregated component level which lends itself to profiling the assets by age as proposed. However ENERGEX considers that it is not able to report at the voltage categories as the AER has proposed, and proposes to report asset categories in line with its current capability.
<b>6.3 – Network characteristics</b>	1 – Line length	Statistical data currently reported.
	2 – Metered supply points	Metered supply points data is currently reported by ENERGEX. ENERGEX does not capture and report this data at voltage or customer type level.
<b>7.1 – Service target performance incentive scheme</b>	1 – SAIDI 2 - SAIFI	ENERGEX agrees with the table structure.  ENERGEX acknowledges the need to report planned interruptions as well as unplanned interruptions.  ENERGEX notes that that the list of exclusions proposed by the AER does not include all the categories under the Queensland Electricity Industry Code. However, ENERGEX interprets Section 3.3(a) (7) of the Service Target Performance Incentive Scheme for DNSPs to provide for these exclusions.
	3 - MAIFI	ENERGEX supports the AER’s preliminary position not to apply the MAIFI parameter to STPIS during the 2010-15 regulatory control period due to data gathering considerations. ENERGEX is working towards establishing systems to accurately capture MAIFI data and report in the regulatory control period 2016-2020.
	4 – Breakdown of unplanned interruptions by category	ENERGEX understands this is not a measure included in the STPIS scheme. However ENERGEX supports the collection of ‘high-level’ cause data to better inform trend analysis of the performance measures, SAIDI, SAIFI and MAIFI. The proposal to calculate the percentage contribution of the causes by the number of events may however skew results, as it will give equal weighting to low voltage events affecting small numbers of customers with high voltage events affecting much larger numbers of customers. ENERGEX’s recommendation is to base the percentage cause on unplanned SAIDI and/or SAIFI contribution to the category performance. In this manner, there is closer alignment of cause contribution to the overall performance being monitored.  ENERGEX notes that the cause template is silent on whether it includes all distribution events or whether after exclusion events are removed. ENERGEX recommends that the percentage cause is based on unplanned SAIFI and/or SAIFI after exclusion events are removed.

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		<p>ENERGEX also proposes that the cause categories are in accordance with the ENA proposed 'High Level Cause Classification and Definitions'.</p> <p>ENERGEX also proposes that the proposed AER cause breakdown include provision for 'No Cause', separately to 'Other'.</p>
	<p>5 – Quality of supply complaints by complaint category</p> <p>6 – Quality of supply complaints by likely cause</p>	<p>ENERGEX supports the collection of the complaint data proposed in Tables 5 and 6. ENERGEX currently reports identical data to the QCA.</p> <p>ENERGEX does not support the reporting against technical standards in the regulatory control period 2010-15. It will not be able to put in place adequate monitoring systems to facilitate meaningful reporting until the commencement of the 2015-20 regulatory period, due to the need for significant investment to be undertaken.</p>
	7 - Telephone answering	ENERGEX accepts this reporting requirement but seeks confirmation in relation to the definition of exclusions that applies.
	8 - New connections (optional parameter in STPIS)	Not applicable to ENERGEX for STPIS reporting at this time.
	9 - Streetlight repair (optional parameter in STPIS)	Not applicable to ENERGEX for STPIS reporting at this time.
	10 - Response to written enquiries (optional parameter in STPIS)	Not applicable to ENERGEX for STPIS reporting at this time.
	11 - Customer complaints by category	ENERGEX understands this is not a measure included in the STPIS scheme. However if required to be reported, ENERGEX seeks definitions of the complaint categories to ensure consistency of reported information.
	12 – Guaranteed service level (GSL) reporting requirements	ENERGEX's current reporting obligations and definitions for GSLs are contained in the Queensland Electricity Industry Code. Total duration of interruptions is currently not measured under the scheme.
	13 - Unplanned SAIDI and unplanned SAIFI of the worst performing 10% of feeders by feeder category	<p>ENERGEX understands this is not part of the STPIS scheme at this time. However, ENERGEX does currently report these statistics to the QCA.</p> <p>ENERGEX notes that the template for reporting worst performing feeders states that exclusions do not apply. ENERGEX proposes that worst performing feeders be reported after the removal of exclusion events, as this is currently the practice in ENERGEX's reporting to the QCA, in accordance with their service performance reporting template.</p> <p>ENERGEX notes that the template is not clear on what criteria is to be used to judge worst</p>

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		<p>performance for each of the categories CBD, urban, short rural and long rural. ENERGEX proposes that feeders be selected based on unplanned SAIDI performance. Both unplanned SAIDI and SAIFI would be reported against these feeders.</p> <p>ENERGEX notes that the template includes CBD feeders. ENERGEX currently has near 'best in class' Australian performance for its CBD customers, characterised with very few events in any year and usually restricted to loss of individual supply to buildings rather than whole feeders. Due to the intermeshed network configuration, customers effectively have duplicated 11 kV supply. Accordingly, the chance of a customer's supply being interrupted due to a feeder outage is extremely infrequent. An interruption will generally only occur when there is a second contingency. This is in contrast to the remainder of the 11 kV system (urban, short rural and long rural), which is predominantly radial supply. Subsequently, identifying the worst performing feeders on very rare events is not meaningful. Accordingly, for the CBD only, ENERGEX recommends reporting any HV event that has resulted in a customer interruption.</p>
<b>7.2 – Service performance – major event days</b>	1 - Service target performance incentive scheme - major event days	ENERGEX notes that the major event day definition used by the AER for the STPIS scheme is a modified version of the IEEE 1366 standard and is different in application to that used by ENERGEX for reporting against minimum service standards under the Queensland Electricity Industry Code
<b>7.3 – Service performance – Other excluded items</b>	1 - Service target performance incentive scheme - other excluded items	<p>In its DNSP STPIS Final Decision of June 2008, the AER argues that interruptions at the direction of police and other authorised emergency services personnel do not occur often and will generally have a minor impact on performance. It also argues that interruptions due to faults on customer installations are difficult to determine and are unlikely to be material to the performance measured under STPIS. For these reasons, the AER has not included these items in the list of exclusions. ENERGEX argues these items should be included due to their materiality for CBD performance. ENERGEX currently has near 'best in class' Australian performance for its CBD customers, characterised with very few events in any year and usually restricted to loss of individual supply to buildings rather than whole feeders. In this context, ENERGEX's experience is that interruptions of this nature do occur and can make up a significant contribution to the overall figures. The inclusion of these two items in the list of exclusions, is not expected to have a material impact on the reported performance for the other categories, urban, short rural and long rural. Including these two items in the list of exclusions will also provide alignment between ENERGEX's current reporting to the QCA, and will avoid administrative changes and the potential for confusion.</p>
<b>8.1 – Network support passthroughs</b>	1 - Network support pass through - standard control distribution services	Not applicable to ENERGEX at this time.
<b>8.2 – Cost passthroughs</b>	1 – Positive passthroughs 2 – Negative passthroughs	ENERGEX accepts the requirement to report cost passthrough events and associated funding approval.
<b>9.1 – Relationships with other entities</b>	1 - Relationships with other entities	ENERGEX is able to report the information as proposed.

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<b>9.2 – Expenditures with other entities</b>	1 - Transactions in current regulatory control period	ENERGEX is capable of providing the information requested in the template. However, commercial and confidentiality implications may need to be considered. In addition, unit price information may be meaningless, as some providers may provide multiple goods and services.
<b>10.1 – Regulatory adjustment journals – prescribed distribution services</b>	1 - Regulatory adjustment journals – prescribed distribution services	ENERGEX 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.
<b>Back casting Template - CAPEX</b>		As discussed in comments in relation to the Capital Expenditure template (2.1), ENERGEX has not historically captured expenditure data at the location / feeder level proposed. Asset financial information is captured and reported at an aggregated component level. Asset components (e.g. circuit breakers, transformers, conductor, poles, etc) are categorised together and are suitably identified for the calculation of depreciation on similar asset lives. To complete the back casting templates as proposed, ENERGEX would be required to interrogate its financial reporting systems and manually prepare the information using high level assumptions. During the current and previous regulatory periods, ENERGEX has upgraded or implemented new financial systems. These implementations and upgrades have resulted in changes to the account code structure, which would make the interrogation, and sourcing of data, time and resource intensive. The resulting back cast information would be imprecise and ENERGEX questions the usefulness of the resulting data, at the detailed level requested. The AER has effectively noted this point in its Issues Paper. ENERGEX believes that the information it proposes to provide in the Regulatory Information Notice for the upcoming determination will provide more reliable and relevant information and is based on current reporting capability.
<b>Back casting Template - OPEX</b>		As discussed in comments about the Operating Expenditure template (2.2), ENERGEX has not historically captured expenditure data at the location level proposed or in all the categories defined. To satisfy the completion of the back casting template as proposed, ENERGEX would be required to interrogate its financial reporting systems and manually prepare the information using high level assumptions. This would create the issue of imprecision similar to that raised in the back-casting of capex section above.