

26 October 2022

Claire Preston
Director, Network Expenditure
Australian Energy Regulator

Sent via email

Dear Ms. Preston

AER 2022 Draft Annual Benchmarking Reports – Electricity Distribution and Transmission Network Service Providers

Energy Networks Australia (ENA) appreciates the opportunity to provide feedback on the Australian Energy Regulator's (AER) 2022 Draft Annual Benchmarking Reports for electricity distribution network service providers (DNSPs) and transmission network service providers (TNSPs).

ENA is the national industry body representing Australia's electricity transmission and distribution and gas distribution networks. Our members provide more than 16 million electricity and gas connections to almost every home and business across Australia.

Independent review of non-reliability output weights

The AER's 2020 Annual Benchmarking Report included substantial changes to correct a coding error in Economic Insight's models, which materially impacted networks' benchmarking results and rankings.

As outlined in ENA's response to the 2021 Draft Annual Benchmarking Report, ENA supports the AER undertaking a timely independent review of benchmarking methods to ensure that the benchmarking framework delivers robust and replicable outputs, consistent with achieving outcomes that are in the long-term interests of customers.

In undertaking the review, we encourage the AER to undertake an open industry-wide consultation process and provide stakeholders with an overview of its indicative timelines for the review.

Benchmarking development

As highlighted in the AER's draft reports, there is a suite of benchmarking development work progressing, including a review of benchmarking modelling to account for distributed energy resources, and a review of the differences in capitalisation approaches.

ENA encourages the AER to continue progressing this work and highlights the need to apply caution in using the benchmarking results in deterministically setting regulatory allowances given work on these identified development areas is still ongoing.

ENA also encourages the AER to undertake further additional consultation with networks on the Quantonomics memorandum that investigates possible options for addressing the ongoing performance issues with the opex econometric cost function models.

In addition, ENA supports the ongoing development of the transmission benchmarking framework to improve its usefulness over time, in particular by further developing measures that reflect the changing role of transmission as the energy system evolves.

Provision of multiple assessment timeframes for trends

Overall productivity trends over the period measured in the report (2006-2021) will differ through time.

To better highlight the relative productivity trend performance of networks compared to broad Australia -wide productivity trends, as well as utility sector trends, ENA suggests additional representations of the relative productivity performance across multiple time periods be added.

As an example, those figures showing 'economy', 'utility sector' and network performance indexed to a starting base of 2006, could be supplemented by additional figures rebasing these indices at 100 at periods of 5, and 10 years prior to the report.

This would have the benefit of providing clearer information on the relative performance across recent regulatory periods, and an alternative longer-term period, and avoid any potential 'anchoring point' effects from representing only changes from the single fixed starting point of 2006.

Once again, thank you for the opportunity to provide comment. If you have any questions, please contact Lucy Moon, Head of Regulation at [REDACTED]

Yours sincerely,



Garth Crawford
General Manager, Economic Regulation