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Mr Mark McLeish

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CC: Andrew Ley

Dear Mark

Jemena Electricity Networks (Vic) Ltd (JEN) comments in response to draft annual benchmarking report for distribution – economic benchmarking data check

Jemena Electricity Networks (Vic) Ltd (**JEN**) is pleased to be offered the opportunity to respond to the AER's first draft annual benchmarking report for distribution (**the report**).

JEN confirms that the AER have input our economic benchmarking information correctly. In the short timeframe that was allowed to respond, we found no factual inaccuracies in the JEN modelling inputs applied.

Data must be distinguished between actual and estimated

The only data comment that JEN wishes to make is that the report fails to distinguish between actual data and estimated data. JEN—along with most of the distribution network service providers (**DNSPs**)—carefully considered how best to estimate data it could not report as actual information, and notes that some estimates are more accurate or reliable than other data.

JEN submitted a colour coded version of its consolidated data template to assist the AER to distinguish between estimates that could reliably be used to inform benchmarking comparisons of relative efficiency, and importantly, those estimates that were not appropriate for such purpose. The report should note that the data in this—the first annual benchmarking report—has many limitations with regard to the accuracy and reliability of estimated information. It should also note that there were vast disparities in the approaches DNSPs used to estimate information—as detailed in their basis of preparation documents.

JEN acknowledges that economic benchmarking will play an important role in informing future regulatory decisions, and in driving a more consistent (higher) level of efficiency across DNSPs. However, as this is the first annual benchmarking report, it should note that these are early days and the data can be expected to improve over time, and there are limitations in the ability of the data to derive accurate inferences currently.

Regulatory certainty is key

JEN acknowledges that the AER has choices in the specification of inputs and outputs for the multilateral total factor productivity (**MTFP**) analysis and is supportive of those applied by the AER in this report. One of the objectives of the new regulatory reporting framework (including the requirement to respond to annual, economic benchmarking and category analysis regulatory information notices) is that regulatory certainty must be promoted and that stakeholders can understand benchmarking results over time. This will also allow businesses to invest (with certainty) in their data capture technologies and develop new processes to facilitate capture of actual data rather than estimates.

To derive a consistent set of benchmarking results over time, the AER must be consistent in its specification of MTFP analysis over time and particularly across determinations and geographical regions. Certainty in the modelling approach will aid customers and stakeholders in understanding the annual benchmarking reports by ensuring like-for-like analysis year on year. Movements in results attributable to factors other than the underlying reported data will likely confuse or potentially misinform stakeholders.

JEN wishes to continue to engage with the AER on its application of economic benchmarking to ensure that a consistent, reliable data set is developed.

Yours sincerely,

A handwritten signature in blue ink, appearing to read 'R McMillan', with a stylized flourish at the end.

Robert McMillan
General Manager Regulation