



Major Energy Users Inc.

30 March 2020

Mr Warwick Anderson
General Manager
Networks Finance and Reporting
Australian Energy Regulator
GPO Box 520
Melbourne Vic 3001

By email to: repexdevelopment@aer.gov.au

Dear Warwick

Reporting on regulated network performance Objectives and Priorities Consultation Paper

Major Energy Users Inc (MEU) is pleased for the opportunity to provide its views on the Consultation Paper released by the AER in relation to its review of priorities and objectives for reporting on regulated electricity and gas network performance.

The MEU was established by very large energy using firms to represent their interests in the energy markets. As most of the members are located regionally, and are the largest employers in these regions, the MEU is required by its members to ensure that its views also accommodate the needs of their suppliers and employees in those regional areas. It is on this basis the MEU and its regional affiliates have been advocating in the interests of energy consumer for over 20 years and it has a high recognition as providing informed comment on energy issues from a consumer viewpoint with various regulators (ACCC, AEMO, AEMC, AER and regional regulators) and with governments.

The MEU stresses that the views expressed by the MEU in this response are based on looking at the issues from the perspective of consumers of electricity and it has not attempted to provide any significant analysis on how the proposed changes might impact other stakeholders.

2-3 Parkhaven Court, Healesville, Victoria, 3777

ABN 71 278 859 567

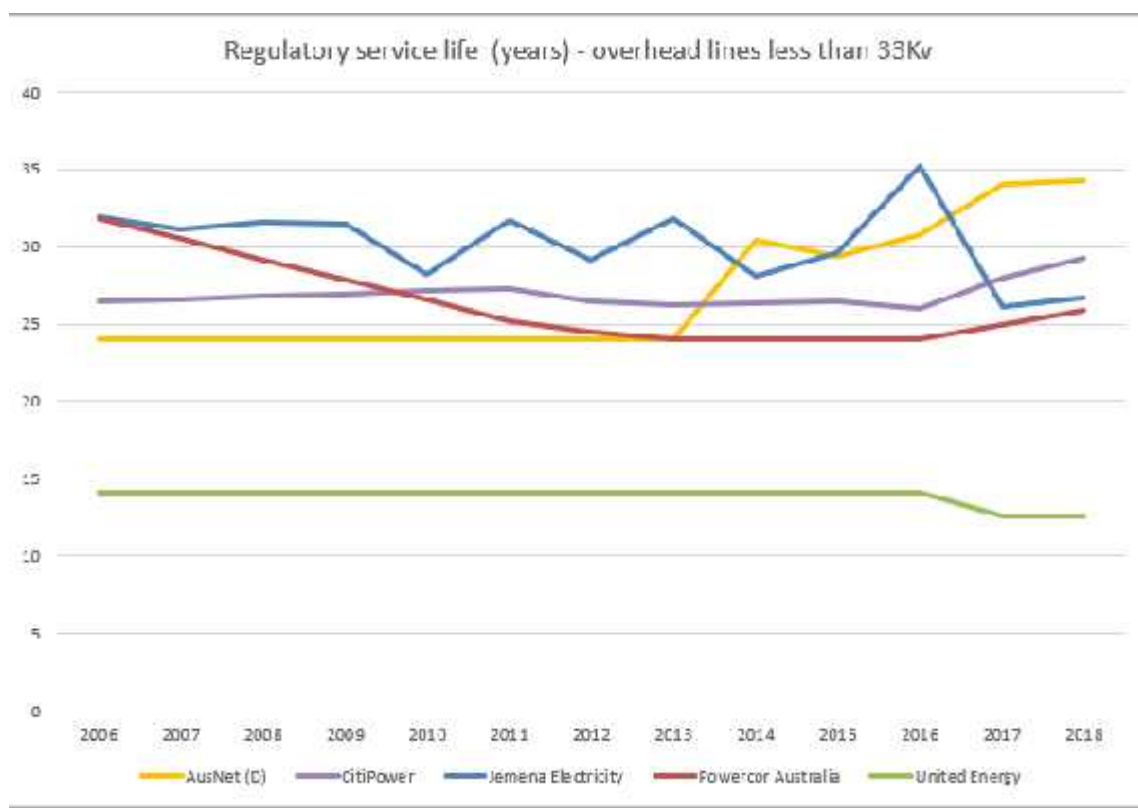
www.meu.asn.au

The MEU and the consultants it uses have been intimately involved in network revenue resets over the entire life of the NEM and so the MEU is well qualified to provide the AER with informed comment about this issue.

The MEU is a strong supporter of the AER commencing to provide performance data on gas networks and points out that the lack of performance reporting by gas networks has made consumer input into regulatory resets much more difficult than needed.

The MEU considers that the network performance reporting currently in use is a major step forward and has proven to be very useful in better understanding how the networks are providing their services. However, the MEU points out that there is some concern about the quality of the data and its accuracy, especially in terms of the non-financial data.

For example, analysis of the age of assets used by the networks shows quite conflicting and potentially inaccurate data. Below is a chart of the asset lives of the five Victorian DBs extracted from the AER consolidated report *Electricity Distribution Networks Performance Report – 2006-2018 public version tab 11*



Source: AER Electricity Distribution Networks Performance Report – 2006-2018 public version tab 11

There seem to be a number of anomalies inherent in the data, such as

-) Any increase in age should only show a maximum of one-year increase in age between years, and it would be expected that the actual increases in

age year on year would be less than one year (potentially even falls) depending on the value of the investments made. That between 2013 and 2014 Ausnet shows a step increase in age of 6 years and Jemena shows a step increase in age of 5 years between 2015 and 2016 exhibits an anomaly or inaccuracy in the data provided.

-) United Energy shows no change in asset age except for the last two years of data, despite significant investment, implying that United has not entered the data correctly.
-) It is unlikely that United would have an average asset age of 14 years when all of the other DBs have the age of the same assets between 25 and 35 years, implying that United has not interpreted the request for data correctly.

The MEU points out that there are other examples where the data shows considerable divergence and inaccuracies to what might be expected, adding to consumer concerns about more widespread data inaccuracies.

What this example shows is that there seem to be data inaccuracies, possibly because the DBs are not sure of what data is to be provided or they don't care as long as they fill in the data sets. What is absent from the data is that there is no checking for such inaccuracies or anomalies and therefore this puts a question mark about the accuracy of the other data included in the Regulatory Information Notices and the aggregation into the AER summaries.

The MEU considers the AER must implement some form of accuracy checking so that the data provided is accurate and consistent with what might be expected. If the data exhibits significant divergence from what might be expected, the networks should be required to provide an explanation for the divergence and this explanation added to the summary data that consumers use.

Proposed Objectives

The MEU supports the new objectives identified but considers that an additional objective be added – that the data be accurate so there is a high level of confidence that the data is fit for purpose.

The MEU agrees with the AER that the objectives are equally appropriate for use with gas networks.

Proposed Priorities

The MEU supports the revised priorities suggested by the AER. However, the MEU considers there needs to be added three more priorities, viz

-) As the MEU recommends a new objective – that the data be accurate – this then introduces a new priority that the data must be verified for accuracy

with anomalies identified and explained. It is apparent that there is little or no verification that the data is correct as there have already been identified errors in the reported data.

-) The MEU has noted that there are discontinuities and anomalies in the data so a second priority must be that where the data demonstrates a discontinuity or anomaly, this discontinuity or anomaly should be identified and the reasons for this explained.
-) The provision of the data needs to be timely, so that as close as possible to the end of each year, the performance data is provided to the AER, consolidated and released to stakeholders

Should the AER require additional explanation as to the concerns expressed herein, please contact the [REDACTED]

Yours sincerely

[REDACTED]
David Headberry
Public Officer