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Dear Mr Pattas

## **RE: Draft Category Analysis Regulatory Information Notice (RIN)**

### **1. Introduction and context**

United Energy (**UE**) welcomes the opportunity to comment on the Australian Energy Regulator's (**AER**) Draft Category Analysis RIN (**Draft RIN**) and associated Explanatory Statement published on 6 December 2013. UE supports the consultative approach adopted by the AER in developing the draft RIN and considers that industry input into the development of the Final Category Analysis RIN (**Final RIN**) is essential to ensure that it is as efficient and useful as possible for all parties. This is particularly important given the amount and complexity of the information being sought and the cost and effort for UE in deriving the required data.

### **2. Issues**

#### **2.1. Clarification of the Draft RIN**

UE requests that the AER amend the Draft RIN and accompanying Explanatory Statement to formally clarify the following matters:

- UE is required to report on a calendar, rather than financial year, basis;
- The historical reporting period for UE is 2009 to 2013 for all worksheets in the RIN; and
- Table 2.3 "Augex project data", requires information on projects commissioned up to 31 December 2013, as opposed to 30 June 2013.

UE will continue to seek the AER's clarification of any issues as they arise in completing the Draft RIN either through email or bi-lateral meetings.

## 2.2. Previous matters raised

UE is pleased to see that the AER has incorporated some of the feedback that that UE has provided through bilateral meetings and written submissions on earlier versions of the Draft RIN. However, UE supports the views raised in the Energy Network Association's (ENA) submission, made on behalf of its members. UE is an active member of the ENA and has contributed to, and endorses, the views and recommendations presented by the ENA in its submission. In particular, UE supports the ENA's concerns that the AER has still not addressed the following four significant issues:

- i. *Information that NSPs cannot provide* – It is not appropriate for the AER to use a RIN to require distribution network service providers (DNSP) to provide information that is not in existence or cannot be objectively derived from information that is in existence. DNSPs should not be required to provide information that could be materially misleading or unreliable and the AER should not rely on any such information in regulatory decision making;
- ii. *Statutory declaration* – The requirement that Directors sign a statutory declaration that the information is “true and accurate” is inconsistent with the audit standard<sup>1</sup>. UE supports the ENA's proposed wording modifications being “true and fairly stated”. This is particularly important given that UE is not able to populate the templates directly from the information it has on record or from its existing processes and systems. Rather, it must make estimates, assumptions and allocations in order to provide the required information;
- iii. *Tight timeframes for completing the RIN* – The timeframes for completing the RIN are extremely challenging and would be exacerbated should the AER:
  - o Introduce new or different reporting requirements in its Final RIN. UE strongly recommends that the AER not expand the information required in the Final RIN or make other substantive change (other than reducing the information required). This is particularly important from an efficiency perspective. As noted above, UE is committing significant time, money and effort to complete the RIN some of which may be wasted should the AER materially change to the Final RIN; and
  - o Delay the publication of the Final RIN; and
- iv. *Limitation of the consultation process to focus on issues of reporting clarification* – UE agrees that there would be benefit in further consultation on broader issues relating to the RIN such as the volume of information being requested, the use of this information and the nature and scope of assurance. In particular, UE would welcome the opportunity to understand how the AER proposes to use the information provided in the RIN for benchmarking purposes – in particular, the nature of the benchmarking that the AER is intending to undertake and how it will be applied in a distribution determination. As noted in its previous submissions, UE queries the robustness and accuracy of the data for the purposes of the benchmarking and cautions that the data ultimately provided by DNSPs may not be sufficiently accurate to allow the AER to undertake reliable or meaningful benchmarking analysis.

## 2.3. Economic Benchmarking Model

As previously requested, UE would welcome the opportunity to better understand the AER's Economic Benchmarking Model (i.e. total factor productivity (TFP) model).

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<sup>1</sup> Auditing standards ASA 805 Special Considerations – Audits of Single Financial Statements and Specific Elements, Accounts or Items of a Financial Statement



The AER has only issued and consulted on an early, very limited example of this model. UE considers that the AER should issue and consult on a more developed draft working version of this model, together with an accompanying handbook which explains how the model works and the linkages to, and reasons for requiring, the information requested in each of the data templates in the Final RIN.

### **3. Closing**

Please do not hesitate to contact Stephanie McDougall, Price Review Manager, on (03) 8846 9538 or [stephanie.mcdougall@ue.com.au](mailto:stephanie.mcdougall@ue.com.au) if you would like to discuss any of the matters raised in this submission.

Yours sincerely

Andrew Schille  
**General Manager Regulation**