

ELECTRICITY NETWORK FACT SHEETS FOR THE 2024 BENCHMARKING REPORT

29 OCTOBER 2024

INTRODUCTION

The Energy Users' Association of Australia (EUAA) is the peak body representing Australian commercial and industrial energy users. Our membership covers a broad cross section of the Australian economy including significant retail, manufacturing, building materials and food processing industries. Combined our members employ over 1 million Australians, pay billions in energy bills every year and in many cases are exposed to the fluctuations and challenges of international trade.

Thank you for the opportunity to comment on the draft Fact Sheets for electricity transmission and distribution. We make the following suggestions which are focussed on the 'What is productivity benchmarking?' sections.

Figure 1

We begin with some comments on Figure 1:

- While the heading says 'your electricity bill', it only refers to residential bills
- The use of 'regulatory years' i.e. '2023' referring to 2022-23 may be confusing to the reader who does not know this finer detail
- Separate out the transmission and distribution components and discuss the relative importance of each so the reader can see distribution dominates

We would suggest some reference to larger business customers and how important network charges are to them. Yes, network charges do vary by business size and location but is it possible to suggest a range and suitably qualify the data? This discussion could also note that some very large customers are directly connected to the transmission system and hence only incur transmission costs.

There is no discussion of the role of CAPEX productivity in the AER revenue decisions.

Application to recent revenue decisions

The reference to TasNetworks' at the bottom of p.2 of the transmission Fact Sheet:

"This year we used the benchmarking results to inform our final revenue decision for TasNetworks, including assessment of the efficiency of its proposed operating expenditure."

might be confusing to the reader. The final decision was published in April 2024, presumably prior to the 2022-23 results being available. Given TasNetworks' base year was 2021-22, which benchmarking year did the AER use to assess base year efficiency?

Similarly for the network references in the distribution Fact Sheet, perhaps some additional information on whether the 2022-23 results being published, or an earlier year, were used in revenue decisions.

In both cases it would be helpful to the non-expert reader to have some commentary about how the productivity results were used e.g. in the case of Ergon and Energex to assess the efficiency adjustment i.e. the reduction in revealed OPEX to reflect their inefficiency.

CAPEX productivity

The Fact Sheet makes no reference to CAPEX productivity, though both Fact Sheets refer to the contribution capital made to trends in TFP. The 2023 Benchmarking Report noted¹:

“The NER requires the AER to have regard to network benchmarking results when assessing and amending network capex and OPEX, and to publish the benchmarking results in this annual benchmarking report. The AEMC added requirements to the NER in 2012:

- to reduce inefficient capex and OPEX so that electricity consumers would not pay more than necessary for reliable energy supplies; and
- to provide consumers with useful information about the relative performance of their electricity Network Service Provider (NSP) to help them participate in regulatory determinations and other interactions with their NSP.

Economic benchmarking gives us an important source of information on the efficiency of historical network expenditures (OPEX and CAPEX) and the appropriateness of using them in forecasts. We also use benchmarking to understand the drivers of trends in network efficiency over time and changes in these trends. This can help us understand why network productivity is increasing or decreasing and where best to target our expenditure reviews.”

We would support having an explanation of how capex productivity results are used in revenue assessments. For example, the recent Draft Decision for Ergon 2025-30 noted²:

“We provide guidance on our assessment approach in several documents, including the following which are of relevance to this decision:

- AER's Expenditure Forecast Assessment Guidelines

¹ See pp 18-19 <https://www.aer.gov.au/system/files/2023-11/2023%20Annual%20Benchmarking%20Report%20-%20Electricity%20distribution%20network%20service%20providers%20-%20November%202023.pdf>

² See p.2 <https://www.aer.gov.au/documents/aer-draft-decision-attachment-5-capital-expenditure-energex-2025-30-distribution-revenue-proposal-september-2024>

- Regulatory Investment Test for Distribution and Transmission (RIT-D and RIT-T) Guidelines
- AER's Asset Replacement Industry Note
- AER's Information and Communication Technologies (ICT) Guidance Note
- AER, Capital Expenditure Incentive Guideline for Electricity Network Service Providers.

However, there were no details provided on how Ergon's CAPEX productivity results are applied in assessing its ex ante CAPEX.

Do not hesitate to be in contact should you have any questions.



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