AusNet



Benchmarking & Oex Panel

Meeting #2 | Summary Notes

Details	Members	AusNet Staff	Observers
10.00am-11.00am Monday 11 September 2023 **Online (MS Teams)** **Chair: Charlotte Eddy** **Secretariat:** AusNet	Kieran Donoghue Mark Grenning	Charlotte Eddy Angella Nhan Lucy Holder	Adam Rapoport, AER Sasha Jergic, AER

The focus of this session

Focus Question	Objective of the meeting	Key agreed positions	Next meeting objectives
FQ1: How might benchmarking be applied to give customers confidence they're paying no more than necessary for an efficient service?	Engage on any new information and its implications (such as any AER changes to operating environment factors) and close the loop on this focus question.	FQ1 has been addressed for now given AusNet's efficiency score is above 0.75 under AER's latest updates for capitalisation. We will revisit if there are any changes to benchmarking methodology and for next year's results. Discussions will now shift to opex.	N/A

Item	Time	Topic	Lead/s
	10:00am	Agenda and general items	Charlotte Eddy
01	N/A	General Items	*Taken as read*
02	10:05am	Benchmarking Deep Dive	Angella Nhan
	10.50am	Open floor & Next Steps	Charlotte Eddy

Summary

Welcome & Introduction

Charlotte welcomed the group – including the AER's two benchmarking team members – to the meeting.

01 General Items

Topics	Discussion points
a) Action Items	• Accepted, no comments
b) Revisiting dots exercise from face-to-face meeting	• Accepted, agreeing there may be relevant items that were not flagged but may come up.

02 Deep dive: Benchmarking

Topics	Discussion points

a) The AER's Capitalisation Guidance Note	• Angella spoke through the AER's capitalisation guidance note and implications for AusNet, including highlighting that the AER upheld its draft decision to treat 100% of corporate overheads as opex for benchmarking purposes, which addresses 2 issues:
	  ◦ It reduces the divergence between actual and benchmark opex for networks currently reporting 100% corporate overheads as opex.
	  ◦ It means efficiency scores will not be impacted by capitalisation policies.
	• Discussion included:
	  ◦ A panel member said it was good to see the AER's review conclude, recognising it's been some journey

b) The AER's Preliminary benchmarking results	• Angella then spoke through the AER's preliminary benchmarking results for this year and what it means for AusNet, highlighting that these are draft and confidential, and are not to be shared. • A panel member asked the AER about delays in updating the productivity model. The AER advised that the question on if/how to adjust the capital input side so the corresponding impact on opex is taken account of. A final call hasn't been made on whether they'll have it for this year's results, but the AER expects to do so soon and update stakeholders. • A panel member stressed to the AER that it's important for customer advocates to be able to make comparisons about capex productivity between networks, so anything the AER can do in its messaging to support this (i.e. reducing caveats) would be helpful. Is there a risk of a debate on relevance of the comparators and capex productivity? Until modelling is done, the AER isn't sure how material it will be on the capital PFP side. A member suggested that if the AER can't do the adjustment, it would be helpful for the AER to make a qualitative comment so as not to create a caveat for networks/advocates/the AER when discussing the outcomes. • The panel discussed the positive outcome for AusNet, with AusNet noting that the important thing is to be ranked above 0.75, not where networks are in comparison to others. • Following questions from the Panel, Charlotte highlighted that for AusNet, AER confirmed the draft 2023 Benchmarking Report will be made available late September/early October, which will include relevant charts and spreadsheets. The

AER also confirmed it's distributed by email typically (rather than publicly shared on the website).

- A member questioned AusNet's productivity, which has net declined since 2006. AusNet said it does not reflect Guaranteed Service Level (GSL) payments and some other areas of opens, like insurance premiums for bushfire testing, and some expenditure on REFCL testing and DER integration, which can draft down productivity (given there's no output for measuring). AusNet agreed to provide some analysis of the drivers of the downward trend for the next meeting on Opex.
- Acknowledgement that not all outputs are included in benchmarking. E.g. for capex, safety is not included. Has there been a material improvement in network safety? Yes, but it's difficult to measure – inputs are much easier to quantify than outputs.
- The challenge for the AER in incorporating every issue networks want considered into its benchmarking approach was discussed.

c) AER's Priorities & Work Plan

- Given the AER's priorities have different timings, a panel member asked which ones will be progressed soon enough to be applied to AusNet's 2026-31 reset? The AER said likely capitalisation. Monotonicity will have bene made progress on (but perhaps not resolved). Output weights will be well progressed, if not finished. Benchmarking comparison point review is unlikely to be finished by the draft decision, but possible some progress will have been made by the final.
- AusNet said it was disappointed operating environment factors (OEFs) didn't make the list, but the 0.75 review *is* on. The AER said within a particular reset, it does have discretion to look at any arguments that are put forward incl. with respect to OEFs and GSLs. It was confirmed that AusNet can put forward arguments on OEFs and GSLs in its proposals, and there have been some benchmarking proposals put forward by Evoenergy in its reset.
- AusNet highlighted that putting forward arguments on OEFs can be challenging as a single network as it doesn't have data from other networks, and that having guidance from the AER on what to include would be important. AusNet noted its strong preference for OEFs to be addressed in a separate process as there is inconsistency across networks. E.g. there are instances where other networks have put forward arguments and set precedents that disadvantage Victoria without AusNet being explicitly consulted.

d) Responding to Action Items from Meeting #1

- Nil discussion

Open Floor & Next Steps

- Charlotte thanked everyone for attending and closed them meeting.

Action items

Action	Assigned to	Status	Due date
AusNet agreed to provide some analysis of the drivers of the downward productivity trend for the next meeting.	Regulation	Not yet started	Meeting #3