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Mr Andrew Reeves
Energy Regulator
Office of the Tasmanian Energy Regulator
GPO Box 770
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Attention: Mr Andrew Rayner

Dear Mr Reeves

DRAFT REPORT - DISTRIBUTION NETWORK PERFORMANCE STANDARDS

Thank you for the opportunity to provide comments on the draft Distribution Network Performance Standards (Performance Standards) issued by the joint working group on 3 November 2006.

The formation of a joint working group involving representatives of the Office of Energy Planning and Conservation, Office of the Tasmanian Energy Regulator, and Aurora Energy Pty Ltd to investigate options for distribution network performance standards is, to our knowledge, the first time that such an investigation has taken into consideration the viewpoints of the State, the customers, and the service provider. Aurora found the process to be extremely valuable and productive, allowing all parties to understand and accommodate the interests of the other parties, resulting in the drafting of a mutually agreeable set of standards.

The proposed Performance Standards are an improvement upon those currently in place, with more than 33% of Aurora's customers in Tasmania living in areas where the provision of better reliability outcomes is proposed by the end of the next Pricing Determination period. Moreover, these improvements will be achievable at a relatively modest cost due to improved asset management procedures and solutions developed by Aurora over the last five years.

Aurora considers that the proposed Performance Standards are an important first step in the move towards achieving reliability outcomes consistent with Aurora's understanding of future customer expectations and security of supply requirements and providing a long-term approach to network performance that is consistent with the NEL objective.

Tasmanians are increasingly reliant upon electrical and electronic appliances to run their homes and businesses. Consequently, now and in the future, even a comparatively small number of outages will have an impact upon both the viability of businesses and the quality of life of customers within the State.

Aurora notes that there is no explicit methodology (mathematical notation) to explain the derivation of the two sets of proposed Performance Standards (number of outages and cumulative outage duration). Moreover, there is no explanation given as to how Aurora's performance against these standards is to be measured; that is, how the average number of outages and average cumulative durations for the classifications and areas are to be calculated, nor, indeed, is there an indication of what actually constitutes an outage. Provision of such detail would remove any ambiguity that may arise in calculating distribution network performance for comparison with the proposed standards. Aurora suggests that this clarification is undertaken by the working group and included in the final report.

The draft report does not indicate any compliance implications for the proposed Performance Standards. Aurora has assumed that the proposed Performance Standards will have a 'grace' period that allows Aurora to reach compliance, with an appropriate implementation timeframe. Aurora suggests that clarification of this should also be undertaken by the working group and included in the final report.

The existing performance standards are currently specified in the Tasmanian Electricity Code (TEC), which is maintained by the Regulator. It is Aurora's view that the Code should be amended to give force to the proposed Performance Standards and remove any confusion as to which standards Aurora needs to comply with during the period of the next Pricing Determination.

However, the derogation that allows for distribution pricing to be undertaken under the *Electricity Supply Industry Act 1995* and the TEC expires on 1 July 2008. Also, the MCE has agreed to the transfer of the regulation of distribution pricing to the Australian Energy Regulator (AER) by 1 July 2007. While the Tasmanian Energy Regulator will undertake the current distribution Pricing Determination, future determinations will be undertaken by the AER.

It is therefore necessary that mechanisms are put in place to ensure that appropriate jurisdictional performance standards are implemented as part of the move to the AER. Aurora proposes to consult with the Department of Infrastructure, Energy and Resources to ensure that these issues are taken into consideration in the development of the national model for distribution regulation and consequential implementation of the model at the State level.

The draft report indicates that the proposed Performance Standards will need to be appropriate until 2012, but with a broader planning vision extending to 2020. These statements appear to imply that whilst the proposed Performance Standards will be set until the end of the next Pricing Determination, they will undergo some further form of review.

Aurora proposes that the Performance Standards be reviewed regularly, at least before the end of each regulatory pricing period, to provide guidance for network investment in the subsequent period. Given that Aurora has suggested that the Performance Standards are given force by the TEC it would also be appropriate for this review mechanism to be included in the TEC.

Following the success of the joint working party approach, Aurora suggests that such an approach should be used to conduct the review.

Such an undertaking is not trivial, as shown by the time and effort expended in defining the areas and reliability thresholds for the current set of Performance Standards. Accordingly, if a review were to be conducted before the end of a regulatory pricing period, it should be commenced at least 24 months before the end of the period to allow sufficient time to both review the performance standards and have the outcomes of the review factored into Aurora's expenditure proposals for the next pricing period.

If you wish to discuss these or any other matters associated with the draft report on Distribution Network Performance Standards please contact Leigh Mayne, Network Regulation Manager on 6271 6544 or by email on leigh.mayne@auroraenergy.com.au.

Yours sincerely

Angela Wright
ACTING GENERAL MANAGER NETWORK