



Bijlage 3

Statement of the ACM, First impression of the ACM of the review of TCB18 done by Oxera on behalf of all electricity TSO's in TCB18, 5 juni 2020

Spoken by the ACM, unabridged version (section titles added afterwards for the sake of readability)

First of all, let us thank Oxera and TenneT for presenting their review of our benchmark. The report is well organized and that helps us to understand what Oxera refers to.

Before we address some aspects of the report, let us first clarify the following.

TCB18 is an initiative of European regulators, gathered in CEER, that seek to assess the cost efficiency of TSO as part of their regulatory task. It is already the 6th project in CEER context, following two ECOM+ projects, two E3grid projects and E2gas. The evolution has been radical if we look where we come from, in particular with respect to things like the activity decomposition, the totex-approach, the consistency with regulatory frameworks (think of the grid-provision outputs), and the interactive process with a structured review of special conditions. All these are key elements that we developed together over time with various consultants, and that today enable us to assess TSO performance to a very high degree.

So, although we have been assisted by Sumicsid in TCB18, it is important to understand that TCB18 is not a project done by Sumicsid. It is a cross border project done and controlled by regulators. This is reflected by the way the project was set up. That is, daily control was in the hands of a project steering group consisting of five regulators plus Sumicsid. Now, this steering group took real decisions based on real TSO data and real issues and it was surrounded by many parties with different points of view that challenged decisions to the extreme. In this setting the likelihood of overlooking something or taking biased decisions is minimal. And this by itself makes TCB18 fit for regulatory purpose.

Now Oxera refers to TCB18 as not being best practice. However, the CEER benchmarks form the longest and biggest cross border TSO benchmarking initiative in history and worldwide. There is no such initiative elsewhere at this international scale. It has been heavily challenged and tested in the academic world, in regulatory decisions and in court rooms. TCB18 is not exactly a statistical experiment. It is a regulatory instrument and several non-European authorities have expressed their interest in CEER's initiative. So the CEER benchmarks have evolved to state of the art. That does not mean that it is optimal and of course there are various ways of doing things. But TCB18 is in many ways best practice.

Having said this, of course we carefully study the remarks Oxera makes. And yes there are good points in the report. Now, the way we understand the review is that on the one hand it gives us feedback with respect to a next benchmark and on the other hand it gives us feedback as to why we should not use the current benchmark in our regulation. Both types of feedback are useful in our opinion, although we do not share the conclusion that our benchmark cannot be used in regulation. Let us explain this further.

Transparency

First regarding the hints and tips Oxera gives regarding a next benchmark. Without going over all of Oxera's recommendations, in general we see a call upon CEER for a more transparent process and reporting.



As to the process we note that there were many opportunities during the benchmark project for input and discussion, even more than in previous benchmarks. We do not have the impression that the alleged lack of interaction, or quality thereof, led to a flawed benchmark process or result.

Regarding reporting, this was also much more extensive than before, but this time with more focus on the narrative than on technical details. So point taken and also here, we remain open to any improvement and appreciate Oxera's recommendations.

A third remark about transparency we would like to make is concerned with confidentiality of the TSO data. We would like to see that benchmark data can be shared openly, but this was just not possible. We will not go into the details of that discussion here, but just would like to ask Oxera why they do not make recommendation on this issue. In fact, data confidentiality is in our view the only true cause of most transparency issues. The work of Oxera confirmed that view as it shows what can be done if you have all TSO data. Our suggestion would be that TenneT publishes its TCB18 data to set an example.

TCB18 not fit for purpose?

Then about Oxera's conclusion that the benchmark is not fit for purpose. We can be brief about that and repeat that we do not agree with that point of view. Again, here we will not go over each and every point Oxera makes, but we stick to the following statement.

First of all, the report focusses on general benchmark topics that can be found in literature. Those are of course important topics, but definitely not the ones that we overlooked or underestimated. In that respect we see the Oxera report as a confirmation of that, which is good. And of course we will respond to Oxera's view on these topics, although not all of it today. However, the report does not address issues like the transformer power issue raised last year by TenneT as a major flaw in the output definitions. We wonder if this means that the issue is not an issue after all and we would appreciate TenneT's comment on that.

A second remark is about the way Oxera addresses several topics. What Oxera does several times is assuming rather exaggerated and sometimes even extreme preconditions, leading, not surprisingly, to wide intervals for efficiency levels. But this is actually very tricky as it hides the need for a more fundamental analysis of issues. Statistical approaches like Monte Carlo simulations or SFA can be helpful, but the Oxera report clearly shows that there are limits to their applicability and interpretation. Our assessment is that Oxera goes over the edge more than once. You cannot just put a 10% error margin on validated data. TCB18 is not a kind of gambling game. If there are errors in the data, our intention is to fix these and that is what we did, including the data issues that Oxera points at. And it was Oxera that warned the ACM in 2012 for applying SFA to small samples. So how can Oxera conclude that there are no inefficiencies, based on an SFA run?

Then about data collection and validation in TCB18. Oxera writes that it is beyond the scope of their assignment to address the process-related solutions relating to data collection and validation. And then Oxera adds "..., which should have been considered comprehensively before undertaking any analysis." Does Oxera suggest that data was not sufficiently validated in TCB18? If so, why? And what should have been done in their view?

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Conclusion

So to conclude, once more we thank Oxera for the report. Without reacting here to each and every point Oxera addresses, over all it confirms that we did not overlook anything. It also confirms that transparency is important and that we should maintain our efforts to maximize it.

However, we also believe that Oxera jumps to the conclusion that the benchmark is not fit for purpose, we just do not see how that conclusion follows from the report, unless Oxera has a wrong understanding of the purpose of the benchmark, which we do not believe.