# Reset RIN

# Workbook 2

# New Historical Data

# Basis of Preparation

AER 2025-30


ERGON. ENERGY NETWORK

Part of Energy Queensland

# Contents

# 1 Overview

## 1.1 Introduction

On 11 October 2023, the Australian Energy Regulator (AER) issued Ergon Energy Corporation Limited (Ergon Energy) with a Regulatory Information Notice (RIN) under Division 4 of Part 3 of the National Electricity (Queensland) Law.

The RIN requires Ergon Energy to prepare a *basis of preparation* (BoP) for all information other than forecast information in accordance with the requirements specified in the notice. The BoP must:

(a) demonstrate how the information provided is consistent with the requirements of this notice;
(b) explain the source from which Ergon Energy obtained the information provided;
(c) explain the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made;
(d) explain, in circumstances where Ergon Energy cannot report actual information and therefore must report estimated information:
    (i) why an estimate was required, including why it was not possible for Ergon Energy to use actual information;
    (j) the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ergon Energy's best estimate.

The BoP must be a separate document (or documents) that Ergon Energy submits with its completed regulatory templates.

This BoP relates to the information provided in the regulatory template "Workbook 2 – New historical data".

## 1.2 Structure

The AER requires the BoP to follow a logical structure that enables auditors, assurance practitioners and the AER to clearly understand how Ergon Energy has complied with the requirements of the RIN.

To this end, Ergon Energy has structured this BoP with a separate chapter to match each of the worksheet tabs where a BoP is required. For each table within a particular template Ergon Energy has explained:

- how Ergon Energy has complied with the RIN requirements;
- the source of the information;
- the methodology and assumptions used to calculate the information; and
- whether the information used is estimated or actual based on the RIN definitions.

# 2 Template 4.2 Metering Capex

## 2.1 Compliance with Requirements of Notice

The response to workbook 4.2 is consistent with the principles and requirements set out in Appendix A of the Reset RIN.

The below demonstrates how the information provided by Ergon Energy is consistent with each of the requirements specified by the AER:

- Ergon Energy has populated all variables for cells shaded yellow as required by the RIN.
- Meter type, code, actions etc are in line with the Standardised Metering Capex and Opex model.
- Ergon Energy notes that it does not have regulated metering services relating to meter categories.
- Type 4 and Type 5 Metering - Type 5 Metering is not permitted in Queensland as per the National Metrology Procedures Part A and Ergon Energy does not own any Type 4 Metering. Ergon Energy has identified this in the BoP.
- Data has not been reported in relation to metering services which have been classified as contestable. Non-contestable, regulated metering services have been reported by Ergon Energy including work performed by third parties on behalf of Ergon Energy.
- Impacts due to introduction of Power of Choice (PoC) on 1 December 2017 are noticeable in some line items where applicable for volumes.
- Ergon Energy has used information primarily sourced from Business Objects Report (B-NE-NC-0696 Metering Counts) which utilises data from the Meter Asset Register System (MARS) and PEACE. For this Reset RIN the report data was refreshed at 30 June each year.

## 2.2 Sources of Information

The information used to populate Worksheet 4.2 is consistent with data provided in Category Analysis RIN template 4.2 for each respective year.

Table 2-1 below sets out the sources from which Ergon Energy obtained the required information.

**Table 2-1 Information Sources**

| Variable | Source |
|---|---|
| RIN Table 4.2.5 - Meter Population | Peace and MARS Reports - Business Objects Report (B-NE-NC-0696 Metering Counts) & DMK730 |
| RIN Table 4.2.4 – Metering Capex | EIP Model FIC3013: Ellipse GL Transactions |
| RIN Table 4.2.6 – Meter Action by Meter Type | Peace and MARS Reports CUS016, POW015, DMK213 |

## 2.3 Methodology

### 2.3.1 Table A Meter Types

Meter type and code are categorised as per below table and match those reported in the ***Standardised Metering Capex and Opex*** model.

**Table 2-2 Meter type and code**

| Meter Type | RIN Subcategory 1 | RIN Subcategory 2 | AER Type | RIN Subcategory 3 | Meter Code |
|---|---|---|---|---|---|
| Non AMI - Type 6 Locally read Accumulation - Single Phase | Single Phase Meter Population | Direct Connect Meter Population | Meter Type 6 | Single phase non off peak - Accumulation | ACC 1ph |
| Non AMI - Type 6 Locally read Accumulation - 3 Phase | Multi Phase Meter Population | Direct Connect Meter Population | Meter Type 6 | Multi phase direct connect - Accumulation | ACC 3ph |
| Non AMI - Type 6 Locally read Accumulation - CT | Multi Phase Meter Population | Current Transformer Connected Meter Population | Meter Type 6 | Multi phase Current transformer connected meter - Accumulation | ACC 3ph CT |

### 2.3.2 Table B Meter Actions

Meter actions are categorised as per below and match those reported in the ***Standardised Metering Capex and Opex*** model.

- New Meter Installations
- Refurbished Meters
- Replacements – End of Life
- Replacements – Failures and Faults
- Abolishments

### 2.3.3 Table 4.2.4 – METERING CAPEX

#### 2.3.3.1 A. Meter Related Costs

**New Meter Installations**

Ergon Energy has taken the following approach to estimate expenditure for new meter installation. The ACS price list has charge rates for Auxiliary metering services "Install new meter" services. For the new meter installations completed the fees are added to calculate the estimated amount. This is compared with SSW New Connection service order actual "Product" and Charge.

Expenditure for new meter installation is a part of the cost of the new connection works, for which labour, internal transport, tools and plant purchase costs are captured. To use this cost requires apportioning the labour & transport costs and adding the cost of the metering equipment. Instead, the method adopted takes in the ACS price from Auxiliary metering services which is determined by type of meter installed, whether it was additional or replacement meter, and the feeder type at each NMI. Jobs for new connections are listed in DMK213 Service Order report which is used to select for new meter installations in POC exempt areas (Mount Isa area only). Additional information is provided by a custom query of Peace data showing product and charges associated with each service order.

Meter Changes / Installations have been evaluated for the Financial Year by comparing MARS meter installation volumes against PEACE PTJ types which provides a total of New Meters Installed for the financial year for the different Installation Activities.

Ergon Energy considers the best estimate has been provided for New Meter Installation expenditure on the basis that:

- No exact figure is available;
- Cost estimates are based on Ellipse and MARS data;
- Average expenditure is expected to provide a good approximation of actual costs;
- Best endeavours have been used to extract values from existing data.

**Refurbished Meters**

The refurbishment of Meters ceased prior to 2017 due to the introduction of PoC.

**Replacements – End of Life**

The replacement of End-of-Life Meters ceased prior to 2017 due to the introduction of PoC.

**Replacements – Failures and Faults**

Expenditure due to the replacement of failed and faulty meters is taken from the EIP Model Ellipse GL Transactions. Ergon Energy ceased the replacement of failed meters due to introduction of PoC in December 2017, however a small amount of expenditure was reported in 2018-19 financial year.

Expenditure for the purchase of new metering equipment ceased in 2017 due to the introduction of PoC.

**Abolishments**

Meter related costs due to Abolishments is not reported in Metering Capex.

**Meter Purchase**

Meter Purchases expenditure was sourced from Supplier Performance reports based on Ellipse data.

#### 2.3.3.2 B. Asset Disposal Income (income from disposal of meters)

A small volume of suitably recovered non-asbestos mechanical meters are scrapped and recycled by an external company each financial year. Ergon Energy receives nil net income due to the cost involved in scrapping the meters and is therefore not reported.

#### 2.3.3.3 C. Capital Contributions

Nil capital contributions reported.

### 2.3.4 Table 4.2.5 – METER POPULATION – at end of year

- Meter type and code match those reported in the Standardised Metering Capex and Opex model.
- Meter population as at the end of each financial year was calculated using actual meter population volumes.
- In relation to Single Phase Meter population and Multiphase Meter population, report B-NE-NC0696 Metering Counts accesses MARS & Peace data from SAP Hana.
- The Filters applied:

- Exclude: Remote Generation TNI; NMI Class {Generator, Wholesale}; non-market NMI; meter model Unknown or Virtual meter.
- Include only Meter provider ERGONMP, asset status Installed.
- The subtotal for each retailer is used to exclude Tier 2 large NMIs.
- Meter Status = Installed.
- NMI Class not extinct.
- Date as of 30 June each FY.

- Meter model type “complex” are installed with current transformers, “simple” are direct connected.
- Card meters are also whole current.
- Data quality is such that accuracy is approximately 99.9%. Remaining 0.1% assets could be in the discrepancy due to meter churn in process to another MP or unknown asset data being aligned to assets that are located within restricted sites (prisons, fire brigades, asbestos sites, hospitals, industrial). As the unknown data equates to a negligible portion of assets it is disregarded - therefore no estimation is required.
- Meter population reconciles with the volumes recorded in the Annual RINs.

### 2.3.5 Table 4.2.6 – METER ACTIONS BY METER TYPE

#### 2.3.5.1 A. New Meter Installations - Growth

New Meter Installations volumes were sourced from mapping of Ellipse Financial Codes and Standard Jobs against Process Tracking Job data from Peace Reporting extracts.

The installation of new Meters ceased in December 2017 in PoC areas due to the introduction of PoC rules.

A small volume of new meter installations is recorded in 2018-19 to 2022-23 due to meter installations in the Mount Isa PoC exempt area.

#### 2.3.5.2 B. Refurbished Meters

The refurbishment of Meters ceased prior to 2017 due to the introduction of PoC, therefore nil volumes are recorded since 2017.

#### 2.3.5.3 C. Replacement Meters – End of Life

The replacement of Meters due to End of Life ceased in December 2017 due to the introduction of PoC, therefore nil volumes are recorded since 2017.

Meter Replacement volumes were sourced from mapping of Ellipse Financial Codes and Standard Jobs against Process Tracking Job data from Peace Reporting extracts.

#### 2.3.5.4 D. Replacement Meters – Failure and Faults

The replacement of Meters due to failures & faults ceased in December 2017 due to the introduction of PoC, therefore nil volumes are recorded since 2017-18.

Meter Replacement volumes were sourced from mapping of Ellipse Financial Codes and Standard Jobs against Process Tracking Job data from Peace Reporting extracts.

## 2.4 Estimated Information

Ergon Energy has provided actual information in relation to variables in Table 4.2 Metering Capex, except for New Meter Installation expenditure. The document specifies that new meter installation expenditure is estimated.

## 2.5 Assumptions

**New Meter Installations**

Ergon Energy has taken the following approach to estimate expenditure for new meter installation.

Please refer to the Meter Related Costs – New Meter Installations section for a more detailed explanation.

## 2.6 Explanatory Notes

The following have been applied to obtain the required information:

- Ergon Energy does not have type 4 or type 5 meters in its regulated business and as such no information has been reported against these variables.
- Impact due to introduction of Power of Choice (PoC) on 1st December 2017 continued to be noticeable in all line items where applicable for volume and expenditure.

# 3 Template 4.2 Metering ICT

## 3.1 Compliance with Requirements of Notice

In accordance with the instructions set out in Appendix A Workbook Instructions, Ergon Energy is required to report:

- Table 4.2.7 ICT Projects Capex - capital expenditure by project name associated with metering for Communications Projects, IT Projects, Other ICT Projects for the period 2017-18 to 2022-23; and
- Table 4.2.8 Equipment Population (at end of year) - volumes associated with metering for the period 2017-18 to 2022-23. Equipment types must match those reported in the Standardised Metering Capex and Opex model (Access Points, Relays, Antennas, Batteries, Modems)

In accordance with the instructions set out in Appendix A Workbook Instructions:

- Information must reconcile to internal planning models used in generating Ergon Energy's proposed revenue requirements;
- Information must be classified by the AER as alternative control services. This includes work performed by third parties on behalf of Ergon; and
- Ergon Energy must not report information in relation to metering services which have been classified as negotiated services or not classified by the AER.

Ergon Energy does not have any capital expenditure to report for ICT costs relating to ACS Metering for Type 6 meters (basic meters) for the period 2017-18 to 2022-23. Generally ICT Capex relating to metering services is included in overarching ICT projects relating to Ergon Energy's customer and market systems. Additionally, as type 4 (smart meters) are not classified by the AER any associated ICT capex costs are not required to be reported.

Ergon Energy does not have any ICT equipment for type 6 meters to report in Table 4.2.8 Equipment population for the period 2017-18 to 2022-23.

## 3.2 Sources of Information

Not applicable.

## 3.3 Methodology

Not applicable.

## 3.4 Estimated Information

Not applicable.

## 3.5 Assumptions

Not applicable.

## 3.6 Explanatory Notes

Not applicable.

# 4 Template 7.4 Shared Assets

The AER requires Ergon Energy to provide historic information on unregulated revenue earned with shared assets for 2014-15 to 2022-23.

## 4.1 Consistency with RIN Requirements

Appendix A Regulatory template instructions and sections 2 through 6 of the RIN do not contain any explicit requirements or instructions for this template.

Appendix B contains a definition of “Shared Assets unregulated revenue”. The information provided in Table 7.4.1 Shared Assets is consistent with this definition.

General consistency with the RIN requirements:

- All variables for cells shaded yellow have been populated as required by the Notice.
- All historical information provided is in nominal dollars, unless otherwise specified.

The information provided contains actual data as set out in the Table 4-1 below.

**Table 4-1 Actual Vs Estimated**

| Variable | Actual Vs Estimated |
|---|---|
| Shared asset revenue | Actual |

## 4.2 Source of information

Table 4-2 below sets out the sources from which Ergon Energy obtained the required information.

**Table 4-2 Source**

| Variable | Source |
|---|---|
| Shared asset revenue | General ledger |

## 4.3 Methodology

#### 4.3.1.1 Assumptions

The Australian Energy Regulator’s (AER) Shared Asset Guideline defines shared assets as those assets used to provide both electricity supply services (regulated by the AER) and other unregulated services. They are regulated assets used to provide standard control services (therefore included in the regulated asset base (RAB)) from which a network service provider earns additional unregulated revenue streams.

For Ergon Energy, shared assets are restricted to system assets and do not apply to non-system assets such as fleet, buildings, tools and equipment for the following reasons:

- Existing non-system assets in the RAB at the start of the regulatory period were adjusted to remove costs associated with the provision of unregulated services; and
- Ergon Energy's current cost allocation method (CAM) requires costs associated with non-system assets to be allocated accordingly to unregulated services.

As a result, only unregulated revenue earned from system assets has been included in this template.

#### 4.3.1.2 Approach/methodology

The unregulated revenue earned from supply system assets is for the following:

- Use of distribution assets such as transmission towers, power poles, street lighting and underground conduits for supporting other services such as telephone or fibre optic communication cables.
- Use and/or sale of excess capacity from communication infrastructure such as fibre optic cables for telecommunication services – this is part of Yurika Telecommunications' business (formerly Ergon Energy Telecommunications Limited).
- Equipment Rental Agreement for Ergon Energy Queensland (EEQ) to access Ergon's Audio Frequency Load Control (AFLC) equipment to enable load to be switched off during peak electricity market pricing events.

This revenue is recorded using distinct general ledger codes and was extracted from the audited trial balance reports for all years from 2014-15 to 2022-23.

It should be noted that the changes to CAMs applicable during the different regulatory periods reported do not impact the numbers in this template.

## 4.4 Estimated information

Not applicable as Ergon Energy has reported Actual Information.

## 4.5 Assumptions

Not applicable.

## 4.6 Explanatory Information

Not applicable.