
AusNet Electricity Services Pty Ltd

Electricity Distribution Price Review 2022-26

Reset Regulatory Information Notice

Basis of Preparation - Historical Information

Submitted: 31 January 2020

PUBLIC

Basis of Preparation

Overview

This Basis of Preparation document supports the preparation and reporting of the historic information reported in the AusNet Electricity Services Pty Ltd (“AusNet Electricity Services”) report entitled ‘AusNet Services 2022-26 FINAL RIN’ (“the Report”). The Report provide data solely for the use of the Australian Energy Regulator (“AER”) to inform a distribution determination for the 2022-2026 regulatory control period and facilitate a change of regulatory year from a 31 December calendar year to a 30 June financial year.

The ultimate Australian parent of AusNet Electricity Services is AusNet Services (Distribution) Ltd which is part of a listed stapled group trading as AusNet Services. AusNet Services comprises the Stapled Group of AusNet Services (Distribution) Ltd and its subsidiaries, AusNet Services (Transmission) Ltd and its subsidiaries, and AusNet Services Finance Trust. The Stapled Group is also referred to as the AusNet Services Group.

The Report has been prepared in accordance with the ‘Regulatory Information Notice issued under Division 4 of Part 3 of the National Electricity (Victoria) Law (“RIN”) issued by the AER on 4 October 2019 and other authoritative pronouncements of the AER.

AusNet Electricity Services’ 2019 regulatory year is the period 1 July 2018 to 30 June 2019 (“Regulatory Year”). Data included in the Reports is on a financial year basis, which is different to AusNet Services’ current calendar year (“CY”) reporting period, and has been prepared in accordance with the instructions in Part C of Appendix E of the RIN. References to a ‘financial year’ relates to a 12-month period ending 30 June in any given year.

Materiality has been applied throughout the Report and Basis of Preparation. Materiality is defined as information that if omitted, misstated or not disclosed has the potential, individually or collectively to influence the economic decisions of users.

In conformity with AER requirements, the preparation of the Report requires the use of certain critical management estimates. For the purpose of preparing the Report, ‘estimated information’ is defined as information presented in the Report whose presentation is not materially dependent on information recorded in accounting records or other records used in the normal course of business, and whose presentation for the purpose of the RIN is contingent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation in the Report.

Where Estimated Information has been presented, the circumstances and the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is AusNet Electricity Services’ best estimate has also been set out below. Estimates are Management’s best estimate based on the data available. Estimates will often not equal the related actual results and estimates have only been made for the purpose of disclosing the information required under the RIN. Considerations of the cost and efficiency of preparation as well as the reliability and accuracy of data available have been considered in determining the best methodology to determine the estimates.

‘Actual Information’ is defined as information materially dependent on information recorded in historical accounting records or other records used in the normal course of business, and whose presentation is not contingent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation. Information where the presentation is based on allocation method using

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judgments or assumptions, can be still reported as actual. These allocation methods must be clearly documented and approved by senior management as either a regulatory statement accounting policy or regulated statement policy, with any judgments or assumptions used in the allocation remaining consistent between regulatory years. The judgments or assumptions used are to be determined in accordance with this notice.

Interpretation of the AER's definition of Actual and Estimated information requires management judgments to be made as to the appropriate classification of information including:

- the extent to which the information is sourced from accounting or other records used in the normal course of business; and
- the degree of estimation involved and whether the information is materially dependent on judgments and assumptions for which there are valid alternatives, which could lead to a materially different presentation.

The methodologies, assumptions and judgments made by management in respect of variables are described within the relevant sections of this Basis of Preparation.

The information reported has been prepared in a manner materially consistent with the classification of services and cost allocation method in the forthcoming regulatory control period. This is also consistent with the policies and methodologies applied in preparing the AusNet Services' historical annual Category Analysis RINs and historical Annual Regulatory Accounts.

The preparation methodologies and information sources adopted in the preparation of the Reports are set out below. This Basis of Preparation is not applicable to the forecast period (2022 to 2026 Regulatory Years) as presented in the Reports.

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Workbook 1 – Regulatory determination

6.1 Telephone Answering

Table 6.1.1 Telephone answering data

System data for this report is extracted from Avaya CMS Supervisor Reporting tool (Avaya is the current telephony system provider) and the IPScope Reporting Interface (IPScope are the current IVR Platform Provider).

The following reports are run for each of the columns:

- **Total number of calls:** Total number of calls is the total number of calls to the fault line to be reported, including any answered by an automated response service and terminated without being answered by an operator. It excludes missed calls where the fault line is overloaded. Total Calls per Day Report ran through IPScope Reporting Interface. This reflects all calls received by AusNet Services, irrespective of whether they are queued to an operator, resolved via automated services, or abandoned.
- **Number of calls answered within 30 seconds:** A call answered in 30 seconds is measured from when the call enters the telephone system of the call centre (including that time when it may be ringing unanswered by any response) and the caller speaks with a human operator, but excluding the time that the caller is connected to an automated interactive service that provides substantive information. This measure does not apply to:
 - (a) Calls to payment lines and automated interactive services
 - (b) Calls abandoned by the customer within 30 seconds of the call being queued for response by a human operator (where the time in which a telephone call is abandoned is not measured, then an estimate of the number of calls abandoned within 30 seconds will be determined by taking 20 per cent of all calls abandoned).

Being placed in an automated queuing system (automated or otherwise) does not constitute a response. Call Profile Daily Faults report (Avaya CMS) ran per day from Jan 1, 2015 – Dec 31, 2019 on the following electricity fault call queues; Wire Down, Streetlights, Life Threatening, Electricity Faults.

In order to exclude calls from customers relating to MED incidents, post code data (captured in the AusNet Electricity Services Phone System) was used. The post codes from customer calls were compared to the post codes of MED incidents to quantify the call data to exclude.

Estimated Information:

All information reported is Actual Information. No estimates were required. The approach taken to exclude MED data is not considered to result in Estimated Information as the data used was system generated and there is no valid, alternative approach that would lead to materially different data being reported.

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7.4 Shared Assets

Shared assets are those assets that are used to provide both standard control services and unregulated services. In some circumstances this may reflect revenue apportionment in line with the AER's Shared Asset Guideline.

A division of AusNet Services is Mondo Power, who provide metering, data and asset management solutions, including integrated mobile and spatial technologies. They perform unregulated services and are part of the 'AusNet Services Holdings Pty Ltd' consolidated group.

Table 7.4.1: Total unregulated revenue earned with shared assets

Preparation Methodology:

Note – this is only applicable to the 2011-12 to 2018-19 columns within Table 7.4.1.

All Shared Asset Unregulated Services except Site Leasing

Based on information included in the AER Guidelines, an appropriate subject matter expert identified assets which are considered Shared Assets. A review of all external revenue sources was conducted to identify the assets used to provide the service and whether those assets were acquired using Regulated Capex. This information was validated and reviewed by appropriate subject matter experts.

Once the shared assets and associated revenue streams were established, information from the financial system was used to determine the revenue on a financial year basis for those unregulated services. The revenue reported includes the full amount of unregulated revenue from providing the shared asset service, not just the component attributable to the use of shared assets.

The following adjustments are made to certain categories of unregulated revenue from the use of shared assets.

- Contestable metering contains an element of revenue that is not derived from providing a contestable service but acts as a cost pass through arrangement for the use of consultants. A mechanism exists whereby if the use of a consultant results in winning new work, the charge for that consultant is passed on to the customer through AusNet Services. The consultant will charge AusNet Services and AusNet Services will charge the customer the same amount creating a cost pass through arrangement. This revenue stream is excluded for the purposes of this submission. Invoice information was used to determine the amount to be excluded from Shared Asset Revenue.
- Utility materials management revenues require apportionment across AusNet Services' networks. The utility materials management is provided using the corporate IT systems funded by the networks, and the percentage to apportion to the Electricity Distribution network is based on the business cases of the IT systems (49%).

Site Leasing

In relation to Shared Asset Revenue generated from 'Site Leasing – Zone Substation', using reports generated from the Property Asset Management System, it was determined that there was one Lease Revenue stream in place on Zone Substation land.

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The information reported in the 2011-12 to 2018-19 Regulatory Years was sourced from the lease contract in place with the current tenant. The revenue reported is based on actual amounts invoiced to the tenant (which includes an annual escalation percentage, in accordance with the terms of the lease agreement).

Estimated Information:

All information is actual information with the exception of utility materials management revenues and leasing access to third parties for various communication equipment.

Utility materials management require apportioning to the Electricity Distribution network as the assets are used across AusNet Services' networks. The percentages used to apportion are considered management's best estimates.

The leasing access to third parties for various communication equipment is estimated information based on analysis of changes to distribution asset usage. This approach is considered management's best estimates.

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Workbook 2 – New CY historical

2.2 Repex

Replacement Expenditure (“Repex”) is the non-demand driven Capex to replace an asset with its modern equivalent, where the asset has reached the end of its economic life. Capex has a primary driver of replacement expenditure if the factor determining the expenditure is the existing asset's inability to efficiently maintain its service performance requirement.

The following definitions have been applied in the preparation of the data:

Asset Type	Definition
Staking Wooden Poles: Replacement Expenditure and Volumes	Per email correspondence from the AER: un-staked wooden poles that were staked. The expenditure and volumes reported are for the new stakes alone.
Staking Wooden Poles: Asset Failures	Per email correspondence from the AER: staked wooden poles (stakes) that failed because of the stake.
Staked Pole Replaced with New Pole: Replacement Expenditure and Volumes	Poles that were previously staked replaced with the new wood pole. The expenditure and volumes reported are for the replaced poles.
Staked Pole Replaced with New Pole: Asset Failures	Poles that were previously staked and were replaced due to failure of the stake.

Asset Replacement Expenditure, Volumes and Asset Failures

Capital expenditure (“Capex”) and the associated non-financial information has been reported against the Regulatory Year on an ‘as incurred’ basis. Expenditure reported are the costs directly attributable to replacement of the asset and excludes expenditures on overheads. All Capex has been presented in nominal dollars.

Preparation Methodology

Staking Wooden Poles: Replacement Expenditure and Volumes

In AusNet Electricity Services’ annual Category Analysis RINs, the Repex template (Template 2.1) includes the requirement to report the Total Replacement Expenditure, Total Volumes and Total Failures for Staking Wooden Poles. However, disaggregation of this data based on Pole voltage is not an annual requirement.

To prepare Template 2.2 Repex, the Total Staking Wooden Poles information was obtained from AusNet Electricity Services’ Category Analysis RIN submissions (2009-2018). The underlying data was sourced from the financial system/s and asset management system/s in place in each Regulatory Year.

A report was generated from SAP which provided a list of pole stakes in service, the year in which the assets were put in-service and the associated ‘pole type’. This report was generated as at February 2019. A subject matter expert mapped each ‘pole type’ to a RIN voltage category. Using this data, the percentage of poles stakes by pole voltage was determined for each Regulatory Year.

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This information was applied to the Total Staking Wooden Poles data reported in previous Category Analysis RINs to obtain an estimate of the Volumes and Cost by pole voltage.

Consistent with AusNet Electricity Services' previous Category Analysis RINs, Asset Failures are reported as zero.

Staked Pole Replaced with New Pole: Replacement Expenditure and Volumes

This is a new RIN requirement and was not previously reported as part of 2.1 Repex Template. Based on discussion with a subject matter expert (SME), SAP captures the required data from calendar year (CY) 2017 onwards. Data pre-2017 was not captured at the time at the level required for the template. Hence, the methodology below was used to derive the data for CY2017 and CY2018 only, while the earlier data was estimated as discussed below.

A report was generated from SAP which provided a list of all Pole replacements in CY2017 and CY2018, including the unique functional location of the equipment record (FLOC). Using the FLOCs, two other SAP reports were generated, which identified the poles (in the first report) that were previously staked, the year of replacement and the associated 'pole type'. An SME mapped each 'pole type' to a RIN voltage category.

This data provided the number of records replaced in CY2017 and CY2018 in each voltage category. Given that only two years of data is available, the volumes for previous years (CY2009 to CY2016) were estimated using the average of CY2017 and CY2018.

The expenditure was calculated by multiplying the volumes by the historic unit rate for wooden poles (by voltage category) based on the last five years of RINs (in 2018 dollars).

Consistent with AusNet Electricity Services' previous Category Analysis RINs, Asset Failures are reported as zero.

Estimated Information:

Data provided for 'Staking Wooden Poles' is considered Estimated Information based on the voltage categorisation methodology outlined above. The methodology applied 'in-service' (asset complete) information to 'as incurred' volume and cost data to provide an estimate of the information required. This is considered Management's best estimate based on the data available.

Volumes provided for 'Staked Pole Replaced with New Pole' for CY2017 and CY2018 are considered Actual Information and were derived based on methodology above. Volumes provided for CY 2009 to CY2016 are considered Estimated Information based on averaging the Actual available data for CY 2017 and CY2018. This is considered Management's best estimate based on the data available.

Expenditure provided for 'Staked Pole Replaced with New Pole' is considered Estimated information as it was calculated using historic average rate reported in each voltage category. This is considered Management's best estimate based on the data available.

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2.5 Connections

All information contained in this Historical Connections RIN is reported on a December year ending basis. All expenditures are reported on a nominal basis.

2.5.2 - COST METRICS BY CONNECTION CLASSIFICATION

1. Expenditure - Standard Control Services

Historical expenditure information was initially sourced from the audited annual Distribution category analysis RIN submissions. The expenditures were originally prepared on a calendar year basis and included both standard control and alternative control costs. AusNet Services has removed its historical alternative control costs (contained in work codes 112/1020) to allow for reporting of standard control services costs only.

In accordance with the AER's guidelines for preparing workbook 2 – new historical CY, AusNet Services has reported expenditures in table 2.5.2 using direct costs less total customer contributions (including cash contributions and contributed assets – gifted).

This is a distinct difference to the reporting methodology in the annual CA RIN submissions which reports expenditures in Table 2.5.2 using direct costs less contributed assets (gifted) only.

AusNet Services sourced the additional customer contributions data (non-gifted portions) from the financial systems and supporting workings to the annual regulatory accounts.

In populating the historical data for Embedded Generation connections AusNet Services has reclassified expenditures associated with the Bald Hills Wind Farm connection from 'complex connection HV (small capacity)' to 'complex connection HV (large capacity)' in accordance with the AER RIN guidelines and definitions for DNSP's.

Significant upstream network augmentation was undertaken in 2014 and 2015 which was largely funded by the customer (including contributed assets). This included establishing a new 66kV line between Bald Hills Wind Farm and a new switching station located at Leongatha South. The associated customer contributions for these works are reported separately in Table 2.5.3 - Standard Control Services - Capital Contributions under 'complex connection HV (large capacity)'.

2. Expenditure - Standard Control Services - Capital Contributions

AusNet Services does not record expenditures or capital contributions in its financial system in accordance with the AER's benchmarking RIN categories. Further information was therefore sourced from the financial system for capital contributions on a calendar year basis and summarised at the work code level, as shown in Table 2A below.

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Table 2A – Work code mapping table

CONNECTION SUBCATEGORY	SAP Code	Work Code Description
RESIDENTIAL	1013	UNDERGROUND SERVICE INSTALLATION
	1016 #	PRIVATE ELECTRIC LINE REPLACEMENT - RESIDENTIAL
	1018	COMPLEX RESIDENTIAL SUPPLY PROJECTS
	1019 *	LOW DENSITY HOUSING - SUBDIVISION
COMMERCIAL/INDUSTRIAL	1014	BUSINESS SUPPLY PROJECTS
	1016 #	PRIVATE ELECTRIC LINE REPLACEMENT - RESIDENTIAL
SUBDIVISION	1012	MEDIUM DENSITY HOUSING - SUBDIVISION
	1019 *	LOW DENSITY HOUSING - SUBDIVISION
EMBEDDED GENERATION	1015	COGENERATION PROJECTS

* Low Density housing subdivision capex costs are split across two categories in the annual RIN

PEL Replacement (1016) is split across two categories in the annual RIN, based on annual volume of new connections

Each work code can be attributed to a Connection Subcategory of Residential, Commercial/Industrial, Subdivision and Embedded Generation. This mapping of work codes is consistent with the annual CA RIN with the exclusion of alternative control services (code 112/1020).

In accordance with the AER's RIN instructions for workbook 2 the reported customer contributions includes total contributions (including cash contributions and contributed assets – gifted) for standard control services within each code. Information was sourced from AusNet Services' financial system including supporting worksheets for the annual Distribution regulatory accounts (Annual Reporting RIN) and other reports which identify gifted assets associated with customer connections.

Customer contributions by work code were then allocated to benchmark connection categories on a proportionate basis according to expenditures reported in Table 2.5.2: Expenditure - Standard Control Services.

AusNet Services' believes this is management's best estimate of the level of capital contributions received under each benchmark RIN category.

2.5.3 - VOLUMES BY CONNECTION CLASSIFICATION

Reported volumes for 2009 – 2018 non-financial information (2.5 Connections – New Connections – volumes) were initially extracted from the AER annual CA RIN submissions.

Since these volumes include both standard control and alternative control service connections there is a requirement to remove alternative control related volumes. To achieve this, we removed the annual fee-based connection volumes which are considered alternative control from the reported total connection volumes.

These adjustments are made in both the residential and commercial/industrial connection categories.

AusNet Services' considers this to be management's best estimate of the volumes for standard control services.

Basis of Preparation

In addition, due to reclassification of the Bald Hills Wind Farm connection as noted above AusNet Services has accordingly revised the connection volumes for years 2014 and 2015 in this Workbook 2 – 2.5 Connections – Standard control services.

Restatement of CY2017 connection volumes

AusNet Services has restated the 2017 connection volumes as part of this historical RIN template population. These restated volumes will therefore differ to the submitted 2017 annual CA Connections RIN volumes. This amendment is necessary to correct for an overstatement of gross new customer connections in that year.

Gross new connections are an input to the calculation of benchmark category volumes in the Connections RIN. Specifically, these affect volumes reported in both Tables 2.5.1 (Descriptor Metrics) and 2.5.3 (Volumes by Connection Classification). For Workbook 2 – new historical CY, this also affects volumes reported in 2.5 Connections for Standard control services.

Table 2B below shows both the original and amended gross new customer connections for calendar year 2017.

Table 2B: AusNet Services' 2017 Distribution Gross Customer Connections

CY17 Gross Connections	Reported	Adjusted	Change
Residential	16252	15539	-713
Non-residential	2059	2016	-43
Total	18311	17555	-756

The adjustments to residential and non-residential new connections were necessary to eliminate duplicate connection volumes included in the source monthly connection data. The amended data was validated with the new connections team (who produce the reports from the customer information system). The amended volumes are therefore considered the best available data source for the purpose of populating this Historical RIN.

The impact of this adjustment on reported volume of customer connections for 2017 is shown below in Table 2C.

Table 2C: AusNet Services' 2017 CA RIN 2.5 – Connections - Volumes

2.5.2 - COST METRICS BY CONNECTION CLASSIFICATION		VOLUMES (0's)		
		2017	2017	2017
CONNECTION SUBCATEGORY	CONNECTION CLASSIFICATION	ORIGINAL	REVISED	CHANGE
RESIDENTIAL	Simple connection LV	15,668	15,499	(169)
	Complex connection LV	1,629	1,628	(1)
	Complex connection HV	383	383	-
COMMERCIAL/INDUSTRIAL	Simple connection LV	1,851	2,020	169
	Complex connection HV (customer connected at LV, minor HV works)	210	211	1
	Complex connection HV (customer connected at LV, upstream asset works)	128	128	-
	Complex connection HV (customer connected at HV)	117	117	-
	Complex connection sub-transmission	10	10	-
SUBDIVISION	Complex connection LV	254	254	-
	Complex connection HV (no upstream asset works)	133	133	-
	Complex connection HV (with upstream asset works)	3	3	-
EMBEDDED GENERATION	Simple connection LV	-	-	-
	Complex connection HV (small capacity)	-	-	-
	Complex connection HV (large capacity)	-	-	-

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2.6 Non-network

Non-network expenditure reported relates to direct Opex and Capex costs only. Capex and associated non-financial information have been reported on an 'as incurred' basis. Capex and Opex has been presented in nominal dollars.

Table 2.6.4 Information and Communications Technology (“ICT”) - Capex by Purpose

Non-network IT & Communications Expenditure which is directly attributable to IT and communications assets including replacement, installation, operation, maintenance, licensing, and leasing costs at corporate offices have been reported. All costs associated with SCADA and Network Control Expenditure that exists beyond gateway devices have been excluded.

The following definitions have been applied in the preparation of the data:

Asset Type	Definition
ICT Capability Growth	The acquisition, development and implementation of new ICT assets to meet a business purpose or capacity requirement. This does not include the replacement of a pre-existing ICT asset with its modern equivalent.
ICT Asset Extensions	The extension of existing ICT assets to broaden its functionality. ICT asset extensions includes upgrades to existing systems to extend its functionality.
ICT Asset Remediation	The correction or optimisation of the performance of existing ICT assets that are not performing to the required service performance requirement.
ICT Asset Replacement	The replacement of an existing ICT asset with its modern equivalent where the asset has reached the end of its economic life. This capex has a primary driver of replacement if the factor determining the expenditure is the existing ICT asset has an inability to efficiently maintain its service performance requirement.

Preparation Methodology:

In AusNet Electricity Services' annual Category Analysis RIN, the Non-Network Template (Template 2.6) includes the requirement to report ICT Capex split into Recurrent and Non-Recurrent categorisations. To prepare the New Historical Category Analysis RIN Template 2.6, the list of ICT projects and the associated Capex costs was obtained from the workings to the annual Category Analysis RIN submissions (from 2009-2018). This data was ultimately sourced the financial system in place in each of the Regulatory Years.

An appropriate expert performed an assessment of the nature of each of the projects and classified the expenditure into 4 categorisations: ICT Capability Growth, ICT Asset Extensions, ICT Asset Remediation and ICT Asset Replacement. Client Devices Capex is included in Recurrent Expenditure in each of the 4 categorisations.

Estimated Information:

Basis of Preparation

The categorisations of ICT Capex were estimated based on the judgment of a subject matter expert, as this information was not separately captured in the financial systems. This is considered Management's best estimate based on the data available.

2.10 Network overheads

Overhead Expenditure is expenditure that cannot be directly attributed to a work activity, project or work order and consists of labour, materials, contract costs and other costs. Overhead Expenditure has been disaggregated as Network Overheads and Corporate Overheads.

Network Overhead costs refer to the provision of management services and other related operational, network planning, asset management and compliance functions that cannot be directly associated with any specific operational activity (such as routine maintenance, vegetation management, etc.). Network Overhead includes expenditure for Network Management, Network Planning, Network Control & Operational Switching, Quality and Standard Functions, Project Governance & Related Functions and Other network operating costs.

Corporate Overhead Expenditure refers to the provision of corporate support and management services by the corporate office that cannot be directly identified with specific operational activity. Corporate overhead costs include those for executive management, legal and secretariat, human resources, finance, Non-network IT support costs and regulatory costs.

Capitalised overhead (reported under Capex) is overhead expenditure recognised as part of the cost of an asset, i.e. as capital expenditure. AusNet Electricity Services capitalises Overhead expenditure that is directly attributable to bringing an asset to its intended in-service state. Capitalised overheads were allocated into Network and Corporate Overheads based on the ABC Survey process undertaken in accordance with the CAM.

Amounts reported as Opex reflect overheads that have not been capitalised. Amounts reported under 'Other Distribution Services' are the sum of Opex and Capex overheads.

Table 2.10.1 – Network Overheads Expenditure & Table 2.10.2 – Corporate Overheads Expenditure

Preparation Methodology:

In AusNet Electricity Services' annual Category Analysis RIN, the Overhead Template (Template 2.10) includes the requirement to report Opex and Capex Overheads by service classification.

The information reported in AusNet Services' annual Category Analysis RIN submissions (2009-2018) was obtained. This data was ultimately sourced from the financial system in place in each of the Regulatory Years. The information was already classified into Network and Corporate overheads and into service classifications. This data was populated into Template 2.10 in the New Historical Category Analysis RIN.

Estimated Information:

For the 2016-2018 Regulatory Years -

The Opex information and 'Other Distribution Services' data is considered Actual Information. No estimates were required.

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For Capex, the split of capitalised overheads into Network and Corporate Overheads was estimated using underlying ABC survey data. This is not considered to result in Estimated Information as the data used was system generated and there isn't a valid, alternative approach that would lead to materially different data being reported.

For the 2009-2015 Regulatory Years –

The data reported is considered Estimated Information. This is consistent with the classification of the underlying information reported in AusNet Electricity Services' annual Category Analysis RIN from 2009-2015.

The data is considered Estimated Information as the financial system (in place in the 2009-2015 Regulatory Years) did not capture the required information in the categories required. AusNet Services implemented a new Enterprise Resource Planning system (SAP) effective 4 May 2015. The new system was designed to record actual data in a manner to support the preparation of the Regulatory Accounts and annual RINs.

2.11 Labour

Labour includes all expenditure used to deliver standard control services that is associated with people. Labour expenditure relates to -

- Full time, part time and casual employees;
- Ongoing and temporary employment contracts; and
- Labour hire contracts.

Labour expenditure includes wages, salaries, overtime payments, bonuses, allowances, incentive payments, superannuation contributions, taxes, termination and redundancy payments, workers compensation, training and study assistance and purchases made on behalf of employees.

The definition of labour only includes labour hire arrangements and contracts of employment with the network service provider (NSP), AusNet Electricity Services. During the 2009-2015 Regulatory Years, AusNet Electricity Services had a contractual arrangement with a related party entity which provided management services. This arrangement did not result in employment contracts with the NSP and does not constitute a labour hire arrangement. On this basis, these costs are excluded from Template 2.11.

Controllable Non-Labour expenditure is all non-labour expenditure that is not Uncontrollable Non-Labour expenditure. Such costs include materials and fuels, insurance and guaranteed service level ("GSL") payments.

Uncontrollable Non-Labour expenditure is all non-labour expenditure over which AusNet Electricity Services has no control. Uncontrollable Non-Labour expenditure is imposed by an independent Government body. Such costs include solar feed in tariff payments, jurisdictional levies/taxes and local Government rates. Insurance costs and GSL payments are not uncontrollable.

Data reported relates to Standard Control Services ("SCS") only and is inclusive of related party margins. Related parties are defined in the RIN instructions.

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2.11.3.1 Opex and 2.11.3.2 Capex

Preparation Methodology:

Information reported for the 2016-2018 Regulatory Years

Data was sourced from the Labour template (Template 2.11) included in AusNet Electricity Services' Annual Regulatory Account submissions in the 2016, 2017 and 2018 Regulatory Years. Information was ultimately sourced from the financial system.

Information reported for the 2009-2015 Regulatory Years

- 'In-house labour expenditure' Capex and Opex was sourced from the Input Tables (Template 2.12) in AusNet Electricity Services' Category Analysis RIN in each of the Regulatory Years. Information was ultimately sourced from the financial system in place in each Regulatory Year.
 - Where necessary, the workings to the Input Tables were used to disaggregate Labour expenditure into Capex and Opex components.
 - In the 2015 Regulatory Year, the data underlying the Input Tables did not have sufficient information to split Labour costs for Overheads into Capex and Opex components. This was split was estimated. The Capex v Opex split of gross Overheads was applied to determine the Capex Labour overheads. The residual was assumed to be Opex Labour Overheads.
- 'Uncontrollable Non-Labour Expenditure' Opex includes rates, taxes and levies in accordance with the prescribed definitions. Information was sourced from the Trial Balance used to prepare the Annual Regulatory Accounts in each Regulatory Year (ultimately sourced from the financial system in place in each Regulatory Year).
- 'Uncontrollable Non-Labour Expenditure' Capex has been reported as zero as levies and taxes are not capitalised.
- Total SCS Opex and Total SCS Capex was sourced from the Annual Regulatory Accounts in each Regulatory Year.
- Any residual (unallocated) SCS Opex and Capex has been classified as 'Controllable Non-Labour Expenditure' in Opex and Capex respectively.

Note - 'Labour Expenditure Outsourced to Related Parties' and 'Labour Expenditure Outsourced to Unrelated Parties' have been reported as \$nil. This is based on the definitions outlined above. AusNet Electricity Services incurs expenditure (SCS Opex and SCS Capex) from Contractors (related and unrelated) for labour services. However, the contractor arrangements do not constitute employment contracts or labour hire arrangements and as such have not been reported as Labour Expenditure. This definition differs to how AusNet Electricity Services interprets 'Outsourced Labour' internally and in the Distribution Determination and therefore underestimates the total (i.e. both internal and contracted) SCS labour costs incurred by AusNet Electricity Services.

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Estimated Information:

For the 2016-2018 Regulatory Years – All information reported is considered Actual Information.

For the 2009-2015 Regulatory Years –

The data reported is considered Estimated Information. This is consistent with the classification of the underlying information reported in AusNet Electricity Services' annual Category Analysis RIN from 2009-2015.

The data is considered Estimated Information as the financial system (in place in the 2009-2015 Regulatory Years) did not capture the required information in the categories required. AusNet Services implemented a new Enterprise Resource Planning system (SAP) effective 4 May 2015. The new system was designed to record actual data in a manner to support the preparation of the Regulatory Accounts and annual RINs.

8.2 Capex

Immediate Expensing Capital Expenditure (Capex) is the value of capital expenditure included in the regulatory or tax asset base that has been treated as immediately deductible for income tax purposes (e.g. refurbishments, overheads, etc.). Capex reported is required to be consistent with the value of immediate expensing capital expenditure included in the income tax returns lodged by AusNet Services for the relevant Regulatory Years. Reported values should reflect the values arising as a result of the ATO's decision-making process where relevant.

Table 8.2.7 – Immediate Expensing Capex

Preparation Methodology:

AusNet Electricity Services' annual income tax returns lodged to the Australian Taxation Office includes immediately deductible capital expenditure. The information reported in AusNet Services' annual income tax returns for financial years 2016 -2019 (year ended 31 March) was obtained. This data was ultimately sourced from the financial system in place in each of the financial years. An apportionment approach is used to calculate the immediate expensing capex reported in the two tax returns overlapping the regulatory year.

Immediate Expensing capex consists of the replacement capital expenditure and the indirect labour capitalized overheads for all type of capital expenditures. The replacement capex (per the tax return) was classified into capital expenditure categories. These categories were mapped by an SME into the Asset Classes prescribed in Table 8.2.7. Only immediately deductible Standard Control Services Capex was reported. Alternative Control Public Lighting capex was excluded. In addition, all expenditure on Powerline Replacement Fund (PRF) projects was deemed to be outside of standard control services as it has a zero value in the RAB.

Public lighting expenditure was identified via the asset class description provided by the SME. PRF expenditure is spread across several asset class descriptions (primarily in pole and underground replacement) and as such was identified using project description data in the asset register.

Basis of Preparation

The indirect labour capitalized overheads (per the tax return) was apportion into the asset class categories based on the actual capital expenditure reported in the annual regulatory accounts. An apportionment methodology was used to exclude the Alternative Control Services share of these overheads. This was done by using the pro-rata split of total overheads in our reported capex between Standard Control, Alternative Control and other and applying the SCS split to our immediately deductible overheads.

The below table represents the types of capital expenditure in table 8.2.7:

CAPEX BY ASSET CLASS	Refurbishment Capex			Indirect labour Capitalised Overheads			Total		
	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18	2015-16	2016-17	2017-18
Subtransmission	17,596,085	31,376,898	32,085,255	2,016,966	3,281,930	4,195,518	19,613,051	34,658,828	36,280,774
Distribution system assets	84,964,133	111,780,832	85,725,549	14,938,394	24,130,646	20,995,937	99,902,527	135,911,478	106,721,485
SCADA/Network control	103,992	607,962	190,577	510,642	2,092,757	2,024,202	614,634	2,700,719	2,214,779
Non-network general assets - IT	-	-	-	953,258	4,279,805	2,604,967	953,258	4,279,805	2,604,967
Non-network general assets - Other	-	-	-	419,794	573,125	1,503,313	419,794	573,125	1,503,313
Land	-	-	-	-	-	-	-	-	-
Total	102,664,210	143,765,692	118,001,381	18,839,054	34,358,264	31,323,937	121,503,264	178,123,956	149,325,318

Estimated Information:

The data is considered Estimated Information as AusNet Services' annual income tax returns are prepared on the financial year basis (year ended 31 March).

Basis of Preparation

Workbook 8 – Historical FY category analysis

Preparation Methodology

In accordance with the AER requirements, AusNet Electricity Services has completed Workbook 8 using the financial and non-financial information previously reported to the AER on a calendar year basis (in AusNet Electricity Services' historical Category Analysis RINs).

For details on the original/ultimate source of the historical Category Analysis RIN data, refer to the Basis of Preparation documents included in the RIN submissions in each relevant Regulatory Year.

A '50/50' approach was applied to the calendar year data to derive the financial year information required. For example, to derive the data for the financial year ended 30 June 2018, 50% of calendar year 2018 and 50% of calendar year 2017 was used.

The above approach was applied to all information reported in Workbook 8 with the exception of the following 4 areas –

Sources of data other than the historical Category Analysis RINs

i) Impact of 'AusNet Services 2009-2018 – New CY historical Regulatory Information Notice templates.xlsx (Workbook 2 – New CY historical)' ("Workbook 2")

Workbook 2 impacts the preparation of Workbook 8 in several instances. Workbook 8 includes new tables that were not included in previous Category Analysis submissions but were included in Workbook 2. The information reported in these new tables was derived by applying the 50/50 method described above to calendar year data reported in Workbook 2:

- Table 2.11.3 in Worksheet 2.11 Labour
- Table 2.6.5 in Worksheet 2.6 Non-network
- The 'Staking wooden poles' section of Table 2.2.1 in Worksheet 2.2 Repex

Furthermore, data reported in Tables 2.5.2 and 2.5.3 in Worksheet 2.5 Connections is presented in accordance with the format and requirements of Workbook 2 and not the previous Category Analysis RINs. In previous Category Analysis submissions, expenditures and volumes for connections was provided for all service classifications and inclusive of Customer Contributions. The tables now present Standard Control Services only, and gross Capex and Customer Contributions are presented separately. Refer to the Basis of Preparation for Workbook 2 for further details.

ii) Restatement of CY2017 connection volumes

AusNet Services has restated the 2017 connection volumes as part of preparing Workbook 2. These restated volumes differ to the submitted 2017 annual Category Analysis Connections RIN volumes. This amendment was necessary to correct for an overstatement of gross new customer connections in that year. The restatement impacted volumes reported in both Tables 2.5.1 (Descriptor Metrics) and 2.5.3 (Volumes by Connection Classification) of Workbook 2 and is not considered material.

As this change impacts the CY2017 volumes, this change has been flowed through to Template 2.5 Connections in Workbook 8.

Basis of Preparation

iii) Impact on aggregation tables

The impact of the above has flowed through to totals reported in Worksheet 2.1 Expenditure Summary and Worksheet 2.12 Input Tables and as such some values now differ to our historical submissions.

2.9 Emergency Response

Table 2.9.1 in Worksheet 2.9 contains a list of major event O&M expenditure, along with the date of the major event and the amount spend. Rather than use the 50/50 allocation method, in this instance the calendar year expenditure from previous submissions was allocated to the correct financial year based the event date.

2.10 Network Overheads

Over the years from 2009-2018 capitalised overheads have been presented in some years as a negative value deducting from a gross value and some years as a positive value adding to a net value. We have re-presented all years to be consistent with CY2018.

4.1 Public lighting

Table 4.1.1 in Worksheet 4.1 requires a 'population of lights' to be shown. This data was available in submitted Category Analysis workbooks for all years 2013-2018. However, years before 2013 were not included in the 2009-2013 submission (only 2013). We reviewed the basis of preparation for calendar year submissions and noted that our methodology was to present the population of lights as at the beginning of the calendar year as presented in the annual regulatory accounts RIN. As such, we have used data one year behind from the calendar year data in workbook 9. This method provided data for 2011 (used for CY12 in table 4.1.1), 2010 (used for CY11 in table 4.1.1) and 2008 (used for CY09 in table 4.1.1). Only 2009 data has not been previously reported as part of our annual regulatory accounts and as such an average has been used in this year.

Due to this approach the data reported is considered Estimated Information.

Estimated Information:

It has been assumed that where the 50/50 allocation method was applied to underlying data that was reported as Actual Information, the data remains Actual Information under the definitions Appendix F of the RIN. Similarly, all data that was Estimated Information in historical calendar year submissions or in Workbook 2 continues to be reported as Estimated Information in Workbook 8, as well as any additional items noted as estimated above.

5.3 Maximum Demand at Network Level and 5.4 Maximum Demand and Utilisation at Spatial Level

For Worksheet 5.3 and 5.4, the AER instructions require exact financial year information to be reported (i.e. not a 50/50 allocation methodology). The following approach was applied to prepare the data in these 2 tables:

Basis of Preparation

Worksheet 5.3 Maximum Demand Network Level

The calendar year data in previous submissions contains the date of the maximum demand occurrence. The calendar year events have been allocated to financial years based on the date of the occurrence. If there is more than one calendar year occurrence falling into a single financial year, only the larger maximum demand event has been presented.

Further to this, in some cases a financial year does not have a maximum demand occurrence falling into it. For example, the occurrence in CY2011 was on 1/2/11 (FY11) and the occurrence in CY2012 was on 29/11/12 (FY13) with no presented events between 1/7/11 and 30/6/12. In these cases, a subject matter expert (SME) concluded that, in lieu of Actual Information, using an average value of the CY2011 and CY2012 values is the best estimate of the information required, as the actual maximum demand occurrence would not be materially different. Mid-point date values and average time values were reported in these cases.

Due to this approach the data reported is considered Estimated Information.

Workbook 5.4 Maximum Demand & Utilisation Spatial Level

The same approach applied in the preparation of Worksheet 5.3 was used to prepare Worksheet 5.4.

Basis of Preparation

Workbook 9 – Historical FY annual reporting

Preparation Methodology

In accordance with the AER requirements, AusNet Electricity Services has completed Workbook 9 using the financial and non-financial information previously reported to the AER on a calendar year basis (in AusNet Electricity Services' historical Annual Reporting RINs).

For details on the original/ultimate source of the historical Annual Reporting RIN data, refer to the Basis of Preparation documents included in the RIN submissions in each relevant Regulatory Year.

A '50/50' approach was applied to the calendar year data to derive the financial year information required. For example, to derive the data for the financial year ended 30 June 2018, 50% of calendar year 2018 and 50% of calendar year 2017 was used.

The above approach was applied to all information reported in Workbook 9 with the exception of –

3.6.8 Network Feeders and 6.6 STPIS Customer Service

For this worksheet, the AER instructions require exact financial year information to be reported (i.e. not a 50/50 allocation methodology). For the tables in this section, the data was updated to cover a financial year rather than a calendar year basis.

Table 3.6.8 Network feeders

There were two changes to the way this data was measured compared with previous submissions

- Change of momentary interruption threshold from 1 minute to 3 minutes,
- Changes to Feeder Classification calculation method from using annual maximum values of MVA demand to 3-yearly average of maximum MVA (per feeder).

Both of these changes are required by the AER's rule change regarding Distribution Reliability Measures in 2018 (<https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/distribution-reliability-measures-guideline-2018>).

This was applied as follows:

- Fault thresholds were changed from 1 minute to 3 minutes using historical actuals in the financial years
- Feeder classifications were reclassified based on the new methodology of 3-yearly averaging of feeder maximum demands. Actual annual maximum demands (from submitted calendar year RINS) were used in for this averaging. The line lengths were based on actual line lengths as at July each year for each feeder. These two values were averaged over 3 years to determine the feeder classification.
- Number of distribution customers was recalculated based on the actual customer count from July to June for each feeder.
- Energy not supplied was estimated based on the actual data from the previous calendar year RINs and averaged over 3 years.
- All other fields are inputs from actual fault data, adjusted for FY format.

Basis of Preparation

Table 6.6.2 in Worksheet 6.6

This table is new and part of the EDPR annual reporting RIN starting in 2021. The definitions in that RIN (and as noted in 'Note 1' in this Worksheet) have been used for the 'Threshold SAIDI value for inadequately served customers' row.

The average and highest values for SAIDI and SAIFI (overall and for the top 5 feeders) was sourced by taking a 3-year average of NMI-level fault data on a calendar year cycle and mapping it to feeders. Financial year cycle data at this level was not readily available. Based on SME consultation it was deemed that this would not be materially different than using financial year cycle data.

Due to the approach outlined above, the data reported in these templates is considered Estimated Information.

4.1 Public Lighting

Information for calendar years 2014 and 2015 was not previously reported. To derive the figures to report for FY15, the average of FY14 and FY16 was calculated (both for volumes and Revenue).

7.11 DMIA-DMIAM

We noted that Table 7.11.2 DMIAM Projects Submitted for Approval has been left blank. After consulting with an SME, it was noted that:

All demand management activities were captured under the DMIA (allowance) until 1 January 2019 when activities were split into a DMIS (scheme) and DMIM (mechanism). Tables 7.11.1 and 7.11.2 represent this new framework (although all previous submissions were reported under DMIA). Based on this, all historical data is reported under DMIS and DMIM has been left blank.

Estimated Information:

It has been assumed that where the 50/50 allocation method was applied to underlying data that was reported as Actual Information, the data remains Actual Information under the definitions Appendix F of the RIN. Similarly, all data that was Estimated Information in historical calendar year submissions or in Workbook 2 continues to be reported as Estimated Information in Workbook 9, as well as any items noted as estimated data above.

Basis of Preparation

Workbook 10 – Historical FY economic benchmarking

Preparation Methodology

In accordance with the AER requirements, AusNet Electricity Services has completed Workbook 10 using the financial and non-financial information previously reported to the AER on a calendar year basis (in AusNet Electricity Services' historical Economic Benchmarking RINs).

For details on the original/ultimate source of the historical Economic Benchmarking RIN data, refer to the Basis of Preparation documents included in the RIN submissions in each relevant Regulatory Year.

A '50/50' approach was applied to the calendar year data to derive the financial year information required. For example, to derive the data for the financial year ended 30 June 2018, 50% of calendar year 2018 and 50% of calendar year 2017 was used.

The above approach was applied to all information reported in Workbook 10 with the exception of the below areas –

3.2 Provisions and 3.3 RAB

In both these templates, there are 'rollforward' schedules that show opening, movement and closing balances. To translate this from a calendar year to a financial year basis the following approach has been applied:

- A) Opening balance: Take Year 1 (Y1) opening balance then add Y1 movement/2. For example, to get the opening balance of FY09 we took CY09 opening balance and took the CY09 movement / 2 to derive the opening balance at 1 July 2009 (the opening balance for FY10)
- B) Movement: the same methodology as prescribed in the RIN instructions (i.e. 50/50 approach).
- C) Closing: the sum of A and B.

3.4 Operational Data

Table 3.4.3 System demand

For this worksheet, the AER instructions require exact financial year information to be reported (i.e. not a 50/50 allocation methodology). The source information needed to recut the data on a financial year basis is not readily available.

We have used the same approach used here as that described in Section 2, Workbook 8 Maximum Demand (page 5) above. That is, maximum demand instances can be tied back to those presented in Worksheet 5.3 of Workbook 8 using the transmission connection point MW figure in Table 3.4.3.2. This allows each MD occurrence in Workbook 10 to be associated with a date from Workbook 8 and as such the correct maximum for each financial year can be selected. As with Workbook 8 where there is a financial year in which there are no calendar year MD occurrences reported in our previous submissions, we have used an average.

Basis of Preparation

For the years before the first year of Workbook 8 (FY06, FY07 and FY09), the average of the two calendar years from our original Economic Benchmarking submissions has been used. Consultation with an SME suggests that this will not give a materially different outcome.

Due to this approach the data reported is considered Estimated Information.

3.7 Operating Environment

Table 3.7.2 Terrain Factors

In the historical Economic Benchmarking RINs for the 2006, 2007 and 2008 Regulatory Years, no data was required to be reported in Table 3.7.2 Terrain Factors. For the purpose of reallocating data for the 2006-07, 2007-08 and 2008-09 financial years, the data reported in the historical RIN for the 2009 calendar year was sourced. The 2009 information was reported in 2006-07, 2007-08 and 2008-09 in Workbook 10.

Due to this approach the data reported is considered Estimated Information.

Estimated Information:

It has been assumed that where the 50/50 allocation method was applied to underlying data that was reported as Actual Information, the data remains Actual Information under the definitions Appendix F of the RIN. Similarly, all data that was Estimated Information in historical calendar year submissions continues to be reported as Estimated