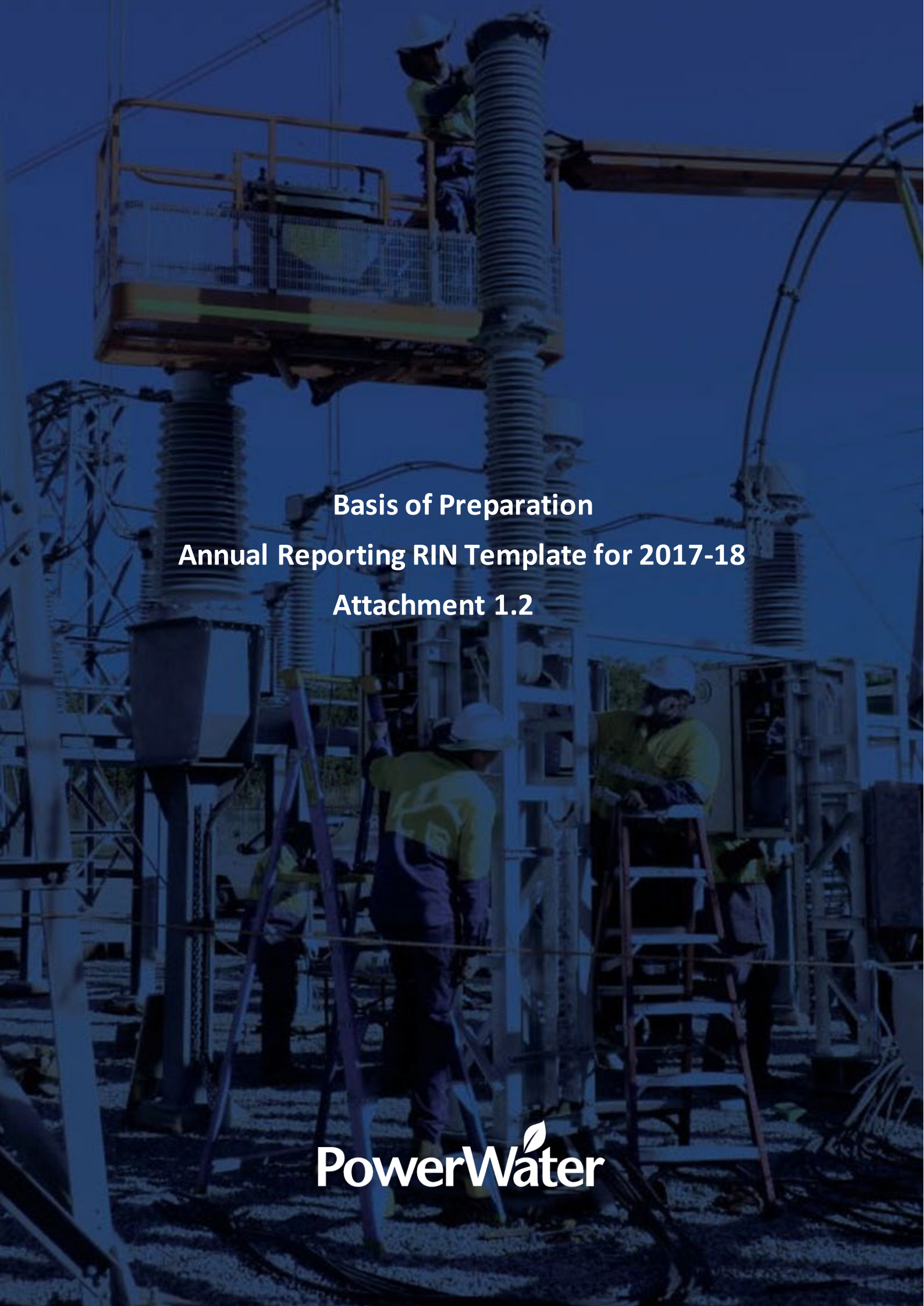

Basis of Preparation

Annual Reporting RIN Template for 2017-18

Attachment 1.2

PowerWater

Contents

Overview

On 17 August 2018, the Australian Energy Regulator (AER) issued Power Water Corporation (Power and Water) with a Regulatory Information Notice (RIN) for annual reporting data for 2017-18. The RIN requires that we prepare a basis of preparation addressing each template in the completed Microsoft Excel workbooks. We have prepared the response based on the order of templates.

We have also provided appendices to this document for detailed information referred to in multiple templates. The appendices are the capex methodology (Appendix A), repairs and maintenance methodology (Appendix B), and operating expenditure methodology (Appendix C).

We have structured our basis of preparation to reflect the order of templates in the AER's Microsoft Excel workbooks. We have explained:

- The source of the information.
- Whether the information provided is actual and estimate based on the AER definitions, and if an estimate how it is the best method.
- How we have complied with the RIN requirements.
- The methodology and assumptions we used to calculate the information.
- Whether the information contains confidential information.
- How we have complied with the RIN requirements.

We expect that the AER will publish the final form of the basis of preparation and the associated data template with our information. The information was collected and provided in good faith and was based on every effort to comply with the requirements of the RIN. In doing so, we have had to estimate some data because we did not have the capability to report the information specified by the RIN. As the data is estimated, we recommend caution in using the data for benchmarking or other analysis.

We developed our best estimate in good faith, with the objective of providing the most accurate data given the RIN requirements. For all estimated information, the RIN requires we provide reasons for why we consider the estimate to be our best estimate. In our circumstances our estimate was 'best' because:

- We were only able to develop a single method for the majority of estimated information.
- The estimated information was prepared and reviewed by subject matter experts.

In all instances where we have provided estimated rather than actual information, we assessed available alternatives to determine the most appropriate estimation technique. All estimated information included in the RIN are our best estimates and we have explained how the estimate has been calculated in the relevant section of the Basis of Preparation.

Template 2.11 - Labour

Table 2.11.3.1 - Opex

Table 2.11.3.2 - Capex

Table 2.11.3 - Labour and non-labour expenditure split

Source of Data

We have used template 2.1 (Expenditure Summary) and 2.12 (Input Tables) as a primary source for reporting the data in these tables. Please see our Basis of Preparation for our Category Analysis RIN for 2017-18 for a more detailed explanation on the underlying source data.

Estimated or actual information

The information has been derived from other RIN templates. This majority of the data was defined as actual as it related to our financial systems. However, the data was subject to a range of assumptions. For this reason some of the information we reported in the Category Analysis RIN was estimate, as an alternative method may have resulted in materially different outcomes. Please refer to our Basis of Preparation for our Category Analysis RIN for 2017-18 in relation to Template 2.1 and 2.12.

Methodology and assumptions

We have used the methodology set out in our Basis of Preparation for template 2.1 in the Category Analysis RIN for standard control services to split amounts between capex and opex. The only additional information we used was the account balances associated with the NT Build levy and network licence fees, which are uncontrollable costs. We did not identify any other uncontrollable costs.

Confidential Information

Template 2.11 does not contain confidential information.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Template 3.6 - Quality of Services

Table 3.6.7.1 - Timely provisions of services

Table 3.6.7.3 - Call centre performance

Table 3.6.7.4 - Number of customer complaints

Source of Data

For timely provision of services, we used data from our metering and billing systems to report connections made.

Call Centre Performance data was sourced from Power and Water's Customer and Stakeholder team. The data is extracted using a Business Intelligence (BI report).

The number of customer complaints was sourced from our Power Networks Customer Advocate who manually records and categorises complaints into a spreadsheet stored in our internal record system (TRIM).

Estimated or actual information

We have based the information on actual data, as the source relates to internal records.

Methodology and assumptions

In completing this template, it was assumed that the number of connections was referring to the number of new connections and data has been provided on this basis. For the requested number of connections not made on or before the agreed date, the number of GSL payments paid in 2017-18 for this service level has been used.

Number of connections was provided by the Power Networks Metering section based on NMI data. The information is consistent with the information we provided for template 4.2 of the Category Analysis RIN template.

All call performance data is based on calls once the customer has completed the Interactive Voice Response (IVR). The following parameters were used to extract the reported data:

- Answered Calls (New Electric Faults) - A variable that sum the count of call answered which has a call queue name of New Electricity Faults.
- Abandoned Calls (New Electric Faults) - A variable which sums the count of abandoned call that has call queue name of New Electricity Faults.
- ASA New Electric Faults Secs - A variable that calculates the Average Speed of Answer for call queue name of Electricity Faults measure in Seconds.
- Averaged ASA New Electric Faults Secs - A variable that calculates the Average Speed of Answer over Number of Work Days for call queue name of New Electricity Faults measure in Seconds.
- Abandoned Calls % (New Electric Faults) - A variable which sums the count of abandoned call that has call queue name of New Electricity Faults.

Complaints details within the RIN were compiled by extracting two calendar years of data (2017 and 2018). Data can only be extracted (from TRIM) on a calendar year basis, therefore two reports were pulled and combined to create the financial year file.

Confidential Information

There is no confidential information in these tables.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN. For example, we have used the definition of new connections and telephone answering.

Table 3.6.5 - Quality of supply metrics

Source of Data

The data source for all the requirements related to over voltages was obtained from a complaints register. As described in our Basis of Preparation for table 3.6.7.4 of the Annual RIN (number of customer complaints) the data was sourced from our Customer Advocate who manually records and categorises complaints into a spreadsheet stored in TRIM. Data can only be extracted from TRIM on a calendar year basis. Two reports were extracted and combined to create a financial year file.

The data related to 'voltage variations' was sourced from SCADA and processed using excel spreadsheet files.

Estimated or actual information

The SCADA data is estimated as the data for the whole year is not available. Power and Water can access only 3 months of data. This was used to estimate the number of voltage disturbances for the entire year. The SCADA data that is used was sampled from the relevant equipment every 15 seconds over a 3 months period. Hence, the 10 seconds data requirements in the RIN are addressed by using the 15 seconds SCADA data. It is possible that an alternative method may result in a materially different outcome.

Methodology and assumptions

We do not currently gather data to the level of detail required by the RIN requirements in Table 3.6.5. For this reason, we used customer complaints as input required to identify compliance with the overvoltage related requirements. The complaints were reviewed to identify:

- Over voltage events - due to high voltage injection – These are customer complaints about overvoltage events, the cause of which is known.
- Over voltage events - due to lightning - which are these customer complaints about overvoltage events, the cause of which is known to have been lightning.
- Over voltage events - due to voltage regulation or other cause' which are those customer complaints where the complaint is about overvoltage event, the cause of which is unknown or where the cause is known to be related to voltage regulations e.g. distribution transformer tap changing.

The customer complaints were also used to identify those that related to claims against us or reimbursement. Additional data was obtained from TRIM on whether PWC settled the claim. The details provided on the claims that were settled were reviewed to find out whether the claims can be accommodated in any of the categories described above.

Some of the requirements related to 'voltage variations' were addressed by using SCADA records whereas others could not be addressed because we are currently not gathering data to the level of granularity expected by AER or the assets (notably feeders) are currently not being monitored.

Voltage requirements were addressed by using SCADA's 15 seconds voltage data which represented various bus events recorded 15 seconds apart over a period of three months. Those events were analysed and those which show a voltage variation of more than 10 per cent from the reference bus voltage (set point) of 10.5kV on 11kV feeder and 21.8kV on 22kV feeders were identified. These events were then further analysed to determine the RIN requirements into which they fall as follows:

- Voltage variations - steady state (zone sub)' was addressed by identifying those disturbances that lasted for one or more minutes.
- Voltage variations - one minute (zone sub) was addressed by identifying those events that lasted for less than one minute but more than 15 seconds.
- Voltage variations - 10 seconds (zone sub) Min <0.7 was addressed by identifying those events that lasted for less than 15 seconds and presented the voltage variation that is more than 30 per cent.
- Voltage variations - 10 seconds (zone sub) Min <0.8 was addressed by identifying those events that lasted for less than 15 seconds and presented the voltage variation that is more than 20% AND less than 30 per cent.
- Voltage variations - 10 seconds (zone sub) Min <0.9 was addressed by identifying those events that lasted for less than 15 seconds and presented the voltage variation that is more than 10% AND less than 20 per cent.
- Voltage variations - steady state (feeder) - We currently do not have equipment installed to monitor voltage variations on feeders. Monitoring is usually done as and when needed to resolve a complaint, for example related to overvoltage.
- Voltage variations - % zone subs monitored' was addressed by providing a percentage of the zone substations that have monitoring equipment installed. The number provided only provides information that the equipment is installed and does not necessarily suggests that the installed equipment was operational during the regulatory period.
- Voltage variations - % feeders monitored- We are currently not having equipment installed to monitor feeder voltages and where equipment exists good quality data that is necessary to address these requirements has not been gathered.

A key assumption was that the data on each bus at zone substation level was analysed. Some of these buses may be split whereas others may be continuous buses. It is believed that handling each individual bus and analysing the data as recorded in SCADA without distinguishing split versus continuous buses (as done in the analysis) provides good quality data because individual bus events that resulted in voltage variation are accounted for in the analysis

The 3 months SCADA data was used and backcasting exercise conducted to estimate the number of voltage disturbances for 2017-18.

Confidential Information

There is no confidential information in this table.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Table 3.6.6.1 - Technical quality of supply

Table 3.6.6.2 - Percentage of complaints by category

Table 3.6.6.3 - Percentage of complaints by likely cause

Source of Data

The data was sourced from the Power Networks Customer Advocate who manually records and categorises complaints into a spreadsheet stored in TRIM. Data can only be extracted (from TRIM) on a calendar year basis, with two reports extracted and combined to create a financial year file.

Estimated or actual information

The data is actual as it comes from an internal business record.

Methodology and assumptions

The details provided in each complaint were reviewed together with the related data in TRIM in order to decide the category into which the complaint falls. This review also assisted us to decide on the likely cause of the complaint. The data was then used to populate the Annual RIN Table 3.6.6.

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

3.6.7.2 - Timely repair of street lights

3.6.8 – Network Feeder Reliability

The AER's RIN notice did not require us to complete these tables.

Table 3.6.9 - Network feeder reliability - planned outages

Source of Data

The dataset used in the Economic Benchmarking RIN Table 3.6.1 (Reliability) was used to populate this table. We refer the AER to the Economic Benchmarking RIN for a description of the dataset.

Estimated or actual information

Data is estimated. As described in the Basis of Preparation for the Economic Benchmarking RIN for table 3.6.1 (Reliability), only unplanned outages are reviewed on a monthly basis. The unplanned outages are not reviewed and therefore the data on planned outages is of poorer quality. An alternative method may have yielded a materially different outcome.

Methodology and assumptions

The methodology is consistent with the approach described in the Basis of Preparation for the Economic Benchmarking RIN Tables 3.6.1 (Reliability).

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Template 4.1 – Public Lighting

The AER's RIN notice did not require us to complete this template.

Template 6.2 – Reliability and customer service performance

The AER's RIN notice did not require us to complete this template.

Template 6.6 - STPIS Customer Service

The AER's RIN notice did not require us to complete this template.

Template 6.7 - STPIS Daily Performance

The AER's RIN notice did not require us is to complete this template.

Template 6.8 – STPIS Exclusions

The AER's RIN notice did not require us is to complete this template.

Template 6.9 - STPIS Guaranteed Service Level

Table 6.9.1 - Guaranteed service levels - Jurisdictional GSL scheme

Source of Data

GSL measures related to reliability of supply are calculated using the dataset used in Economic Benchmarking RIN Tables 3.6.1 (Reliability).

GSL measures related to connections and re-connections are provided by the Power Networks Metering using NMI data.

GSL measures related to keeping appointments and planned outages are provided by Field Services to the Power Networks Customer Advocate. The information is recorded and kept in our internal record keeping system.

The resulting payments are kept as a business record.

Estimated or actual information

The data used is actual based on the payment already made to customers or end-of-the-year final payments that will be made to customer who have already been identified.

Methodology and assumptions

We used the following method:

- Single interruptions that lasted for more than 12 hour but less than 20 hours are identified on a monthly basis and payments made as soon as possible during the year.
- Single interruptions that lasted for more than 20 hours are identified on a monthly basis and payments made as soon as possible during the year.
- The outage dataset that is reviewed on a monthly basis is then used at the end of the financial year to identify assets that have been affected by more than 12 interruptions in a year. Once these assets have identified the customer who are affected are then identified (using the ESRI/GIS data) and paid after the end of the financial year.
- The outage dataset that is reviewed on a monthly basis also used at the end of the financial year to identify a combination of assets that have been affected by more than 20 hours in a year. Once these assets have identified the customer who are affected are then identified (using the ESRI/GIS data) and paid after the end of the financial year.

All the data related to GSL are sent by various sections to the Power Networks Customer Advocate on a monthly basis. After payment to the customers has been made by the Customer Service Centre, the details of payments are sent back the Power Networks Customer Advocate so that the records can be updated to reflect the actual number of customers paid and the total amount paid every month.

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

6.9.2 - Guaranteed service levels – AER GSL scheme

This table was not completed as an AER GSL scheme did not apply during the regulatory year.

Template 7.10 - Jurisdictional Schemes

Table 7.10.1- Jurisdictional scheme payments

Jurisdictional scheme payments are defined as the amounts a DNSP are required under the jurisdictional scheme obligations to pay to a person; pay into a fund established under an Act of a participating jurisdiction; credit against charges payable by a person; reimburse a person less any amounts recovered by the DNSP from any person in respect of those amounts other than under the NER.

We reviewed the National Electricity Rules, and as per section 6.18.7A (e)(1), none of the schemes established are applicable to the Northern Territory.

Therefore, our current assessment is that there are no jurisdictional scheme payments at Power and Water Corporation, so this template's cells have been intentionally left blank.

Template 7.11 – Demand Management Incentive Scheme

Template 7.12 – Safety and bushfire related expenditure

The AER's RIN notice did not require us is to complete these templates.

Template 8.1 - Income

Table 8.1.1.1 - Revenue

Source of Data

The data in this template was primarily based on our Audited Statutory Accounts.

Estimated or actual information

This data is considered actual information because it was based on our Audited Statutory Accounts and while the mapping of transactions to the RIN categories was undertaken manually, it is unlikely to drive material variation in the RIN data reported.

Methodology and assumptions

The RIN defines distribution revenue as revenue earned from the provision of standard control services, alternative control services, negotiated distribution services and unregulated distribution services but excludes capital contributions. Therefore, in the Audited Statutory Accounts Distribution Revenue is equal to the Distribution Business Distribution Revenue.

Cross Boundary Revenue is reported as zero as we do not have any revenue that meets the RIN definition.

The contributions amount has been sourced directly from our accounts as the sum of the following accounts:

- 35-386: Contributions to Assets Gifted Assets
- 35-391: Contributions to Assets Capital Contribution for PWC Owned Assets
- 35-392: Contributions to Assets Capital Contribution - DSEP
- 35-393: Contributions to Assets Capital Contribution - WASSEP
- 35-394: Contributions to Assets Loan Contribution - DSEP

Interest income was the reported directly from the company Income Statement from 'Finance Revenue'. Jurisdictional scheme amounts were reported as zero as we do not have any revenue that meets the RIN definition. Profit from sale of fixed assets was reported as zero as we do not have any revenue that meets the RIN definition. TUOS revenue was reported as zero as we do not have any revenue that meets the RIN definition. Pass through revenue was reported as zero as we do not have any revenue that meets the RIN definition.

Other revenue was calculated as the total revenue attributed to Power and Water Corporation in our statutory accounts minus the amounts allocated in the variables above. Inter-group sales is internally accounted for as a revenue, which is a Distribution business expense, so this has also been excluded.

Confidential Information

There is no confidential information in this table.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN. The primary RIN requirement was to ensure the data in this template was based on the Audited Statutory Accounts. This is based on the RIN definition of "financial regulatory templates". We have ensured this data is based on the Audited Statutory Accounts.

Table 8.1.1.2 - Expenditure

Source of Data

The data in this template was primarily based on our audited statutory accounts.

Estimated or actual information

This data is considered actual information because it was based on Power and Water's audited statutory accounts and, while the mapping of transactions to the RIN categories was undertaken manually, it is unlikely to drive material variation in the RIN data reported.

Methodology and assumptions

We have used the following calculations and data to report the information required in the AER's RIN:

- TUOS expenditure This is reported as zero as we do not have any expenditure that meets the RIN definition.
- Avoided TUOS expenditure: This is reported as zero as we do not have any expenditure that meets the RIN definition.
- Cross boundary expenditure: This is reported as zero as we do not have any expenditure that meets the RIN definition.
- Depreciation: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Finance charges: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Impairment losses: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Jurisdictional scheme amounts: This is reported as zero as we do not have any expenditure that meets the RIN definition.
- Loss from sale of fixed assets: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Maintenance expenditure: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Operating expenditure excluding maintenance expenditure: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.
- Other: This expense has been reported from the Audited Statutory Accounts mapping the reporting categories from our accounts to the RIN categories.

Confidential Information

There is no confidential information in this table.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN. The primary RIN requirement was to ensure the data in this template was based on the Audited Statutory Accounts. This is based on the RIN definition of "financial regulatory templates". We have ensured this data is based on the Audited Statutory Accounts.

Table 8.1.1.3 - Profit

Source of Data

The data in this template was primarily based on our audited statutory accounts.

Estimated or actual information

The Income Tax Expense data is actual information because it is based on the Audited Statutory Accounts and the assumed tax rate of 30% is the tax rate applied across the company. We would not have an alternative assumption that would result in materially different data for the RIN template.

Methodology and assumptions

The Income Tax Expense for the Audited Statutory Accounts column was sourced directly from the Audited Statutory Accounts. The amount allocated to each of the service and adjustment columns was 30% of the Profit Before Tax (PBT) in the relevant column. The adjustment column also reconciles to the difference between the Audited Statutory Accounts and Distribution business columns.

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN. The primary RIN requirement was to ensure the data in this template was based on the Audited Statutory Accounts. This is based on the RIN definition of "financial regulatory templates". We have ensured this data is based on the Audited Statutory Accounts.

Template 8.2 - Capex

Table 8.2.1 - Capex by purpose - standard control services

Table 8.2.2 - Capex by purpose - material difference explanation

Table 8.2.3 - Capex other

Source of Data

The actuals in 8.2.1 and 8.2.3 are derived from the Capex Model described in Appendix A of this Basis of Preparation. The forecast data is derived from the 2014-19 Network Pricing Determination.

Estimated or actual information

The 2017-18 actual expenditure information was sourced from our asset management system and our financial system. There was a significant amount of categorisation, mapping allocation and assumptions applied. We applied rules primarily based on our system data and expenditure attributes. If we started again and applied different assumptions it is likely that we would report values that are not materially different. Therefore, the RIN defines this as actual information.

The estimated information is the CPI adjusted forecast. This is because the Utilities Commission did not provide a capex allowance by the exact categories required by the AER. We have aligned the categories using judgment, however an alternative method may have yielded a materially different allocation.

Methodology and assumptions

Table 8.2.1 includes all SCS expenditure. The expenditure per year is calculated from the Capex Model by summing the asset cost by AER Service Classification and voltage level. All non-network expenditure has been allocated to the "Other" voltage level, and capitalised overheads have been proportionally allocated to voltage levels based on the known expenditure in the other categories.

Table 8.2.3 includes all ACS expenditure. The expenditure per year is calculated from the Capex Model by summing the asset cost by AER Service Classification and voltage level. All metering services expenditure has been allocated to the "Other" voltage level. There is a small amount of Fee Based capex which has been allocated to the "Ancillary network services" category and "Other" voltage level. This expenditure consists of a small amount of capitalised overheads which have been allocated to the Fee Based alternative control service. Quoted Services capex has been allocated to the "Ancillary network services" category, and has been allocated to voltage levels on the basis of the assets installed.

Total capital contributions are the sum of cash contributions and gifted assets. Cash contributions are allocated to voltage levels in the same proportions as the expenditure on the corresponding projects. Gifted assets were assigned to voltage levels manually. The capital contributions revenue has not been deducted from the actual expenditure.

The forecast was sourced for the 2017-18 year from the Utilities Commission's 2014 Network Price Determination. The Utilities Commission allowances were mapped from the Utilities Commission's expenditure categories to the expenditure categories in 8.2.1. and 8.2.3. The forecast was inflated from dollars as at June 2014 (as input to the Utilities Commission's NTRM) to dollars as at December 2017.

The AER's service classification for the 2019-24 period was applied and therefore metering capital expenditure was removed from the Utilities Commission's SCS forecasts and allocated to ACS in Table 8.2.3.

Power and Water endeavored to provide explanations at the expenditure category level where there was a material difference between forecasts and actuals. However, as previously noted, the categories do not align so judgement was required to map these. In addition, the definitions of the expenditure categories, for example augmentation expenditure, may vary, and this has not been taken into account.

The Utilities Commission's NTRM appears to have mistakenly excluded gifted assets from the gross forecast capex. Power and Water has not amended for this in our RIN response, and has instead aligned the expenditure with the NTRM, as required.

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

Appendix E Requirements	Compliance with Appendix E
5.1 PWC must disclose all capital contributions in the basis of preparation.	All capital contributions (cash contributions and gifted assets) are disclosed in RIN table 8.2.5
6.2 Revaluations or adjustments for impairment made in the audited statutory accounts must be recorded in the adjustments column in the financial regulatory templates.	We have complied with this requirement.
6.3 Capital works expenditure must be allocated to an asset class and must not be shown under a work in progress heading.	All capital expenditure has been allocated to an asset class as required.
6.4 Goodwill and any related impairments must not be included in the financial regulatory templates.	This has not been included in the templates.
8.1 Forecasts from the 2014 Network Price Determination must be adjusted to the same dollar terms as the actual data reported in the financial regulatory templates at Appendix A.	Forecasts have been adjusted to the same dollar terms as the actual data.
8.2 Where appropriate the forecast data is to be deflated by removing the impact of the forecast inflation from the 2014 Network Price	The forecast data from 2014 NPD is set at real terms, $2013-14.

Determination data, and re-inflated taking into account the impact of actual inflation outcomes.	
8.3 Any inflation adjustments to forecast data must be detailed in the PWC' basis of preparation.	The forecast data is adjusted by 105.85%. The 105.85% is the adjustment from Jun 2014 CPI (105.9) to Dec 2017 CPI (112.1)

Table 8.2.4 - Capex by asset class

Source of Data

The actuals in 8.2.4 are derived from the Capex Model described in Appendix A of the Basis of Preparation. The forecast data is derived from the 2014-19 Network Pricing Determination

Estimated or actual information

The expenditure information was sourced from our asset management system and our financial system. There was a significant amount of categorisation, mapping allocation and assumptions applied. We applied rules primarily based on our system data and expenditure attributes. If we started again and applied different assumptions it is likely that we would report values that are not materially different. Therefore, the RIN defines this as actual information.

Methodology and assumptions

Table 8.2.4 includes all SCS expenditure and all ACS Metering expenditure. The expenditure per year is calculated from the CAPEX model by summing the asset cost for the corresponding year and RAB Asset Category. For example, the transmission lines expenditure would use the following field values:

- Service Classification = "SCS"
- RAB Asset Category = "Transmission lines"

It should be noted that there are some expenditure categories that could not be attributed to an individual RAB Asset Category, such as network and corporate overheads. In these cases the expenditure has been apportioned in proportion to the known expenditures in the other categories. It should also be noted that capitalised overheads are not included in the 8.2.4 forecast (or the Roll Forward Model), because overheads were treated as Opex in the 2014-2019 NPD.

The cash contribution amount for each RAB Asset Category has been deducted from the actual expenditure, so that the summation of tables 8.2.4 and 8.2.5 will give the gross capex including gifted assets for actual expenditure. However, the Utilities Commission's NTRM appears to have mistakenly excluded gifted assets from the gross forecast capex. Power and Water has not amended for this in our RIN response, and has instead aligned the expenditure with the NTRM, as required.

The forecast was sourced from the 2017-18 year from the Utilities Commission 2014 Network Price Determination. The UC allowances were mapped from the Utilities Commission's asset classes to the AER determined asset classes using the mapping applied to the RAB as at 30 June 2013. The forecast was inflated from dollars as at June 2014 (as input to the UC's NTRM) to dollars as at December 2017.

Confidential Information

There is no confidential information in this template.

Consistency with RIN requirements

Appendix E Requirements	Compliance with Appendix E
5.1 PWC must disclose all capital contributions in the basis of preparation.	All capital contributions (cash contributions and gifted assets) are disclosed in RIN table 8.2.5
6.3 Capital works expenditure must be allocated to an asset class and must not be shown under a work in progress heading.	All capital expenditure has been allocated to an asset class as required
8.1 Forecasts from the 2014 Network Price Determination must be adjusted to the same dollar terms as the actual data reported in the financial regulatory templates at Appendix A.	Forecasts have been adjusted to the same dollar terms as the actual data
8.2 Where appropriate the forecast data is to be deflated by removing the impact of the forecast inflation from the 2014 Network Price Determination data, and re-inflated taking into account the impact of actual inflation outcomes.	The forecast data from 2014 NPD is set at real terms, $ 2013-14
8.3 Any inflation adjustments to forecast data must be detailed in the PWC' basis of preparation.	The forecast data is adjusted by 105.85%. The 105.85% is the adjustment from Jun 2014 CPI (105.9) to Dec 2017 CPI (112.1)

Table 8.2.5 - Capital contributions by asset class

Source of Data

The actual data in table 8.2.5 was derived from the gifted asset and capcon models as described in appendix A of the Basis of Preparation. Capcons data -was extracted from a Business Intelligence report from our Financial Management System (FMS). Gifted Assets data was extracted from a monthly gifted assets report.

Estimated or actual information

Information is actual information from our financial systems.

Methodology and assumptions

There are two sources of Standard Control Service Capcons:

- Financial contributions made in relation to capital project expenditure on a particular project, in accordance with our Capcons policy.
- The asset value of assets gifted to Power and Water.

The dataset for financial contributions was obtained by extracting all contributions in the period of interest from the financial system, and linking these to actual projects in the Capex Model described in Appendix A of the Basis of Preparation. The project categorisation from the Capex Model was then applied to the corresponding Capcon transaction, which yielded a dataset of categorised financial contributions. The transactions were then summed by the RAB Asset Category as required by RIN Table 8.2.5.

The dataset for gifted assets was obtained by compiling monthly gifted asset reports into a single dataset for the period. All gifted assets were categorised as "Connections" since the only source of gifted assets are developments relating to the connection of new customers or upgrades for existing customers.

The RAB asset category was assigned manually based the asset description. There was a minor discrepancy between the monthly gifted asset reports and the asset values in the Fixed Asset Register. To address this, the values from the monthly reports were adjusted to meet the Fixed Asset Register values.

The values in Table 8.2.5 are the sum of the output from the two data sources.

Confidential Information

There is no confidential information in this table.

Consistency with RIN requirements

Appendix E Requirements	Compliance with Appendix E
5.1 PWC must disclose all capital contributions in the basis of preparation	All capital contributions have been disclosed including financial contributions and gifted assets.

Table 8.2.6 - Disposals by asset class

Source of Data

The sales proceed amounts reported in the RIN were sourced from our financial accounts trial balance.

Estimated or actual information

Information is actual information from our financial systems.

Methodology and assumptions

The sales proceed amounts reported in the RIN were sourced from our financial accounts (24317 and 24318) trial balance. These amounts were then allocated to the asset categories based on the description within individual transactions.

There were amounts that could be attributed to substations or conductors, and there were smaller amounts of disposals that we could not allocate to a specific category. These amounts were allocated to substations, distribution lines and transmission lines using the assumed proportions of 30%, 60% and 10% respectively. The basis for the allocation percentage was that the major assets being disposed of are the metals in substations and conductors.

Confidential Information

There is no confidential information in this table.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Template 8.3 Balance Sheet

The AER's RIN notice did not require us is to complete this template.

Template 8.4 - Opex

Table 8.4.1 - Operating and maintenance expenditure - by purpose

Source of Data

The primary sources of data are Trial Balance, Audited Statutory Accounts and our internal OPEX model

Estimated or actual information

The RIN contains both Actual and Estimated information.

The actual information includes Audited Statutory Accounts, Adjustments, Distribution business, standard control services, alternative control services, and negotiated services.

The estimated information is the CPI adjusted forecast. This is because the Utilities Commission did not provide an opex allowance by the categories required by the AER. We have used our opex mapping methodology to assign forecasts to AER categories. However an alternative method may have yielded a materially different allocation.

Methodology and assumptions

The RIN template specifies that we list the operating expenditure categories identified in Power and Water's regulatory proposal at table 3.2.1.1 current opex categories and cost allocations. As we did not have a table 3.2.1.1 in the RIN submitted with the Regulatory Proposal, we used the categories that we reported in the Category Analysis RIN template 3.2.1 that was submitted to the AER on 16 March.

The reporting categories used in 3.2.1 and, now, 8.4 originate from our Audited Statutory Accounts. They are Employee benefits expense, Energy and materials, External service agreements, Other expenses, Repairs and maintenance expense and Inter-group sales.

We have reported variables based on the following methodology:

- Audited Statutory Accounts - The amounts were sourced directly from the corporation's Profit and Loss Statement.
- Adjustments - The amounts are calculated as the amount in the Distribution business column minus the amount in the Audited Statutory Accounts column.
- Distribution business - The amount in the Distribution business column is the sum of the amounts in the columns for standard control services, alternative control services and the negotiated services plus opex for unregulated services provided by Power Networks, which is not reported in the template.
- Standard Control Services - The amounts reported were calculated using the mapping that was used to create the Audited Statutory Accounts column. In other words, each financial account is mapped to the reporting category and the account was also mapped or otherwise allocated to a service class. The categorisation of accounts to service classes was done using the Opex Mapping Methodology described in Appendix C.

- Alternative Control Services - Our Alternative Control Services have been classified into Metering, Fee Based and Quoted Services. The opex reported under these headings is the total opex including a portion of non-network costs and overhead costs has been calculated using the Opex Mapping Methodology. Fee Based and Quoted Services have been further classified into Metering, Connection and Ancillary Network Services. Tables 4.3 and 4.4 report the direct opex (ie excludes Overheads and Non-network) for Fee Based and Quoted Services. We attributed the Fee Based and Quoted Services opex to the Connections, Metering and Ancillary Network Services columns using the proportion of opex for each of these categories reported in tables 4.3 and 4.3/ Finally, we added the ACS Metering Opex (from table 4.2) into the Metering column.
- Negotiated services - We do not have any negotiated services so this was reported as zero.
- CPI Adjusted Forecast - The Utilities Commission did not make its 2014 to 2019 opex allowance using the categories that we needed to report in this table. We do not have a meaningful way to estimate the allowance into these categories so we have used the proportion of actual expenditure to allocate the allowance into these categories. Prior to undertaking this allocation, we extracted the allowance from the Utilities Commission determination ($80.75, $m 2013-14) and escalated this amount using the inflation index from June 2014 to December 2017 to derive a nominal amount of ($85.29, $m nominal 2017-18).Further, the Utilities Commission allowance for Standard Control Services opex included metering costs, which are now classified as Alternative Control Services. Therefore, consistent with our Regulatory Proposal, we have deducted 3% from the allowance to provide more of a like for like comparison ($82.73 $m nominal 2017-18).

Confidential Information

There is no confidential information in these templates.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Table 8.4.2 - Operating and maintenance expenditure - by purpose - margins only

As noted in our previous RINs, we consider that Power and Water Corporation has no related parties on the AER's definition in Appendix F. As we have no business record, the RIN defines this information as estimated.

Table 8.4.3 - Operating and maintenance expenditure - Explanation of material difference

Source of Data

The amounts for the classifications are derived from the Trial Balance and allocated out using internal categorisations.

Estimated or actual information

Data is actual as it relates to internal records that reconcile to the Trial Balance.

Methodology and assumptions

We used the following steps to derive and provide comment on material differences.

- Input the 2017-18 forecast amounts for SCS and ACS expenditure from PWC's regulatory reporting statement for 2019-20 to 2023-24.
- Input the 2017-18 actual amounts for SCS and ACS expenditure from RIN EB3.2.1 ("OPEX CATEGORIES").
- Compare the amounts and calculate the variance. If material difference, explain the main factors driving the difference.

Confidential Information

There is no confidential information in these templates.

Consistency with RIN requirements

There are no specific requirements in relation to Appendix E of the Annual RIN that relate to this template. When completing the template we have given effect to the general instructions in Appendix E and the definitions in Appendix F of the RIN.

Template 9.5 - TUOS

The AER's RIN notice did not require us is to complete this template.

Appendix A - Capex model

Power and Water has prepared a Capex model to provide data in the Category Analysis templates. In principle, this model uses project data from Power and Water's financial and asset management systems to assign capital expenditure and asset volumes to the AER's expenditure categories and service classifications. Where possible, existing Power and Water system data is mapped directly into RIN categories, however in many cases manual intervention was required to achieve the necessary disaggregation.

There are three primary data sources for the CAPEX model:

- Project expenditure data was extracted from Maximo. This dataset is a list of Power Networks' projects with expenditure by financial year, expenditure type and program
- Asset financial data, such as the installation date, quantity and cost of each asset capitalised on a project, was obtained from FMS.
- Asset technical data, such as asset class, capacity, voltage, feeder ID and location was extracted from Maximo.

The three datasets were combined to form a list of assets capitalised against each project that had expenditure during the regulatory year. The relevant project and asset technical and financial details were also included. This data set formed the basis for the detailed RIN categorisation and is found in the "Analysis" sheet in the CAPEX model.

Manual Adjustments to Capex model

In many cases, the source data had to be manually adjusted to ensure that expenditure was properly attributed to the RIN expenditure categories, correct data errors or fill in missing information. All manual adjustments have been documented in the capex model. The primary drivers of these manual adjustments are discussed below.

Repairs & Maintenance CAPEX

In many cases, expenditure that had been recorded in Maximo as Repairs and Maintenance (R&M) expenditure is considered to be augex or repex in the RIN. To address this, the instances of augex and repex being captured as R&M have been identified and classified as augex or repex for the purposes of this submission and thus included in the capex model.

Erroneous system data

There were several instances where capitalisation records appeared to be erroneous and were adjusted. For example, in some cases the costs of an entire project were capitalised on a single asset, when multiple assets had been installed.

There were also instances of dates and quantities being obviously incorrect. Where these were discovered they were corrected in the model.

Projects in progress

Many projects were in progress at the completion of the RY, or they had been completed but not yet capitalised. These projects were treated as follows:

- If they were complete at the end of the regulatory year, the relevant assets were added to the model manually and costs and quantities allocated accordingly.
- If they were incomplete at the end of the regulatory year but had significant expenditure, the assets were added manually and costs were attributed accordingly (the quantities remained zero)
- If they were incomplete at the end of the regulatory year and had insignificant expenditure, the entire project expenditure was allocated to the most appropriate category (the quantities remained zero).
- If they were incomplete at the end of the regulatory year, but we knew the assets are commissioned, the project expenditure was allocated to the most appropriate category and the quantities were manually allocated.

Non-network and Capitalised Network Overheads Allocations

Non-network expenditure, such as the purchase of tools and equipment is by default allocated to standard control services. However, the non-network assets themselves may be used across all services and in the non-regulated network. Therefore, a portion of non-network expenditure has been allocated to alternative control services and non-regulated service classes, in proportion to the direct Capex expenditure against each service class.

The same is true for the Capitalised Network Overheads expenditure, and this has been treated the same way.

High-Level Categorisation

The Power and Water technical and financial details were used to categorise each asset into the high-level RIN categories:

- Service Class
- Expenditure Category
- RAB Category
- UC Category

The categorisation used a series of mapping tables to automatically assign the values where possible. For example, the AER Service Classification was mapped using the Power and Water categories “Entity”, “Program” and “Asset Class” as seen in the table below.

AER Service Class	Work Type	Entity	Program
METERING			NME
QUOTED SERVICE		21	NRW
SCS		21	
NON-REGULATED		22	

Similarly, the AER expenditure type was mapping using the Power and Water categories "Work Type", "Work Category" and "Program" as outlined below.

AER Expenditure Category	Work Type	Project ID	Program
Balancing Item		PRD33086	
Replacement	RENEWALREPLACEMENT		Not NCC, NCA, NLS
Augmentation	EXTENSIONS, SERVICEIMPROVEMENT		Not NCC, NCA, NLS
Connection			NCC, NCA
Network Overheads			NLS
Non-network	NONSYSTEMASSETS		

The full set of mapping tables is defined in the "Mapping" worksheet. If a direct mapping was not available, or it resulted in an incorrect outcome, the values were chosen manually. These manual corrections are recorded in the capex model.

There were other high-level categorisations undertaken in the model that were not directly related to RIN requirements. The most critical of these is the Power and Water Asset Class, which aligns with the Asset Management Plans and is frequently used to assist in the detailed categorisation.

Detailed Categorisation

Once the high-level categories were assigned, further categorisation was performed in order to achieve the disaggregation required by each RIN table. For example, all assets categorised as Expenditure Category "Replacement" were required to be further categorised into one of the REPEX categories in RIN 2.2.Separate sections in the model are defined for Augmentation, Replacement, Connections and Non-Network projects, and these are discussed further in the relevant sections of this document for each.

Asset Costs

The asset capitalised cost was typically used directly as the final asset cost. However, there were instances where this was not possible. In particular, if a project had been partially capitalised the

project expenditure would not reconcile to the sum of the asset costs capitalised under that project. In these instances, the asset costs were adjusted manually.

The RIN CAPEX tables typically require that expenditure be reported "as-incurred" by financial year. The CAPEX model input data has the project cost "as-incurred" by financial year, but the asset cost as a lump sum. To achieve an "as-incurred" asset cost, the project expenditure in the RY is allocated to the assets in proportion to the asset costs. The project labour, materials and contract costs are allocated to the asset in a similar way.

$$RY\ Asset\ Cost\ = RY\ Project\ Expenditure * \frac{Asset\ Capital\ Cost}{\sum Project\ ITD}$$

Asset Quantities

The asset capitalised quantity was used directly as the final asset quantity, with the exception of any errors which were corrected as discussed in the Manual Adjustments to CAPEX Model section above.

The RIN CAPEX tables require that asset quantities be reported in the year of installation. Where possible, the installation date from the capitalisation data was used, however in some cases, particularly where the asset was upgraded (i.e. retains its original installation date) or the project had yet to be capitalised, this date was not able to be used. Therefore the asset installation year was assumed to be within the regulatory year if:

- The installation date fell within the regulatory year ; or
- The project was placed On Hold within the regulatory year ; or
- The last project work order was complete within the regulatory year.

The asset quantities were also checked against the same project in the previous submission to ensure quantities were not being double counted. Key documents include

AER Expenditure Category	Work Type
CAPEX Model	Capex Model 2017-18
TM1 Data extract	TM1 Asset Cost Extract - PN Allocation View_201881495756
FMS Data extract	20180814_oaprd2_PN_capitalised_assets
Maximo Asset Data Extract	SRQ016667 - Maximo - Data Extract - PN - PROJ
Maximo Project Expenditure Extract	SRQ016667 - Maximo - Data Extract - PN - PROJ_EXP
Previous Submission Capex Backcasting Model	CAPEX Backcasting Model - 16 March Submission

Appendix B - Repairs & maintenance model

The RIN requires historic repairs and maintenance expenditure information to be provided in the Category Analysis template. We have prepared an R&M backcasting model to provide the historic R&M information in the templates.

The R&M model takes input data from Power and Water's asset management system, and converts this into the volume and expenditure data as required by the various RIN tables. The AER Expenditure Categories relating to R&M are "Routine Maintenance", "Non-routine Maintenance", "Emergency Management" and "Vegetation Management". Where possible, existing Power and Water system data is mapped directly into RIN categories using defined mapping tables, however in many cases manual intervention was required to achieve the necessary disaggregation.

Maximo work order expenditure and asset technical data was used as the base for the model. The resulting dataset was a list of all Maximo work orders that had expenditure in the Regulatory Year, with relevant work order and asset details to assist with categorisation. This data set formed the basis for the detailed RIN categorisation and is found in the "Analysis" sheet in the R&M model.

Manual Adjustments to R&M model

In many cases, the source data had to be manually adjusted to ensure that expenditure was properly attributed to the RIN expenditure categories, correct data errors or fill in missing information. All manual adjustments have been documented in the R&M model. The primary drivers of these manual adjustments are discussed below.

R&M to CAPEX

In many cases, project expenditure that had been recorded in Maximo as Repairs & Maintenance is considered to be Augex or Repex in the RIN. To address this, the instances of Augex and Repex being captured as R&M have been identified and excluded from the R&M model.

R&M to ACS Fee Based

Due to an issue with the way the service request system in Maximo is configured to create work orders, the costs of ACS activities like disconnections and reconnections have been recorded as R&M expenditure in some cases. There are also work orders which have been correctly raised as R&M but were actually ACS Metering expenditure. These scenarios have been manually corrected in the model.

Other corrections

There were several other corrections to individual fields made in order to cleanse the data. All corrections are visible in the "Manual Categorisation" section of the model.

High-Level Categorisation

The Power and Water technical and financial details were used to categorise each work order into the high-level RIN categories:

- Expenditure Type

- Service Classification
- Expenditure Category

This was accomplished using mappings to automatically assign the values where possible. For example, the AER Expenditure Type was mapped directly to the Power and Water category "Resource Type".

AER Expenditure Type	Resource Type
Labour	INTERNAL LABOUR
Materials	MATERIALS PURCHASE, STORE STOCK
Contractor	SERVICES RESOURCE

The AER Service Classification was mapping using the Power and Water categories "Work Category", "Service" and "Entity".

AER Service Classification	Work Category	Service	Entity
SCS	REPAIRSMAINTENANCE	Not (ELECMTR, STRTLGHT)	21
METERING	REPAIRSMAINTENANCE	ELECMTR	21
STREETLIGHTS	REPAIRSMAINTENANCE	STRTLGHT	21
NON-REGULATED			22

Similarly, the AER Expenditure Type was mapping using the Power and Water categories "Work Type" and "Work Category" as outlined below.

AER Expenditure Category	Work Category	Work Type
Routine Maintenance	REPAIRSMAINTENANCE	PREVENTATIVEMAINT
Non-Routine Maintenance	REPAIRSMAINTENANCE	PLANNEDMAINTENANCE
Emergency Response	REPAIRSMAINTENANCE	UNPLANNEDMAINTENANCE

If a direct mapping was not available, or it resulted in an incorrect outcome, the values were chosen manually. These manual corrections are recorded in the R&M model.

There were other high-level categorisations undertaken in the model that were not directly related to RIN requirements. The most critical of these is the Asset Class, which aligns with the Asset Management Plans and is frequently used to assist in the detailed categorisation.

Detailed Categorisation

Once the high-level categories were assigned, further categorisation was performed in order to achieve the disaggregation required by each RIN table. For example, all work orders categorised as Expenditure Category "Routine Maintenance" or "Non-routine Maintenance" were required to be further categorised into one of the maintenance categories in Template 2.8. This is discussed further in the relevant sections of this document for each table.

Reconciliation

The total R&M expenditure for each financial year in the period of interest was reconciled against the trial balance. There are some outstanding differences, but these are considered immaterial and included in the balancing item in table 2.1.2.

RIN Requirements

Specific RIN and BOP requirements are discussed in the relevant section for each RIN Template.

Source documents for the model are identified below.

Information	Source
R&M Model	R&M Model 2017-18
Maximo Work Order and Asset Data Extract	SRQ016002 - Data Extract - Power Networks - List of RM Work Orders for 1718 RINs
Maximo Vegetation Contract Transactions Extract	Vegetation Management data Extract for CA RIN
Maximo Emergency Response MED Expenditure	17/18 MED Expenditure for RIN 2.9
Previous Submission R&M Backcasting Model	R&M Backcasting Model - TM1 Data for R&M Backcasting 2012/13 to 2016/17

Appendix C - Opex Methodology

The operating expenditure reported in the RIN templates has been based on the financial accounts that were used to produce the annual Audited Statutory Accounts. Power and Water Corporation calculated the RIN opex categories in two different streams:

- Total operating expenditure was sourced from Power Network's Trial Balance.
- Repairs and maintenance work orders were also used because the Trial Balance did not contain adequate information to categorise expenditure into the RIN categories.

The repair and maintenance work order expenditure was reconciled to the Trial Balance and then the disaggregated financial data was sourced from work orders. Appendix B outlines how the repairs and maintenance expenditure was allocated to the RIN Expenditure Categories. After the repairs and maintenance expenditure was identified in the Trial Balance, the remaining expenditure in the Trial Balance was allocated to the AER categories based on the nature of each account.

Where an account in the Trial Balance was linked to a work order that was directly allocated to a RIN Service Classification and RIN Expenditure Category, we allocated it directly to the Service Classification and identified it to be 'core activity' for the Expenditure Category. This ensured the total expenditure for each Service Classification reconciled to the Audited Statutory Accounts. For standard control services the 'core activity' expenditure is equal to the sum of vegetation management, emergency response, maintenance and the balancing item expenditure. This ensures there is no double counting of costs.

The remainder of this Appendix explains how we allocated the total operating expenditure and the disaggregated repairs and maintenance expenditure into the RIN tables.

Account exclusions

The Trial Balance contains all expenditure for Power and Water for each year and is the basis for the Audited Statutory Accounts, which made it possible to determine the total expenditure on distribution services to be reported in the RIN. However, not all expense accounts relate to operating expenditure for distribution services, therefore a number of initial adjustments were made:

- All accounts that did not relate to 'Power Networks' were removed. This included removing the accounts for Water Services and the Corporate accounts. Corporate expenditure is accounted for within the Power Networks accounts as the Power Networks accounts include an allocation of Corporate expenditure.
- Assets, Liabilities and Equity related accounts were removed as they do not relate to operating expenditure. We also excluded expense accounts that did not relate to expenditure, such as bad debts and asset revaluation expenses.

Labour cost adjustments

Our accounts include labour costs in a set of accounts that for salaries and remunerations expenses. Our labour costs are also booked to repairs and maintenance and capital projects accounts. Labour recovery accounts are used to ensure our labour costs are only accounted for once.

We used the labour accounts for salaries and remuneration and the repairs and maintenance accounts to report the labour costs in the RIN. To ensure labour costs were not double counted in the RIN, we proportionately reduced the salaries and remuneration accounts by the total amount of labour booked to repairs and maintenance and capital projects.

Account classifications

1.Service classification	2.Expenditure types	3. Cost Type	4. Expense or capital	5. Allocation type	6. P&L category	
SCS	Core Activity	Labour	Opex	Direct	Finance revenue	Impairment of non-current assets and onerous contract provisions
ACS - Metering	Non-network: IT	Materials	Capex	Indirect	Inter-group sales	Other expenses
ACS - FB	Non-network: Fleet	Contract	Corporate Costs	Exclude	Other income	Repairs and maintenance expense
ACS - QS	Non-network: Buildings and Property	Other	Exclude		Revenue from rendering of services and government grants	Net loss on disposal of property, plant and equipment, inc gifted streelights
Unregulated	Network OH	Corporate Costs			Revenue from sale of goods	Depreciation and amortisation expenses
Unallocated	Corporate OH				Employee benefits expense	

Cost allocation

The unallocated accounts were allocated to the service classifications using the proportion of the expenditure directly attributed to each service to the total expenditure directly attributed to all services.

Labour costs

The costs allocated to Power Networks from the corporate entity do not currently distinguish a cost type so the individual accounts could not be assigned to a cost type category. So Corporate

cost types were allocated based on analysis of the proportion of labour costs incurred in the corporate entity.

Capitalisation of indirect costs and unallocated costs

Before 2016-17, our Statutory Capitalisation Policy capitalised labour, invoiced contract and service costs where they directly related to capital projects but did not include indirect support costs.

In 2016-17, we extended our application of the Statutory Capitalisation Policy to include the capitalisation of an allocation of indirect support costs where they were deemed to be integral to the acquisition or construction of capital assets, provided they complied with AASB 116 Property, Plant and Equipment.

We developed an accounting treatment and methodology for the capitalisation of these indirect support costs from 2016-17, in accordance with AASB 116. The extension of our existing methodology was not considered to be a change in accounting policy by either our Board or our external auditor. As a result, there were no prior year adjustments made.

We capitalise the same corporate and network overhead accounts for regulatory purposes, but do so in proportion to the ratio of direct capex to total direct expenditure. If the ratio changes, the fraction of unallocated costs capitalised also changes. This is provided for in our CAM.

Calculating total expenditures

The total expenditure provided in the RIN tables is the sum of the adjusted account balances after capitalisation and overhead allocation using the relevant classifications described above.