05.05.01

Inputs and Assumptions for Alternative Control Services

Contents

1. Introduction

1.1 Overview

In the final Framework and Approach Paper[1] for the regulatory control period 2015-20, the Australian Energy Regulator (AER) classified the following distribution services as Alternative Control Services:

- Pre-connection Services
- Connection Services
- Post Connection Services
- Metering Services
- Ancillary Network Services
- Public Lighting Services.

Through the Framework and Approach process, the AER determined that it would apply a cap on the prices of individual services for all of our Alternative Control Services in the next regulatory control period, which is consistent with the form of control applied in the current regulatory control period 2010-15.

1.2 Rule requirements

Clause 6.8.2 of the National Electricity Rules (NER) requires our Regulatory Proposal to include the following items as they relate to Alternative Control Services:

- a demonstration of the application of the control mechanism set out in the Framework and Approach Paper
- indicative prices for each year of the regulatory control period.

1.3 Scope

This attachment sets out the inputs, assumptions and methodology used to determine prices for Alternative Control Services that are provided on a fixed fee or quoted price basis. It also sets out indicative prices for each fixed fee and quoted price service that we intend to provide in the next regulatory control period.

Fixed fee services are one-off services that are relatively standard in nature that Ergon Energy undertakes at the request of the customer (or their agent, e.g. a retailer). As these are relatively standard services, the costs of providing the service can be assessed in advance of the service being requested.

Quoted price services are one-off services that Ergon Energy undertakes at the request of the customer (or their agent, e.g. a retailer) and which generally vary in nature and scope between customers. Due to the variations in the nature and scope of the services provided, the costs of providing these services cannot be reasonably assessed in advance of the service being requested. Rather, the price for the service is determined individually for customers based on their specific requirements.

[1] AER (2014), *Final Framework and approach for Energex and Ergon Energy, Regulatory control period commencing 1 July 2015*, April 2014.

In the next regulatory control period, Ergon Energy will provide the following distribution services on a fixed fee or quoted price basis:

- Pre-connection services
- Connection Services
- Post-connection Services
- Ancillary Network Services
- Auxiliary Metering Services, which is one of the services within the Metering Services group
- Removal/re-arrangement of public lighting assets, which is one of the services within the Public Lighting Services group.[2]

Prices for all other Alternative Control Services will be determined under the limited building block approach and are not covered in this attachment. This includes:

- Default Metering Services (i.e. Type 5 and 6 metering), which are covered in supporting document *05.03.01 – Default Metering Services Summary*
- Public Lighting Services, which are covered in supporting document *05.01.01 – Public Lighting Summary*.

[2] Further information on the scope of these services is provided in supporting document *02.01.01 – Classification Proposal*.

2. Form of control and control formula

The AER has determined that a price cap will apply to Alternative Control Services in the regulatory control period 2015-20, and proposed a formula to give effect to that form of control. The AER also proposed a cost build up formula to determine prices for quoted price services.

This chapter details the control formulae and how Ergon Energy will apply them for the regulatory control period 2015-20.

2.1 Price cap formula

The AER proposed the following formula to give effect to the price cap on the prices of individual services (other than those charged on a quoted basis):

$$p_i^t = p_i^{t-1}(1 + \Delta CPI_t)(1 - X_i^t) + A_i^t$$

Where:

p_i^{t-1} is the cap on the price of service i in year t–1

p_i^t is the price of service i in year t

ΔCPI_t is the annual percentage change in the Australian Bureau of Statistics (ABS) Consumer Price Index (CPI) All Groups, Weighted Average of Eight Capital Cities from December in year t–2 to December in year t–1. For example, for the 2015-16 year, t–2 is December 2013 and t–1 is December 2014 and in the 2016-17 year, t–2 is December 2014 and t–1 is December 2015 and so on.

X_i^t is the X-factor for service i in year t

A_i^t is an adjustment factor for service i in year t. Likely to include, but not limited to adjustments for residual charges when customers choose to replace assets before the end of their economic life.

2.2 Cost build up formula

The AER proposed the following formula to determine the prices for Alternative Control Services provided on a quoted basis:

$$Price = Labour + Contractor\ Services + Materials + Capital\ Allowance$$

Where:

Labour (including on costs and overheads) – consists of all labour costs directly incurred in the provision of the service which may include but is not limited to labour on costs, fleet on costs and overheads. The labour cost for each service is dependent on the skill level and experience of the employee/s, time of day/week in which the service is undertaken, travel time, number of hours, number of site visits and crew size required to perform the service.

Contractor Services (including overheads) – reflects all costs associated with the use of external labour in the provision of the service, including overheads and any direct costs incurred as part of performing the service. The contracted services charge applies the rates under existing contractual arrangements. Direct costs incurred as part of performing the service, for example permits for road closures or footpath access, are passed on to the customer.

Materials (including overheads) – reflects the cost of materials directly incurred in the provision of the service, material storage and logistics on costs and overheads.

Capital Allowance – represents a return on and return of capital for non-system assets (for example vehicles, IT and tools) used in the provision of the service.

2.3 Application of the above formulae

For services priced on a fixed fee basis, Ergon Energy proposes to:

- apply the cost build up formula set out in Section 2.2 to establish initial prices (p_i^t) in 2015-16
- apply the price cap formula detailed in Section 2.1 to give effect to the cap on prices from year two onwards of the regulatory control period (2016-17 to 2019-20).

Consistent with the Framework and Approach Paper, Ergon Energy proposes to apply the cost build up formula to Alternative Control Services priced on a quoted price basis.

Further details on the calculation of input prices and the detailed application of the formula for these Alternative Control Services are provided in the following chapters.

2.4 Application of the control mechanism

The first step in determining prices is to identify which services will be priced on a fixed fee versus a quoted price basis. Table 1 provides a summary of our proposed pricing approach for each service grouping.

Table 1: Proposed approach to pricing of other Alternative Control Services, 2015-20

Service grouping	Services	Pricing approach
Pre-connection Services	Connection application services	Fixed / Quoted
	Pre-connection consultation services	Quoted
Connection Services	Large customer connections	Quoted
	Commissioning and energisation of large customer connections	Quoted
	Real estate development connection	Quoted
	Removal of network constraint for embedded generator	Quoted
	Temporary connections	Fixed
Post Connection Services	Connection management services (post connection)	Fixed / Quoted
	Accreditation of alternative service providers and approval of their designs, works and materials	Fixed / Quoted
Metering Services	Auxiliary Metering Services	Quoted
Ancillary Network Services	Services provided in relation to a ROLR event	Quoted
	Other recoverable works	Fixed / Quoted
Public Lighting Services	Provision, construction and maintenance of public lighting – removal/rearrangement of public light assets only	Quoted

A detailed listing of all fixed fee and quoted price services, including a description of each service, is provided in our supporting document *02.01.01 – Classification Proposal*.

2.5 Compliance with the Framework and Approach

The Regulatory Information Notice (RIN) issued to Ergon Energy under clause 6.8.2(d) of the NER requires us to demonstrate how the control mechanisms we have applied are compliant with the Framework and Approach Paper.

We have adopted the price control formula proposed by the AER in the Framework and Approach paper without any modifications. Therefore, the control mechanisms we have applied to fixed fee and quoted price services are compliant with the Framework and Approach Paper. Further information on our compliance is provided in our supporting document *04.01.00 – Compliance with Control Mechanisms.*

3. Input variables

The following sections detail our proposed approach to determining each component of the cost build up formula (i.e. Labour, Contractor Services, Materials and Capital Allowance).

3.1 Labour

The Labour component of the cost to provide the services is the sum of the cost of the labour itself (i.e. salaries and wages), the labour on costs and overheads. Thus, the total Labour cost component for a particular service is determined as follows:

$$Labour = (Labour\ Cost \times (1 + OC\ Rate) \times (1 + OH\ Rate)) + (Fleet\ On\ Cost\ \times (1 + OH\ Rate))$$

$$= \left(\left[\sum_{i=1}^{n} (Labour\ Rate_i\ \times Hours_i)\right] \times (1 + OC\ Rate) \times (1 + OH\ Rate)\right)$$

$$+ \left(\left[\sum_{j=1}^{n} \left(Fleet\ Rate_j\ \times Hours_j\right)\right] \times (1 + OH\ Rate)\right)$$

Where:

Labour Cost = costs of the wages and salaries for labour, which is dependent on the skill level and experience of the employees, the time of day/week in which the service is undertaken, and the crew size required to perform the service. It is based on:

Labour Rate – consists of the wages and salaries ($ per hour) for each labour category (i), dependent on the skill level and experience of the employees, as reflected in the labour class, and the time of day/week in which the service is undertaken. The Labour Rates are escalated each year.

Hours – estimated number of hours required to complete the tasks associated with the service, including any travel time and taking into consideration the number of site visits required.

The product of the Labour Rate and the Hours is summed across each of the applicable labour categories (i) involved in the provision of the service.

OC Rate = the Labour On Cost Rate, which encompasses the labour on costs, such as payroll tax, superannuation, annual leave entitlement, sick leave entitlements, statutory holidays, special leave and workers' compensation.

Fleet On Cost = cost of the vehicles used to provide the service, which is dependent on the type of vehicle used. It is based on:

Fleet Rate – consists of the vehicle registration, depreciation and fleet management cost ($ per hour) for each type of vehicle (j), dependent on the type of vehicle. The Fleet Rates are escalated each year.

Hours – estimated number of hours that each vehicle is required, including idle time while the work is carried out.

The product of the Fleet Rate and Hours is summed across each of the applicable types of vehicles (j) involved in the provision of the service.

OH Rate – the Overhead Rate, which includes the costs of overheads and is applied as an overhead rate for the relevant year determined in accordance with the AER-approved Cost Allocation Method (CAM).

3.1.1 Labour Cost

The Labour Cost is the product of the Labour Rate and the Hours required to complete the task (including travel, where required), summed across the labour classes used to deliver the service.

The Labour Rates are based on the average hourly wages and salary rates for the internal staff used to deliver the services. We have applied the Labour Rates approved by the AER in the 2014-15 Pricing Proposal,[3] and escalated those rates using the labour escalation rates determined by Jacobs/SKM.[4] The resulting hourly Labour Rates for 2015-16, broken down by labour class, are provided in Appendix A (confidential).

The escalation of the Labour Rates for subsequent years for the purpose of providing indicative prices is detailed in supporting document *05.06.01 – ACS Pricing Inputs*.

Similar to our approach in the current regulatory control period, we propose to update the nominal labour escalation rate each year for the actual December to December quarter CPI published by the ABS to develop the prices for the fixed fee and quoted price services. The escalation of the Labour Rates will be reported in the relevant annual Pricing Proposal.[5]

3.1.2 Labour On Cost Rate (OC Rate)

The Labour On Cost Rate covers payroll related costs such as payroll tax, superannuation, workers' compensation and leave loading. It is a direct cost.

The Labour On Cost Rate for 2015-16 is 43.5% for ordinary time hours and 8% for overtime hours. The Labour On Cost Rate is lower for overtime hours as the overtime hours attract worker's compensation and payroll tax only. The following table provides a breakdown of the Labour On Cost Rates for 2015-16.

Table 2: Labour On Cost Rates, 2015-16[6]

On cost item	Ordinary time	Overtime
Annual leave loading	10.4%	-
Sick leave loading	4.3%	-
Long service leave	5.1%	-
Workers' compensation	1.0%	1.0%
Payroll tax	6.9%	6.9%
Special leave and public holidays	5.8%	-
Superannuation	9.9%	-
Total on cost rate	**43.5%**	**8.0%**

[3] Ergon Energy (2014), *2014-15 Pricing Proposal – Distribution services for 1 July 2014 to 30 June 2015*, 30 April 2014.

[4] See *06.02.02 – Cost Escalation Factors 2015-20.* Ergon Energy has applied the 'Utility sector labour' escalation rates to internal labour.

[5] This means the hourly Labour Rates for 2015-16 provided in Appendix A will change.

[6] Total may not add due to rounding.

This is applied as a rate on the Labour Cost, and does not vary between categories of labour.

The Labour On Cost Rates will be updated annually in the next regulatory control period for the purpose of developing the actual prices for fixed fee services and indicative quoted prices. Any change in the Labour On Cost Rates will be reported in the relevant annual Pricing Proposal.

3.1.3 Fleet On Cost

The Fleet On Cost has been included in the Labour component of the cost build up formula, consistent with the AER's Final Framework and Approach. It is a direct cost. The Fleet On Cost covers the following costs:

- vehicle registration
- depreciation
- administration cost of the fleet responsibility centre.[7]

The Fleet On Cost does not include a return on capital cost associated with the vehicles, as this is recovered through the Capital Allowance (see below).

The annual cost of a vehicle is the sum of the above costs, which is then converted to an hourly rate based on the assumed usage of the vehicle each year. Fleet On Costs are determined for each category of vehicles used by Ergon Energy.

The total Fleet On Cost for a particular service is determined as the hourly on cost rate times the total hours the vehicle is required for the job, summed across the number of vehicles used.

The hourly rates for fleet for 2015-16, by type of vehicle, are provided in Appendix A (confidential).

The hourly rates for Fleet On Costs are escalated annually using the "All Other" escalator.[8] The escalation of the Fleet On Costs for subsequent years for the purposes of providing indicative prices is provided in supporting document *05.06.01 – ACS Pricing Inputs*.

Similar to our approach in the current regulatory control period, we propose to update the nominal "All Other" escalation rate each year for the actual December to December quarter CPI published by the ABS to develop the prices for the fixed fee and quoted price services. The escalation of the Fleet On Costs will be reported in the relevant annual Pricing Proposal.

3.1.4 Overhead Rate (OH Rate)

The Overhead Rate applicable to labour (including fleet) is the operating expenditure overhead rate, [9] calculated in accordance with the AER-approved CAM. The exception to this is those services for which the costs are capitalised, including major customer connections, real estate development connections and removal of network constraints for embedded generators. For those services, the applicable Overhead Rate is the capital expenditure overhead rate.

The forecast Overhead Rate for both operating expenditure and capital expenditure is estimated at 40.5% for 2015-16. For the purposes of calculating indicative prices for each year of the regulatory control period 2015-20, the annual percentage overhead rate for capital expenditure was

[7] This includes activities such as procuring and disposing fleet assets, managing maintenance and repairs of fleet assets, regulatory advice of changes to operational or design requirements for fleet assets, providing business support and developing fleet strategies and policies.

[8] See *06.02.02 – Cost Escalation Factors 2015-20.*

[9] Also referred to as the 'Customer Service' overhead rate. Ergon Energy will re-calculate the Customer Service overhead rate each year as part of our annual Pricing Proposal process and apply this rate to prices. This is consistent with the current regulatory control period 2010-15.

calculated by dividing the escalated overheads allocated to the direct capital expenditure for the Alternative Control Service component of Customer Initiated Capital Works (ACS CICW) in each year by the escalated direct capital expenditure for ACS CICW in each year. Similarly, for operating expenditure, the annual percentage overhead rate was calculated by dividing the escalated overheads allocated to the direct operating expenditure for the Alternative Control Service component of Customer Services in each year by the escalated direct operating expenditure for the Alternative Control Service component of Customer Services in each year.

The following tables summarise the calculation of the operating expenditure and capital expenditure overhead rates.

Table 3: Indicative operating expenditure overhead rates, 2015-20

$m (real 2014-15)	2015-16	2016-17	2017-18	2018-19	2019-20
Escalated Customer Services (ACS) Overheads	16.46	17.27	19.59	21.04	21.64
Escalated Direct Customer Services (ACS) Operating Expenditure	40.64	41.42	42.16	42.92	43.70
Operating expenditure overhead rate	**40.5%**	**41.7%**	**46.5%**	**49.0%**	**49.5%**

Table 4: Indicative capital expenditure overhead rates, 2015-20

$m (real 2014-15)	2015-16	2016-17	2017-18	2018-19	2019-20
Escalated CICW (ACS) Overheads	29.40	32.12	38.04	42.55	45.42
Escalated Direct CICW (ACS) Capital Expenditure	72.57	77.03	81.86	86.79	91.71
Capital expenditure overhead rate	**40.5%**	**41.7%**	**46.5%**	**49.0%**	**49.5%**

The respective overhead rates are applied as a rate on the Labour Cost (inclusive of labour on costs) and the Fleet On Cost.

For the purpose of developing the prices for fixed fee and quoted price services, we propose to determine the overhead rates annually for each year of the regulatory control period 2015-20 in accordance with the AER-approved CAM. The calculation of the overhead rates will be reported in the relevant annual Pricing Proposal. This is consistent with the approach approved by the AER for the current regulatory control period.

3.2 Contractor Services

The total cost of Contractor Services is the sum of the cost of the contract labour services used, one-off costs[10] and applicable overheads. Thus, the Contractor Services cost for a particular service is determined as follows:

$$Contractor\ Services = [Contract\ Labour\ Cost + One\text{-}off\ Costs] \times (1 + OH\ Rate)$$

[10] In footnote 261 of its Final Framework and Approach Paper, the AER noted that Ergon Energy would be able to recover costs previously classified as 'Other Costs' through the Contractor Services cost category. As such, 'one-off costs' maps to the Other Costs (*OCi)* component of the Quoted Services formula applied in the current regulatory control period 2010-15. Ergon Energy notes that the Other Costs component was added to the formula following an appeal to the Australian Competition Tr bunal (Tribunal). Refer to *Application by Ergon Energy Corporation Limited [2010] ACompT 6* and *Application by Ergon Energy Corporation Limited (Other Costs) (No 7) [2011] ACompT 1* available on the Tribunal's website (http://www.competitiontr bunal.gov.au).

Where:

Contract Labour Cost = actual cost of contract labour used to provide the service, which varies with the skill and experience of the contract labour and the time of the day/week the contract labour is used.

One-off Costs = actual cost of one-off items purchased in order to deliver the service. This may include a range of goods and services such as permits for road closures and access, traffic control services, specialist equipment hire, travel costs (other than Ergon Energy fleet) and accommodation. It does not include one-off capital expenditure items, which are included in the Materials cost.

OH Rate – the Overhead Rate, which includes the costs of overheads and is applied as an overhead rate for the relevant year determined in accordance with the CAM.

3.2.1 Contract Labour Cost and One-off Costs

Contractors Services are based on the actual costs incurred by Ergon Energy for the labour contract services and other one-off items included in this expenditure category.

There are a wide range of Contractor Services costs that Ergon Energy may incur, depending on the specific requests that we receive from our customers. Therefore, the list of other one-off costs cannot be exhaustively defined. However, from experience, we know that these costs typically include:

- contractor costs
- hire of equipment
- permits.

Appendix B provides further examples of the types of costs covered by Contractor Services.

Ergon Energy's procurement framework ensures that the costs incurred by Ergon Energy for contract labour and other one-off items are efficient. Further information on how our procurement framework ensures efficient costs is set out in Appendix C.

3.2.2 Contractor on costs

There are no on costs attached to Contractor Services, as these costs are not incurred directly by Ergon Energy. Rather, the on costs for contract labour and the other expenditure items included in Contractor Services are embedded in the prices charged to Ergon Energy for those goods and services.

3.2.3 Overhead Rate (OH Rate)

Contractor Services incur the same operating expenditure overhead rate as labour. That is, the cost of overheads for Contractor Services (including one-off items) is determined by applying the operating expenditure overhead rate to the actual costs incurred by Ergon Energy. The exceptions to this are major customer connections, real estate development connections and removal of network constraints for embedded generators, where the capital expenditure overhead rate is applied.

The respective overhead rates are applied as a rate on the actual Contractor Services cost, and will be determined annually for each year of the regulatory control period in accordance with the

AER-approved CAM (see Section 3.1.4). This is consistent with the approach taken in the current regulatory control period.

3.3 Materials

Materials include "Stock" items, which are goods held in the Ergon Energy catalogue and likely to be held in a warehouse (i.e. anything from a washer to a power transformer). "Purchases" are goods which are not held in the Ergon Energy catalogue. This may be because they are a one-off purchase or they are not required to be held by Ergon Energy. The materials required are generally specific to each job.

The Materials cost for a particular service is determined as follows:

$$Materials = (Stock \times (1 + OC\ Rate) \times (1 + OH\ Rate)) + (Purchases \times (1 + OH\ Rate))$$

Where:

Stock = total costs of Stock items used to deliver the service, based on the actual cost incurred by Ergon Energy.

OC Rate = the Materials On Cost Rate, which covers the on costs applicable to Stock items, which includes the administration costs of the Logistics Group that manages inventory and materials.

OH Rate = Overhead Rate, which includes the costs of overheads and is applied as an overhead rate for the relevant year determined in accordance with the AER-approved CAM.

Purchases = total cost of one-off items purchased and used by Ergon Energy to deliver the service, based on the actual cost incurred by Ergon Energy.

3.3.1 Stock and Purchases

The cost of Stock and Purchases are determined on a case-by-case basis, using the actual costs incurred by Ergon Energy.

Ergon Energy's procurement framework ensures that the cost of Stock and Purchases are efficient. Further information on how our procurement framework ensures efficient costs is set out in Appendix C.

3.3.2 Materials On Cost Rate (OC Rate)

The Stock materials attract an on cost at a rate of 12.0% on the cost of the Stock materials. The on cost covers the administrative cost of Ergon Energy's Logistics Group, which is responsible for procuring, warehousing and distributing Stock. It is a direct cost.

The Materials On Cost Rate is applied as a rate on the Stock cost. The Materials On Cost Rate will be updated annually in the next regulatory control period for the purpose of developing the indicative quoted prices. Any change in the Materials On Cost Rate will be reported in the relevant annual Pricing Proposal.

There are no on costs attached to Purchases as Ergon Energy does not incur the normal materials on costs for these types of items. That is, these items are not subject to the normal stock room procedures (although they are subject to the same procurement framework), and the administrative costs of procuring these items are factored into the labour hours required to provide the service.

3.3.3 Overhead Rate (OH Rate)

Materials costs for Stock and Purchases incur the same operating expenditure overhead rate as labour. That is, the cost of overheads for Stock is determined by applying the operating expenditure overhead rate to the Stock (including on costs) and Purchases costs. The exceptions to this are major customer connections, real estate development connections and removal of network constraints for embedded generators, where the capital expenditure overhead rate is applied.

The respective overhead rates are applied as a rate on the respective costs of Stock and Purchases, and will be determined annually for each year of the regulatory control period in accordance with the AER-approved CAM. This is consistent with the approach taken in the current regulatory control period.

3.4 Capital Allowance

The Capital Allowance includes the capital costs associated with the fleet and other non-system assets used in the delivery of fixed fee and quoted price services. It is appropriate that a capital allowance be included in the prices for these Alternative Control Services to reflect the costs of the non-system assets that Ergon Energy uses to deliver the services. This is consistent with the National Electricity Objective[11] to promote efficient investment in electricity services, which is reflected in the allowed return on and of assets included in the Annual Revenue Requirement (ARR) for Standard Control Services[12] and the limited building blocks for Default Metering Services[13] and Public Lighting Services.[14]

For the current regulatory control period, the AER applied a capital allowance rate determined for Energex. This rate was determined as the revenue (i.e. depreciation and return on asset) from non-system assets attributable to services provided on a fixed fee and quoted basis, expressed as a rate per dollar of internal labour expenditure.

Ergon Energy proposes a similar approach for the regulatory control period 2015-20, but expressed as a percentage rate. That is, we propose to calculate the capital allowance as a percentage on the labour cost, as follows:

$$Capital\ Allowance = \frac{Capital\ Cost\ of\ Non\ System\ Assets\ used\ for\ Fixed\ and\ Quoted\ Fee}{Direct\ Labour\ Cost\ for\ ACS} \times 100\%$$

As shown in supporting document *03.01.02 – Other Revenue Adjustments*, it is estimated that the capital costs for non-system assets used for fixed fee and quoted price services in 2012-13[15] was $2.67 million, comprising $1.32 million in depreciation and $1.35 million in return on assets.[16]

[11] National Electricity Law, section 7.

[12] See supporting document *03.01.01 – Ergon Energy's Building Block Components*

[13] See supporting document *05.04.07 – Default Metering Services PTRM*

[14] See supporting document *05.02.03 – Public Lighting Services PTRM*

[15] The most recent year for which audited accounts were available at the time of writing this attachment.

[16] Consistent with the transitional provisions set out in Chapter 11 of the NER, assets that provided Alternative Control Services were included in the RAB in the current regulatory control period. Therefore, this calculation is based on the adjustment made to the ARR to account for the use of RAB assets to provide Alternative Control Services.

The labour spend on fixed fee and quoted price services in 2012-13 was $12.1 million, including the labour on costs and overheads consistent with the above calculation of the labour rate. Thus, the rate for the Capital Allowance is:

$$Capital\ Allowance\ Rate = \frac{\$2.67\ million}{\$12.10\ million} = 22.05\%$$

The above Capital Allowance Rate is applied to the Labour cost (excluding the Fleet On Cost) used to determine the proposed prices for the fixed fee services and the indicative prices for the quoted price services.

We note that the capital costs used to determine the Capital Allowance Rate excludes the depreciation on fleet, which has been included as part of the Fleet On Cost.

Ergon Energy proposes that the Capital Allowance Rate is fixed over the regulatory control period 2015-20. There are no reasons to suggest that the intensity of asset use for the provision of Alternative Control Services has changed since 2012-13. Further, it is not expected to change over the next regulatory control period 2015-20.

Ergon Energy proposes to apply an additional 5% margin for major customer connections (design and construct) increasing the Capital Allowance Rate for this service to 27.05%. As noted in our response[17] to the Preliminary Positions on the Framework and Approach, we believe that the formula for these major customer connections should include a profit margin in light of the contestability that exists for these services.

Approximately 32 per cent of major customer design and construct projects currently under construction are being built by customers. Anecdotal evidence suggests price is one of the reasons why more customers are proceeding with Ergon Energy rather than undertaking the work themselves. The inclusion of a profit margin would minimise any concern that the AER's controls on revenue and pricing create a barrier for potential market entrants in the design and construction of major customer connections.

3.5 Goods and Services Tax

Ergon Energy will apply the Goods and Services Tax (GST) in accordance with relevant legislation.

[17] Ergon Energy (2014), *Submission on the Preliminary position paper – Framework and Approach for Energex and Ergon Energy*, 19 February 2014.

4. Pricing for fixed fee services

4.1 Pricing assumptions

Prices for fixed fee services have been determined using the cost build up formula proposed by the AER for quoted price services. The pricing for fixed fee services is based on the cost of the Labour and Capital Allowance only, as it is assumed that there are no Contractor Services or Materials used in the delivery of fixed fee services.

The key driver of the prices for fixed fee services is the Labour cost, as the Capital Allowance is applied as a rate to the Labour cost (excluding the Fleet On Cost component). Labour costs are based on assumptions about the labour class of the employees used to deliver the service, average time taken to provide the service, the average travel time (if any) and the type of vehicle used (if any).[18] Therefore, the differences in the charges for each service reflect differences in the labour class, time required to deliver the service and whether any vehicles are needed.[19]

The following table summarises the indicative 2015-16 prices for fixed fee services.

Table 5: Cost components and indicative prices for fixed fee services, 2015-16 (GST Exclusive, nominal)

Fixed fee service	Labour Cost	Capital Allowance	Total indicative price
Application fee - Basic or standard connection	$767.56	$169.22	$936.78
Application fee - Basic or standard connection - Micro-embedded generators	$43.31	$9.55	$52.86
Application fee - Basic or standard connection - Micro-embedded generators – Technical assessment required	$189.69	$41.82	$231.51
Application fee - Real estate development connection	$803.10	$177.05	$980.15
Protection and Power Quality assessment prior to connection	$1171.04	$258.17	$1429.21
Temporary connection, not in permanent position - single phase metered - urban/short rural feeders	$502.65	$104.53	$607.18
Temporary connection, not in permanent position - single phase metered - long rural/isolated feeders	$804.24	$167.25	$971.49
Temporary connection, not in permanent position - multi phase metered - urban/short rural feeders	$502.65	$104.53	$607.18
Temporary connection, not in permanent position - multi phase metered - long rural/isolated feeders	$804.24	$167.25	$971.49
Supply abolishment during business hours - urban/short rural feeders	$301.59	$62.72	$364.31
Supply abolishment during business hours - long rural/isolated feeders	$603.18	$125.44	$728.62

[18] Ergon Energy has assumed that a 2WD Commercial vehicle is used in the delivery of fixed fee services where travel is required. Further, where two employees are involved in the delivery of the service, Ergon Energy has assumed that both employees travel to the customer's premises in the same vehicle.

[19] Clause 13.1(b) of the Schedule 1 of the RIN requires Ergon Energy to explain the reasons for the different charge with reference to the costs incurred.

Fixed fee service	Labour Cost	Capital Allowance	Total indicative price
De-energisation during business hours - urban/short rural feeders	$85.08	$16.67	$101.76
De-energisation during business hours - long rural/isolated feeders	$502.65	$104.53	$607.18
Re-energisation during business hours - urban/short rural feeders	$67.66	$13.26	$80.91
Re-energisation during business hours - long rural/isolated feeders	$468.47	$97.42	$565.89
Re-energisation during business hours - after de-energisation for debt - urban/short rural feeders	$67.66	$13.26	$80.91
Re-energisation during business hours - after de-energisation for debt - long rural/isolated feeders	$468.47	$97.42	$565.89
Accreditation of alternative service providers - real estate developments	$768.50	$169.43	$937.92
Prevented access – one person crew – urban/short rural feeders	$47.53	$9.22	$56.75
Prevented access – one person crew – long rural/isolated feeders	$190.12	$36.89	$227.01
Prevented access – two person crew – urban/short rural feeders	$96.81	$20.09	$116.89
Prevented access – two person crew – long rural/isolated feeders	$387.22	$80.34	$467.56

Where a work crew leaves the depot to perform a fixed fee service but is subsequently unable to complete the work order for reasons outside of its control, such as a locked gate, dangerous dog or cancellation by the customer or their retailer, we will charge a call out fee to reflect the opportunity cost of the fleet and labour resources.[20]

The call out fee for each service is calculated by:

- multiplying the total travel time labour costs for the particular service by the Capital Allowance rate set out in Section 3.4
- adding the fleet on cost, which is the product of the hourly on cost rate (inclusive of overheads) and the total hours the vehicle was required for the job (travel time only).

The “Call out fee – no service undertaken” therefore varies by the type of service that the original call out was for.

Further information on the assumptions and calculation of indicative prices for each year of the regulatory control period 2015-20 are provided in supporting document *05.06.02 – Fixed fee services model.*

4.2 Annual changes to fixed fee prices

Indicative prices for fixed fee services have been escalated annually by applying nominal escalators based on our forecast of inflation over the next regulatory control period of 2.57% and

[20] The call out fee is different to the “prevented access” services detailed in Table 5. The prevented access services only apply to wasted truck visits resulting from a request for a service that is classified as a Standard Control Service. For more information, please refer to our supporting document *02.01.01 – Classification Proposal.*

Jacobs/SKM's real cost escalators for labour and fleet. These escalations are applied before on costs and overheads.

As noted in Chapter 3, we propose to update prices for fixed fee services annually by:

- updating the nominal labour and fleet escalation rates for the relevant pricing year for the actual December to December quarter CPI published by the ABS
- updating the labour on cost rates for the relevant pricing year and expected rates for all future years
- determining the overhead rates for the relevant pricing year and expected rates for all future years in accordance with the AER-approved CAM.

We will limit the annual price increases for fixed fee services to the lower of the calculated prices and the cap imposed by the AER's price cap formula (as set out in Section 2.1). A more detailed explanation on how we consider compliance with the price caps can be demonstrated through the annual Pricing Proposal process is outlined in Appendix 2 of our supporting document *04.01.00 – Compliance with Control Mechanisms.*

4.3 Demonstration of compliance with the price cap formula

Ergon Energy proposes to report on our compliance with the price cap formula for fixed fee services through the annual Pricing Proposal. Our supporting document *04.01.00 – Compliance with Control Mechanisms* provides further detail.

5. Pricing for quoted price services

5.1 Pricing assumptions

Indicative prices for quoted price services have been determined using the cost build up formula proposed by the AER in the Final Framework and Approach Paper. The pricing for quoted price services is based on the cost of Labour, Contractor Services, Materials and Capital Allowance, as appropriate.

Ergon Energy has provided indicative pricing based on actual work orders for those services provided in prior years as an Alternative Control Service, where available. For new services or services that were previously classified as a Standard Control Services, indicative prices have been based on estimates of the time and resources required to provide a service that is 'typical' of that service.

Each quoted price is unique to the work requested by the customer and depends on the labour required (e.g. labour class of the employees used to deliver the service, travel time, time on the job and time of day/week the service is performed), the types and number of vehicles required, and the nature and extent of any Contractor Services and Materials used. Therefore, there will be differences in the charges for each service reflecting the nature of the resources required to meet the customer's requirements.[21]

A list of indicative prices is provided in Appendix D.

5.2 Annual changes to indicative quoted prices

Indicative prices for quoted price services have been escalated annually by applying nominal escalators based on our forecast of inflation over the next regulatory control period of 2.57% and Jacobs/SKM's real cost escalators for labour, fleet, materials[22] and contractor services.[23] These escalations are applied before on costs and overheads.

As noted in Chapter 3, we propose to update the relevant components of the prices for quoted price services annually for each year of the regulatory control period 2015-20 by:

- updating the nominal labour, fleet, materials and contractor services escalation rates for the relevant pricing year for the actual December to December quarter CPI published by the ABS
- updating the labour and materials on cost rates for the relevant pricing year and expected rates for all future years
- determining the overhead rates for the relevant pricing year and expected rates for all future years in accordance with the approved CAM.

Ergon Energy will charge the customer the actual cost incurred for Contractor Services and Materials. Relevant on costs and overheads will be applied to the actual cost at the time the quote is prepared for the customer.

[21] Clause 13.1(b) of the Schedule 1 of the RIN requires Ergon Energy to explain the reasons for the different charge with reference to the costs incurred.

[22] Ergon Energy has applied the 'Materials' escalation rates to materials.

[23] Ergon Energy has applied the 'General labour' escalation rates to contractor services (contract labour and one-off costs).

5.3 Demonstration of compliance with the price cap formula

Ergon Energy proposes to report on our compliance with the price cap formula for quoted price services through the annual Pricing Proposal. Our supporting document *04.01.00 – Compliance with Control Mechanisms* provides further detail.

Appendix A. Labour and fleet rates

The following information is confidential.

Table 6: Labour Rates for fixed fee and quoted price services, 2015-16 ($/hour nominal)[24]

Labour class	Ordinary Time	Overtime
Admin Employee	[redacted]	
Professional Managerial		
Power Worker		
Technical Service Person		
Electrical System Designer		
Supervisor		
Para-Professional		
Apprentice		
Manager		
System Operator		
Trainee		

Table 7: Fleet Rates for fixed fee and quoted price services, 2015-16 ($/hour nominal)[25]

Vehicle category	Hourly rate
Trucks-C/C Heavy Rigid >22t GVM	[redacted]
Trucks-C/C Light Rigid 4.5 to <8t GVM	
Trucks-C/C Medium Rigid 8t to 16t GVM	
Passenger Vehicles	
EWP – Scissor Lift	
EWP – Self Propelled	
2WD Commercial – Light	
4WD Commercial – Heavy	
4WD Commercial – Light	

[24] Excludes labour on-costs and overheads.

[25] Excludes overheads.

Appendix B. Typical contractor costs

The following table provides examples of the types of costs that are typically included in the Contractor Services costs. This list is not exhaustive as we are unable to predict the exact nature of the services that will be requested by our customers.

Table 8: Typical costs included in Contractor Services

Contractor costs	Specialist Equipment Hire	Permits
• Earth moving • Surveying • Electrical works • Traffic control • Labour hire • Cable locators • Building construction • Vegetation clearing • Road and pavement reinstatement • Civil works • Concreters • Environmental surveys • Cultural heritage surveys • Specialist engineering	• Generators • Land fill, thermal backfill, concrete, etc. • Crane and float (transporter) hire • Temporary fencing hire • Hydro-vac to pothole services	• Development applications • Material change of use (land) applications • Environmental and cultural survey permits • Vegetation clearing permits • Safety observers (e.g. working in, over or under railways)

Appendix C. Ergon Energy's procurement framework

Ergon Energy's procurement process is the framework under which Ergon Energy acquires goods and services (other than permits). It consists of a series of policies and procedures endorsed by the Board of Directors and binding on Ergon Energy employees and contractors. The core documents relating to Ergon Energy's procurement framework are:

- Ergon Energy's Sustainable Procurement Policy[26]
- Ergon Energy's Sustainable Procurement Policy Business Rules[27]
- associated guidelines.

The procurement framework applies to all goods and services procured by Ergon Energy, not just those goods and services acquired to deliver Quoted price services. The policy makes no distinction between goods or services acquired by Ergon Energy for the provision of Standard Control Services, Alternative Control Services or other services.

Sustainable Procurement Policy

The Sustainable Procurement Policy requires Ergon Energy's employees, contract managers, consultants and project resources to comply with the Ergon Energy business rules for procurement. It applies to all categories of goods and services procured by Ergon Energy.

The purpose of the Sustainable Procurement Policy is to:

- achieve value for money through the application of sustainable procurement principles including important consideration of environmental, community and corporate sustainability needs
- support the business operational and commercial objectives, with innovative responsive procurement solutions, systems and processes
- ensure probity and accountability standards are maintained, are transparent and consistent with community expectations of a Government Owned Corporation
- support and actively encourage local industry development.

Sustainable Procurement Policy Business Rules

Ergon Energy's Procurement Policy Business Rules prescribe, in greater detail, the procurement framework that applies within Ergon Energy. This framework is based upon the principles contained in the Queensland Procurement Policy.[28] It has differing requirements depending on the value of the goods and services[29] to be acquired, as summarised in Table 9.

[26] 05.06.04 – Sustainable Procurement Policy

[27] 05.06.05 – Sustainable Procurement Policy Business Rules

[28] The Queensland Procurement Policy no longer applies to Ergon Energy, our subsidiaries and our controlled entities. Refer to Queensland Government Gazette No. 27, 7 February 2014, p133.

[29] Other than consultants, professional services and labour hire.

Table 9: Acquisition requirements, by value of goods and service procured

Value of acquisition	Requirements
< $5,000	No quote is required for purchases under $2,000. Purchases over $2,000 and up to $5,000 require a minimum of two verbal quotes.
$5,000 < $20,000	For purchases between $5,000 and $20,000, at least two written quotes are required.
$20,000 < $100,000	For purchases over $20,000, procurement is conducted by our Procurement team in the Strategic Procurement Group. Written quotations are required from at least three competitive suppliers.
$100,000 < $250,000	For purchases over $100,000, procurement is conducted by our Procurement team in the Strategic Procurement Group. Written quotations are required from at least three competitive suppliers.
> $250,000	Goods and services in excess of $250,000 must be purchased through the Strategic Procurement Group using an open or closed tender/Expressions of Interest process.

The procurement business rules require consultants and professional services to be engaged through the Strategic Procurement Group and established Preferred Contractor Panels be utilised wherever possible.

Preferred Contractor Panels have been established for a range of construction, maintenance, consultancy, professional services contractors and other general services to:

- satisfy the Strategic Procurement Principles (SPP) requirements to test the market place through a competitive process
- having satisfied the SPP test, enable a streamlined process of day to day engagements, while at the same time ensuring Ergon Energy maintains a reasonable degree of legal and commercial control through these engagements.

In special circumstances, high level managers can approve departures from the business rules, but only where there is proof of a material event that was not reasonably foreseeable and a business case is prepared.

Guidelines

Detailed directions to Ergon Energy staff regarding contracting arrangements and the conduct of formal tender processes are set out in internal guidelines, in particular:

- Establish and Manage Contracts for Goods and Services Guidelines[30]
- Engage and Manage Consultants and Professional Services Contractors Guidelines[31]
- External Resources Defining Criteria
- Procurement Quick Reference Guide[32]
- Consultant and Professional Service Contractors Quick Reference Guide.[33]

[30] Ergon Energy (2013), Establish and Manage Contracts for Goods and Services Guidelines, MP000903R107, Version 9.

[31] Ergon Energy (2013), Engage and manage Consultants and Professional Services Contractors Guidelines, MP000900R101, Version 22.

[32] Ergon Energy (2014), Procurement Quick Reference Guide, MP000201R101, Version 6.

[33] Ergon Energy (2014), Consultant and Professional Service Contractors Quick Reference Guide, MP000201R102, Version 1.

Ergon Energy submits that this approach to procurement is a prudent and efficient approach to the acquisition of goods and services, which strikes an appropriate balance between administration costs and delivering efficient market-tested outcomes. Ergon Energy understands this approach to procurement to be widespread across the electricity supply industry.

Appendix D. Indicative prices for quoted price services

We have provided a detailed example for the calculation of indicative prices for one quoted price service below. Summaries of the basis for the indicative prices for all quoted price services are set out in the table following the detailed example. Further details on the calculation of the indicative quoted prices are set out in supporting attachment *05.06.03 – Quoted price services model*.

1. Detailed example – Removal of network constraint for embedded generator

The following example sets out the application of the quoted price services' formula to the removal of a network constraint for an embedded generator.

The service involves the provision of a network connection at 11 kV, in order for the generator to export between 1 MVA to 2.2 MVA to Ergon Energy's network. It is based on the need to reconductor 2.6km of 11 kV overhead line and to decommission an existing 11 kV recloser on the section of the line that is no longer required. For the purposes of this example, it is assumed that the service is provided in 2015-16.

1.1. Labour

The labour cost is obtained by summing the labour costs for each employee involved in delivering the service. In this example, the relevant employees are:

- electrical system designer
- power worker
- technical service person
- professional managerial
- para professional
- administration
- system operator.

The labour costs for each employee are derived by multiplying the estimated number of hours for each employee by their respective labour rate (inclusive of on costs and overheads[34]) for the appropriate pricing year. Since all work is being completed during business hours, the labour rates applied are the ordinary time rates.

By applying this methodology, the labour cost (inclusive of on costs and overheads) is calculated to be $235,359.04.

In addition to the labour component, an elevated work platform vehicle and a light commercial vehicle are used in the delivery of this service. The total fleet cost is obtained by summing the fleet costs for each vehicle. The fleet cost for each vehicle is determined by multiplying the estimated number of hours for each vehicle by its respective fleet on cost rate (inclusive of overheads) for the appropriate pricing year. The total fleet on cost (inclusive of overheads) is calculated to be $49,682.88.

Combining the labour and fleet components results in a total labour cost of $285,041.92.

[34] For this example, the capital expenditure overhead rate is applied to all cost components.

1.2. Contractor services

In delivering this service, Ergon Energy incurs one-off costs associated with:

- traffic control
- locate services
- hydrovac verification
- generation hire.

We do not incur any contract labour costs.

The total direct one-off costs reflect the actual cost as incurred by Ergon Energy. Overheads are then applied by multiplying the total direct one-off costs by the capital expenditure overhead rate.

By applying this methodology, the total contractor services costs (inclusive of overheads) is calculated to be $91,686.07.

1.3. Materials

The total direct materials cost is obtained by summing the direct materials costs (Stock and Purchases) for each Ergon Energy work group required to deliver the service. The Stock direct materials costs for each work group are derived from the Ellipse Enterprise Resource Planning system. These costs include the materials on cost for the relevant pricing year. The Purchases direct materials costs reflect the actual cost of these materials, as incurred by Ergon Energy. Overheads are then applied by multiplying the total direct materials costs by the capital expenditure overhead rate.

By applying this methodology, the total materials costs (inclusive of overheads) is calculated to be $77,042.08.

1.4. Capital allowance

The capital allowance is calculated by multiplying the capital allowance rate of 22.05% by the labour costs (inclusive of labour on cost and overheads) of $235,539.04.

By applying this methodology, the total capital allowance is calculated to be $51,888.11.[35]

1.5. Total price (GST Exclusive)

The total GST exclusive price of $505,658.18 is the sum of the above cost components.

1.6. Total price (GST Inclusive)

Ergon Energy will also apply GST to this service. Based on a GST rate of 10%, the total GST inclusive price will be $556,224.00.

2. Indicative pricing for all quoted price services

The following tables provide summarised worked examples for each quoted price service provided, with exception of the “Provision of services for approved unmetered supplies” service.
Ergon Energy has not calculated an indicative price for this service as we do not, at this stage,

[35] Total may not add due to rounding.

intend to provide this service. However, we may elect to do so in the future. If this is the case, we will provide an indicative price through the annual Pricing Proposal process.

Table 10: Indicative pricing for quoted price services, 2015-16 (GST Exclusive)

Quoted price service example	Cost component	Indicative price ($ nominal)
23. Application Fee – Negotiated connection		
Quoted price based on an estimate of the labour resources required to assess a negotiated connection application for a small customer (where there is a load only). This includes both administrative labour and an electrical system designer. There are no fleet, contractor services or materials required to undertake this assessment.	Labour	$955.72
	Contractor Services	-
	Materials	-
	Capital Allowance	$210.70
	Total Cost	**$1,166.42**
24. Application Fee – Negotiated connection – Micro-embedded generators		
Quoted price based on an estimate of the labour resources required to assess a negotiated connection application for a micro-embedded generator. This includes both administrative labour and staff at the professional managerial level. There are no fleet, contractor services or materials required to undertake this assessment.	Labour	$422.69
	Contractor Services	-
	Materials	-
	Capital Allowance	$93.19
	Total Cost	**$515.88**
25. Application Fee – Negotiated – Major customer connection		
Quoted price for assessing an application for an upgrade of connection capacity to 2.4MVA for a regional airport. The labour resources required included staff at the professional managerial level and a manager. There were no fleet, contractor services or materials required to undertake this assessment.	Labour	$5,938.66
	Contractor Services	-
	Materials	-
	Capital Allowance	$1,309.26
	Total Cost	**$7,247.92**
26. Carrying out planning studies and analysis relating to connection applications		
Quoted price for undertaking a planning concept study for a commercial customer, requiring staff at a para professional level. There were no fleet, contractor services or materials required to undertake this assessment.	Labour	$1,875.97
	Contractor Services	-
	Materials	-
	Capital Allowance	$413.58
	Total Cost	**$2,289.56**
27. Feasibility and concept scoping, including planning and design, for major customer connections		
Quoted price for providing a project scope for increased capacity for a customer in the mining sector. This included the provision of a Project Scope and Concept estimate for a potential connection to the network. This required labour at the following levels: professional managerial, manager and para professional. It did not require fleet, contractor services or materials.	Labour	$15,086.60
	Contractor Services	-
	Materials	-
	Capital Allowance	$3,326.05
	Total Cost	**$18,412.65**
28. Tender process		
Quoted price for undertaking a tender process on behalf of a connection applicant, based on an estimate of the hours of professional managerial labour required. There are no fleet, contractor services or materials required to provide this service.	Labour	$8,782.80
	Contractor Services	-
	Materials	-
	Capital Allowance	$1,936.29
	Total Cost	**$10,719.09**

Quoted price service example	Cost component	Indicative price ($ nominal)
29. Pre-connection site inspection		
Quoted price for undertaking a pre-connection site inspection at a local premises, based on an estimate of the hours of professional managerial and para professional labour required. There is a fleet charge for a light commercial vehicle to travel to the site. There are no contractor services or materials required to provide this service.	Labour	$1,097.20
	Contractor Services	-
	Materials	-
	Capital Allowance	$231.84
	Total Cost	**$1,329.04**
30. Provision of site specific connection information and advice for small or major customer connections		
Quoted price for providing site-specific connection information and advice, based on an estimate of the hours of professional managerial and para professional labour required. There are no fleet, contractor services or materials required to provide this service.	Labour	$642.32
	Contractor Services	-
	Materials	-
	Capital Allowance	$141.61
	Total Cost	**$783.93**
31. Preparation of preliminary designs and planning reports for major customer connections, including project scopes and estimates		
Quoted price for provision of a planning report to a mining company. The labour resources required in preparing this report included labour at a professional managerial level. There were no fleet, contractor services or materials required to provide this service.	Labour	$7,904.52
	Contractors Services	-
	Materials	-
	Capital Allowance	$1,742.66
	Total Cost	**$9,647.18**
32. Customer build, own and operate consultation services		
Quoted price for advice and design provided for customer owned assets for a feeder station for a major customer in the transport sector. The labour resources required included staff at professional managerial level. There were no fleet, contractor services or materials required to provide this service	Labour	$62,606.73
	Contractor Services	-
	Materials	-
	Capital Allowance	$13,802.51
	Total Cost	**$76,409.23**
33. Detailed enquiry response fee – EGs 5MW and above		
Average quoted price for providing a detailed response to enquiries relating to a 20 MW export project and a 70MW export project. The labour resources required included staff at professional managerial and para professional level. There were no fleet, contractor services or materials required to provide these services.	Labour	$20,927.96
	Contractors Services	-
	Materials	-
	Capital Allowance	$4,613.85
	Total Cost	**$25,541.81**
34. Design and construction of connection assets for major customers		
Quoted price for construction of connection assets for a new coal mine for a major customer in the resources sector. The resources required included labour at various levels, several different types of vehicles, contractor services (labour and accommodation) and materials (both Stock and Purchases).	Labour	$1,921,759.85
	Contractors Services	$388,797.39
	Materials	$5,438,581.11
	Capital Allowance	$413,285.53
	Total Cost	**$8,162,423.88**

Quoted price service example	Cost component	Indicative price ($ nominal)
35. Commissioning and energisation of major customer connections		
Average quoted price for commissioning and energisation of major customer connections for customers in the energy and transport sectors. The resources required included labour at various levels and light commercial vehicles. The services did not require any contractor services or materials.	Labour	$36,877.57
	Contractors Services	-
	Materials	-
	Capital Allowance	$7,270.05
	Total Cost	**$44,147.62**
36. Design and construction for real estate developments		
Quoted price for the design and construction of upgrading a 22kv conductor with new poles, installing a new HV/LV reticulation and relocating existing lines. The resources required included labour at various levels, several different types of vehicles, contractor services (labour, traffic control services and specialist equipment) and materials (Stock).	Labour	$34,095.09
	Contractor Services	$5,742.56
	Materials	$108,222.78
	Capital Allowance	$5,918.57
	Total Cost	**$153,979.00**
37. Commissioning and energisation of real estate development connections		
Quoted price for commissioning and energisation of the 11kV reticulation for a new residential subdivision. The resources required included a technical service person and supervisor, a light commercial vehicle, small truck, materials (Stock) and contractor services (specialist equipment).	Labour	$841.68
	Contractor Services	$1,106.01
	Materials	$4,667.15
	Capital Allowance	$145.99
	Total Cost	**$6,760.83**
38. Removal of network constraint for embedded generator		
Quoted price to connect an embedded generator to allow it to export electricity to the 11kV network. The resources required included labour at various levels, a light commercial vehicle, an elevated work platform vehicle, contractor services (traffic control services, locate services, generator hire and specialist equipment) and materials (both Stock and Purchases).	Labour	$285,041.92
	Contractor Services	$91,686.07
	Materials	$77,042.08
	Capital Allowance	$51,888.11
	Total Cost	**$505,658.18**
39. Move point of attachment – single / multi-phase		
Quoted price for relocating a point of attachment, requiring a single visit only. The resources required included labour at various levels, various types of vehicles and contractor services (traffic control services). There were no materials required to deliver this service.	Labour	$2,344.86
	Contractor Services	$1,005.28
	Materials	-
	Capital Allowance	$390.28
	Total Cost	**$3,740.42**
40. Re-arrange connection assets at customer's request		
Quoted price for reconnection of assets at the request of a mining customer. This required labour at various levels. A heavy commercial vehicle was also required to access the premises to re-arrange the connection assets. There were no contractor services or materials required to provide this service.	Labour	$55,292.56
	Contractor Services	-
	Materials	-
	Capital Allowance	$12,151.38
	Total Cost	**$67,443.94**

Quoted price service example	Cost component	Indicative price ($ nominal)
41. Protection and Power Quality assessment after connection		
Quoted price to provide a protection and power quality assessment for a local LV customer, including 2 site visits and a written report. This is based an estimate of labour at professional managerial and technical service person levels, as well as a light commercial vehicle. There are no contractor services or materials required to provide this service.	Labour	$2,358.36
	Contractor Services	-
	Materials	-
	Capital Allowance	$496.53
	Total Cost	**$2,854.89**
42. Temporary de-energisation – no dismantling		
Quoted price to perform a temporary de-energisation, including two site visits. This required technical service person labour, as well as light commercial vehicles. There were no contractor services or materials required to provide this service.	Labour	$640.36
	Contractor Services	-
	Materials	-
	Capital Allowance	$117.77
	Total Cost	**$758.13**
43. LV Service line drop and replace – physical dismantling		
Quoted price to undertake a LV line drop requiring physical dismantling of the line. This required a technical service person and power worker, as well as a light commercial vehicle to undertake two site visits. There were no contractor services or materials required to provide this service.	Labour	$916.84
	Contractor Services	-
	Materials	-
	Capital Allowance	$183.11
	Total Cost	**$1,099.96**
44. HV Service line drop and replace		
Quoted price to undertake a HV line drop and replace service. This required a power worker, technical service persons and supervisors, various vehicles to access the site, as well as materials (Stock). There were no contractor services required to provide this service.	Labour	$3,035.76
	Contractor Services	-
	Materials	$900.90
	Capital Allowance	$601.69
	Total Cost	**$4,538.35**
45. Supply enhancement		
Quoted price for a service upgrade to 3 phases, based on technical service persons using light commercial vehicles to access the site and a range of materials (Stock). There were no contractor services required to provide this service.	Labour	$894.56
	Contractor Services	-
	Materials	$228.13
	Capital Allowance	$173.81
	Total Cost	**$1,296.50**
46. Provision of connection services above minimum requirements		
Quoted price for provision of AD increase to a customer requesting N-1 supply. This required labour resources at various levels, various types of vehicles, contractor services (accommodation) and materials (both Stock and Purchases).	Labour	$170,442.88
	Contractor Services	$24,944.03
	Materials	$70,666.04
	Capital Allowance	$35,472.50
	Total Cost	**$301,525.45**

Quoted price service example	Cost component	Indicative price ($ nominal)
47. Upgrade from overhead to underground service		
Quoted price for an upgrade from an overhead to an underground service. This required technical service persons, trucks and elevated work platforms, materials (Stock) and contractor services (vacuum excavator).	Labour	$4,431.71
	Contractor Services	$1,217.47
	Materials	$2,330.05
	Capital Allowance	$743.76
	Total Cost	**$8,722.99**
48. Rectification of illegal connection or damage to overhead or underground service cables		
Quoted price for rectifying an illegal connection, which required a technical services person and a light commercial vehicle. There were no materials or contractor services required to provide this service.	Labour	$187.64
	Contractor Services	-
	Materials	-
	Capital Allowance	$32.59
	Total Cost	**$220.23**
49. De-energisation after business hours		
Quoted price for an after-hours de-energisation. Based on overtime rates for technical service person/power worker using a light commercial vehicle. There are no materials or contractor services required to provide this service.	Labour	$124.48
	Contractor Services	-
	Materials	-
	Capital Allowance	$22.59
	Total Cost	**$147.06**
50. Re-energisation after business hours		
Quoted price for an after-hours re-energisation. Based on overtime rates for technical service person/power worker using a light commercial vehicle. There are no materials or contractor services required to provide this service.	Labour	$98.98
	Contractor Services	-
	Materials	-
	Capital Allowance	$17.96
	Total Cost	**$116.94**
51. Accreditation of Alternative Service Providers – Major Customer Connections		
Quoted price to accredit an alternative service provider that will perform major customer connections. This is based on an estimate of number of hours for administration and professional managerial staff to deliver the service. There are no materials or contractors services required to provide this service.	Labour	$5,391.90
	Contractor Services	-
	Materials	-
	Capital Allowance	$1,188.72
	Total Cost	**$6,580.62**
52. Approval of third party design – major customer connections		
Quoted price for an audit of external planning report for line relocation for a customer in the mining sector. This required labour resources at the professional managerial level only. There were no vehicles, materials or contractor services required for this service.	Labour	$11,710.40
	Contractor Services	-
	Materials	-
	Capital Allowance	$2,581.72
	Total Cost	**$14,292.12**

Quoted price service example	Cost component	Indicative price ($ nominal)
53. Approval of third party design – real estate developments		
Quoted price for undertaking a design compliance audit of a residential subdivision, which was based on 24 LV pillars and underground reticulation. This required a para professional and administrative staff. There were no vehicles, materials or contractor services required for this service.	Labour	$169.83
	Contractor Services	-
	Materials	-
	Capital Allowance	$37.44
	Total Cost	**$207.28**
54. Construction audit – major customer connections		
Quoted price for a construction audit of a large customer connection for a customer in the transport sector. This required labour at the professional managerial level and the use of a passenger vehicle. There were no materials or contractor services required for this service.	Labour	$76,610.00
	Contractor Services	-
	Materials	-
	Capital Allowance	$16,135.73
	Total Cost	**$92,745.73**
55. Construction audit – real estate developments		
Quoted price for undertaking a construction contractor compliance audit of a residential subdivision, which was based on 24 LV pillars and underground reticulation. This was undertaken by a technical service person and required a site visit with a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$1,001.32
	Contractor Services	-
	Materials	-
	Capital Allowance	$179.68
	Total Cost	**$1,181.00**
56. Approval of third party materials		
Quoted price for approval of third party distribution material where there is no need to prepare, or comment on, a technical specification, and no need to conduct Factory Acceptance Testing. This would require staff at a professional managerial and para professional levels. There are no vehicles, materials or contractor services required for this service.	Labour	$15,744.80
	Contractor Services	-
	Materials	-
	Capital Allowance	$3,471.16
	Total Cost	**$19,215.96**
57. Special meter read		
Quoted price for a special meter read. This was undertaken by a power worker and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$110.20
	Contractor Services	-
	Materials	-
	Capital Allowance	$18.44
	Total Cost	**$128.64**
58. Meter test		
Quoted price for a meter test of an installed and operational meter. This was undertaken by technical service persons and involved the use of light commercial vehicles. There were no materials or contractor services required for this service.	Labour	$387.78
	Contractor Services	-
	Materials	-
	Capital Allowance	$67.35
	Total Cost	**$455.13**

Quoted price service example	Cost component	Indicative price ($ nominal)
59. Meter inspection and investigation on request		
Quoted price for a meter inspection and investigation on request. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$250.18
	Contractor Services	-
	Materials	-
	Capital Allowance	$43.45
	Total Cost	**$293.63**
60. Metering alteration		
Quoted price for the relocation of a meter from its current position and re-commission of the installation. This was undertaken by staff at various levels and involved the use of several light commercial vehicles and an elevated work platform vehicle. There were no materials or contractor services required for this service.	Labour	$2,470.19
	Contractor Services	-
	Materials	-
	Capital Allowance	$433.27
	Total Cost	**$2,903.46**
61. Exchange meter		
Quoted price for the like-for-like exchange of a meter. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$250.18
	Contractor Services	-
	Materials	-
	Capital Allowance	$43.45
	Total Cost	**$293.63**
62. Type 5 to 7 non-standard metering services		
Quoted price for the provision of Type 5 to 7 non-standard metering services. This was undertaken by para professionals and a technical service person, and involved the use of a passenger vehicle. There were no materials or contractor services required for this service.	Labour	$342.99
	Contractor Services	-
	Materials	-
	Capital Allowance	$73.10
	Total Cost	**$416.09**
63. Removal of a meter (Type 5 & 6)		
Quoted price for the removal of a type 5 meter. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$115.45
	Contractor Services	-
	Materials	-
	Capital Allowance	$22.81
	Total Cost	**$138.26**
64. Meter re-seal		
Quoted price for re-sealing a meter. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$506.61
	Contractor Services	-
	Materials	-
	Capital Allowance	$87.99
	Total Cost	**$594.61**

Quoted price service example	Cost component	Indicative price ($ nominal)
65. Install additional metering		
Quoted price for the installation of additional metering at a customer's premises. This is based on an estimate of labour resources required to perform this service (a technical service person) and the use of a light commercial vehicle. There are no materials or contractor services required for this service.	Labour	$250.18
	Contractor Services	-
	Materials	-
	Capital Allowance	$43.45
	Total Cost	**$293.63**
66. Change time switch		
Quoted price for changing a time switch setting. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$187.64
	Contractor Services	-
	Materials	-
	Capital Allowance	$32.59
	Total Cost	**$220.23**
67. Change tariff		
Quoted price for reprograming a meter due to a change in tariff. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$193.89
	Contractors Services	-
	Materials	-
	Capital Allowance	$33.68
	Total Cost	**$227.57**
68. Reprogram card meters		
Quoted price to attend a remote premises and reprogram a card meter to reflect retail tariffs. This is based on an estimate of labour resources required to perform this service (a technical service person) and the use of a light commercial vehicle. There are no materials or contractor services required for this service.	Labour	$1,125.81
	Contractors	-
	Materials	-
	Capital Allowance	$195.54
	Total Cost	**$1,321.35**
69. Install metering related load control		
Quoted price to install metering related control. This is based on estimate of labour resources required to perform this service (a technical service person) and the use of a light commercial vehicle. There are no materials or contractor services required for this service.	Labour	$250.18
	Contractors Services	-
	Materials	-
	Capital Allowance	$43.45
	Total Cost	**$293.63**
70. Removal of load control device		
Quoted price to remove a load control relay or time clock on request. This was undertaken by a technical service person and involved the use of a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$250.18
	Contractors Services	-
	Materials	-
	Capital Allowance	$43.45
	Total Cost	**$293.63**

Quoted price service example	Cost component	Indicative price ($ nominal)
71. Change of load control relay channel		
Quoted price to change a load control relay channel. This is based on estimate of labour resources required to perform this service (a technical service person) and the use of a light commercial vehicle. There are no materials or contractor services required for this service.	Labour	$125.09
	Contractors Services	-
	Materials	-
	Capital Allowance	$21.73
	Total Cost	**$146.82**
72. Services provided in relations to a Retailer of Last Resort (ROLR) event		
Quoted price based on the services we would provide in the case of a ROLR event. This is based on a retailer with 100 Ergon Energy customers failing. This would involve various labour types. There are no vehicles, materials or contractors services required for this service.	Labour	$2,406.21
	Contractors Services	-
	Materials	-
	Capital Allowance	$530.48
	Total Cost	**$2,936.69**
73. Non-standard network data requests		
Quoted price to provide non-standard network data to a customer. This is based on estimate of labour resources required to perform this service at the professional managerial level. There are no vehicles, materials or contractor services required for this service.	Labour	$585.52
	Contractor Services	-
	Materials	-
	Capital Allowance	$129.09
	Total Cost	**$714.61**
74. Provision of services for approved unmetered supplies		
Not applicable at this stage.	Labour	-
	Contractor Services	-
	Materials	-
	Capital Allowance	-
	Total Cost	**-**
75. Customer requested appointments		
Quoted price for provision of safety observer services at the request of a customer. This involved a technical services person only. There were no vehicles, materials or contractor services required for this service.	Labour	$626.02
	Contractor Services	-
	Materials	-
	Capital Allowance	$138.02
	Total Cost	**$764.04**
76. Removal/rearrangement of network assets		
Quoted price for a line relocation for a large customer in the mining sector. This required staff resources at various levels, materials (Stock) and contractor services (labour, airfares, accommodation, vehicle hire and specialist equipment hire). There were no internal vehicles used in the provision of this service.	Labour	$96,949.44
	Contractor Services	$186,697.15
	Materials	$7,263.50
	Capital Allowance	$21,373.83
	Total Cost	**$312,283.92**

Quoted price service example	Cost component	Indicative price ($ nominal)
77. Aerial markers		
Quoted price for the provision of aerial markers for a regional council. This required two technical service persons using a vehicle with an elevated work platform. There were no materials or contractor services required for this service.	Labour	$626.45
	Contractor Services	-
	Materials	-
	Capital Allowance	$116.35
	Total Cost	**$742.80**
78. Tiger tails		
Quoted price to erect and subsequently remove tiger tails for a commercial customer. This required three technical service persons using light commercial vehicles to access the site. There were no materials or contractor services required for this service.	Labour	$2,104.89
	Contractor Services	-
	Materials	-
	Capital Allowance	$393.25
	Total Cost	**$2,498.14**
79. Assessment of parallel generator applications		
Quoted price for the planning and protection review of a parallel generator for a regional hospital. This required a staff member at the professional managerial level. There were no vehicles, materials or contractor services required for this service.	Labour	$1,463.80
	Contractor Services	-
	Materials	-
	Capital Allowance	$322.71
	Total Cost	**$1,786.51**
80. Witness testing		
Quoted price for a witness test for a large customer in the resources sector. This required a staff member at a para professional level and included a site visit with a light commercial vehicle. There were no materials or contractor services required for this service.	Labour	$3,327.28
	Contractors	-
	Materials	-
	Capital Allowance	$616.52
	Total Cost	**$3,943.80**
81. Removal / rearrangement of public lighting assets		
Quoted price for the removal of public lighting assets at a roundabout, which required technical service persons, using an elevated work platform vehicle. It also required contractor services for a vacuum excavator and traffic control. This service did not require any materials.	Labour	$9,037.36
	Contractors	$10,599.21
	Materials	-
	Capital Allowance	$1,659.92
	Total Cost	**$21,296.49**