

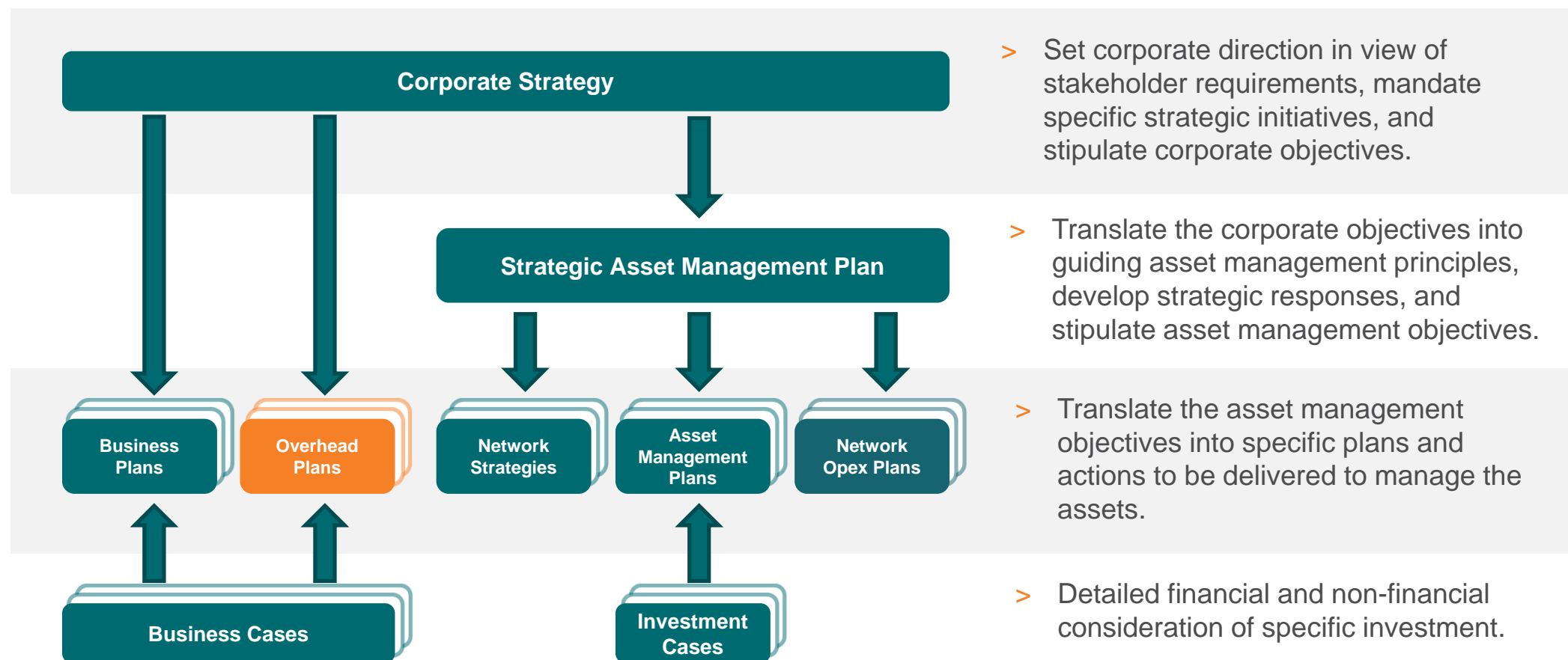
Overheads

Network Indirect – ‘Plan’

2019-24

Supporting Document 11.3.7

Document hierarchy and purpose

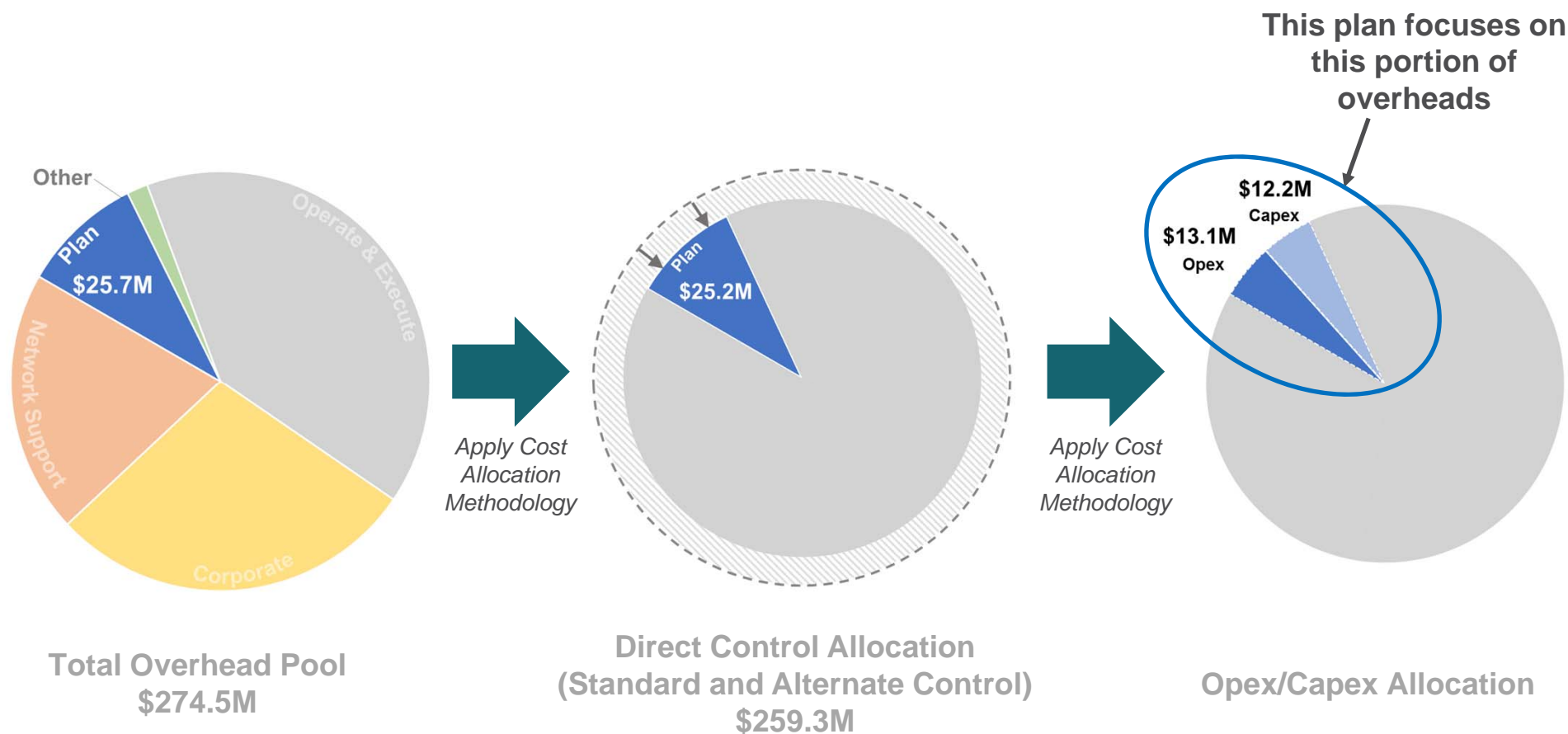


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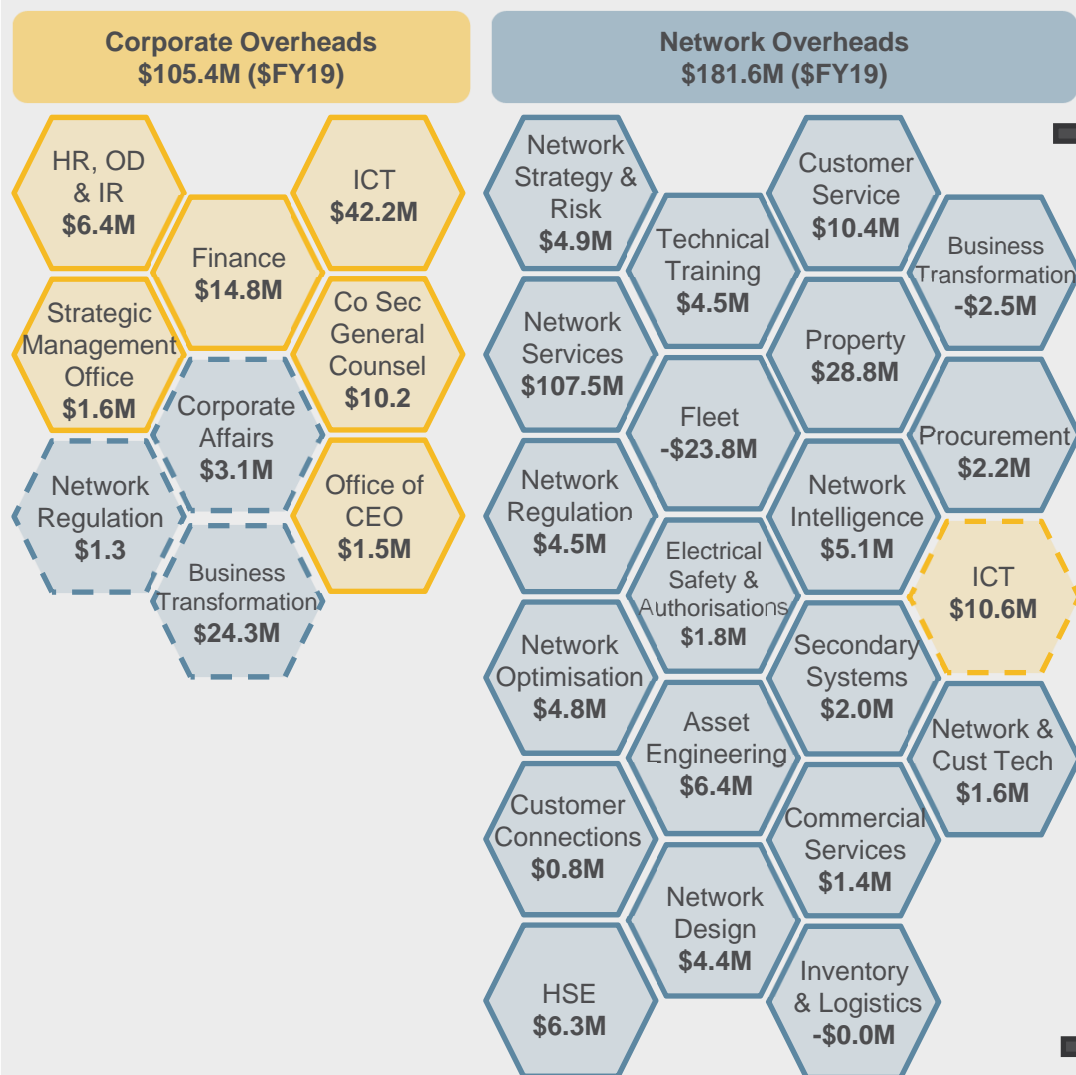
Allocation of Network Indirect – ‘Plan’ to Opex and Capex (\$FY19, 5 Year Average)

- > Network Indirect - ‘Plan’ related expenditure is allocated in accordance with the AER’s approved Cost Allocation Methodology (CAM). The diagram below provides details on how the opex and capex components are determined using the CAM.

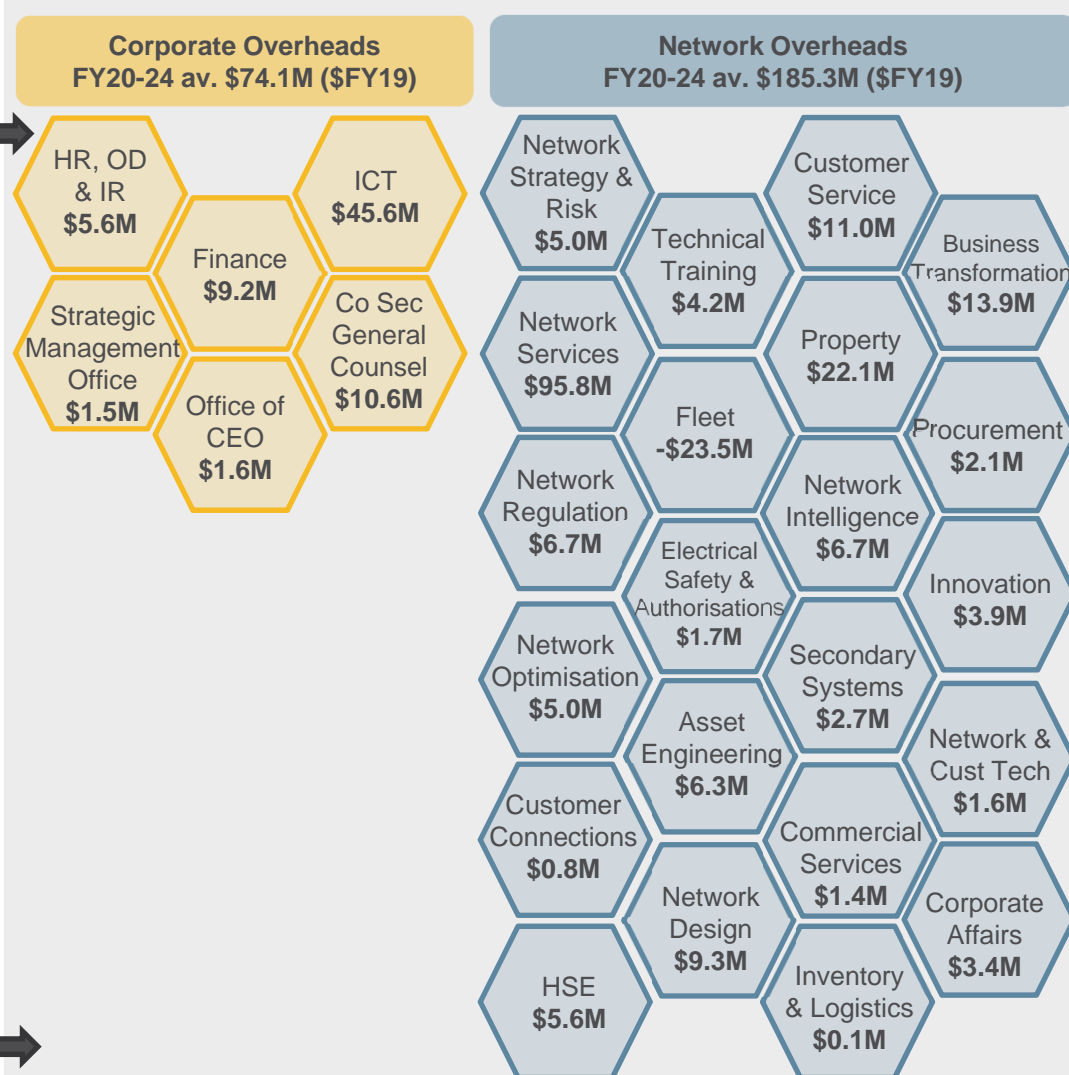


Our Overhead Allocation Process

FY17 Reported in CA RIN January 2018



FY18 – FY24 Reset RIN and Proposal



Executive summary – Network Indirect – ‘Plan’

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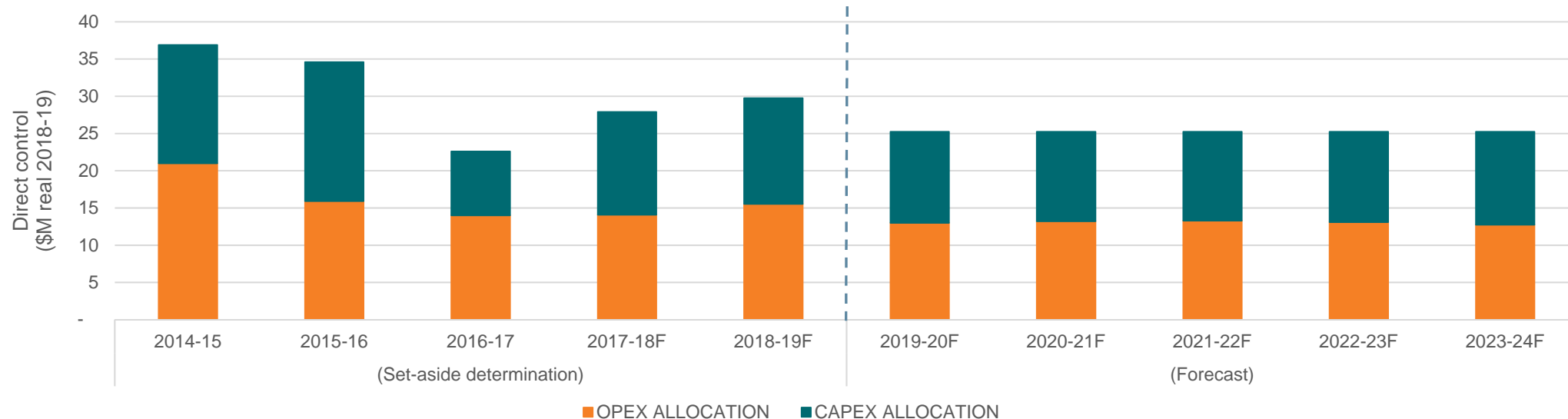
OVERHEAD
FUNCTIONS
INCLUDED

10%

REAL COST
REDUCTION BY
FY24 FROM FY18

10%

OF DIRECT
CONTROL
OVERHEADS



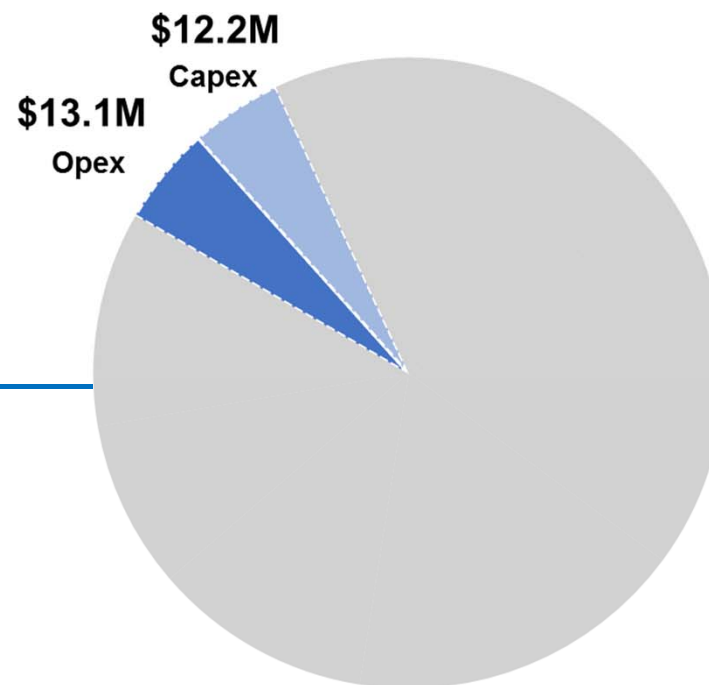
\$M real 2018-19	2014-15	2015-16	2016-17	2017-18F	2018-19F	2019-20F	2020-21F	2021-22F	2022-23F	2023-24F	5 YR (AVG)
Network Strategy & Risk	\$7.1	\$8.2	\$4.6	\$7.1	\$7.9	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6	\$4.6
Network Optimisation	\$10.1	\$7.7	\$4.8	\$5.8	\$6.3	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0	\$5.0
Network Intelligence	\$9.1	\$8.5	\$5.0	\$5.7	\$6.2	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7	\$6.7
Asset Engineering	\$6.4	\$6.3	\$6.2	\$6.2	\$6.3	\$6.3	\$6.3	\$6.3	\$6.3	\$6.3	\$6.3
Secondary Systems	\$4.2	\$3.9	\$1.9	\$2.9	\$3.1	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7	\$2.7
'PLAN' OPEX ALLOCATION	\$21.0	\$15.9	\$14.0	\$14.1	\$15.5	\$13.0	\$13.2	\$13.3	\$13.1	\$12.7	\$13.1
'PLAN' CAPEX ALLOCATION	\$15.9	\$18.7	\$8.6	\$13.8	\$14.2	\$12.2	\$12.0	\$11.9	\$12.1	\$12.5	\$12.2
'PLAN' TOTAL	\$36.9	\$34.6	\$22.6	\$27.9	\$29.7	\$25.2	\$25.2	\$25.2	\$25.2	\$25.2	\$25.2

Network Indirect – ‘Plan’ functions that contribute to forecast

Network Indirect - ‘Plan’ consists of...

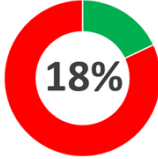

- > Network Strategy & Risk
- > Network Optimisation
- > Network Intelligence
- > Asset Engineering
- > Secondary Systems

.....allocated to Standard and Alternate Control





Network Indirect – ‘Plan’ functions that contribute to forecast cont.

Scope: Develop asset management strategies and network capacity planning.

Network Indirect – ‘Plan’ Functions	Activities	Investment proportion
Asset Management – Network Strategy & Risk	<ul style="list-style-type: none">> Develop Asset Management Strategy.> Develop network compliance and risk strategy.> Investment portfolio management.> Network performance monitoring and development of reliability and power quality strategies.> Develop demand management, load control and optimisation approaches to manage demand.> Outcomes: Development of overall asset strategy, performance and risk position for network business.	 <p>18%</p> <p>of Network Indirect – ‘Plan’ Direct Control allocation</p>
Asset Management – Network Optimisation	<ul style="list-style-type: none">> Analysis of network load data and drivers for development of load forecasts.> Network capacity monitoring and development of prioritised capacity project requirements.> Outcomes: Planned network capacity and performance in accordance with identified needs.	 <p>20%</p> <p>of Network Indirect – ‘Plan’ Direct Control allocation</p>

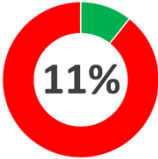
Network Indirect – ‘Plan’ functions that contribute to forecast cont.

Scope: Manage network data systems and provide asset engineering services.

Network Indirect – ‘Plan’ Functions	Activities	Investment proportion
Asset Management – Network Intelligence	<ul style="list-style-type: none"> > Network asset system data quality and improvement management and support. > Network asset system upgrades, replacements and enhancements. > Outcomes: Support network data quality and systems. 	 <p>26%</p> <p>of Network Indirect – ‘Plan’ Direct Control allocation</p>
Asset Management – Asset Engineering	<ul style="list-style-type: none"> > Development and maintenance of construction standards, testing procedures, purchasing specifications and engineering expertise. > Undertake network failure investigations. > Development of maintenance strategies. > Sub-transmission refurbishment project development. > Long term stewardship of zone substation assets. > Manage and support network earthing system design and insulation coordination. > Outcomes: Provision of specialist engineering and asset management services. 	 <p>25%</p> <p>of Network Indirect – ‘Plan’ Direct Control allocation</p>

Network Indirect – ‘Plan’ functions that contribute to forecast cont.

Scope: Development of asset management program to sustain network condition, safety, reliability, utilisation and performance

Network Indirect – ‘Plan’ Functions	Activities	Investment proportion
Asset Management – Secondary Systems	<ul style="list-style-type: none">> Develop asset management strategy for load control plant and ‘on premise’ load control devices.> Develop asset management strategy for remote network monitoring and control (SCADA) assets.> Develop asset management strategy for generation assets.> Design, specify and oversee implementation of protection systems for network assets.> Outcomes: Overall management of specialist secondary system assets that support primary network assets.	 <p>11%</p> <p>of Network Indirect – ‘Plan’ Direct Control allocation</p>

Key Legislation

Key Legislation

Legislation	Relevance to the Overhead Plan
National Electricity Rules	Directs the development of operating expenditure forecasts and compliance with relevant obligations
National Electricity (New South Wales) Act 1997 (NSW)	Essential Energy is required to comply with a number of legislative requirements as indicated (but not limited to) State and Federal legislation listed.
Electricity Supply Act 1995 (NSW)	
Work Health & Safety Act 2011 (NSW)	
Local Government Act 1993 (NSW)	
Protection of the Environment Operations Act 1997 (NSW)	
Electricity Act 1994 (QLD)	
Government Telecommunications Act 1991 (NSW)	
Radiocommunications Act 1992 (Cth)	
Telecommunications Act 1997 (Cth)	

Supporting Documents

Supporting Workbooks

Workbook	Relevance to the Overhead Plan
AM_NW_Strat_Risk_overhead_planning_workbook	Provides detailed forecasts for each Network Indirect – ‘Plan’ function.
AM_NW_Optimisation_overhead_planning_workbook	
AM_NW_Intelligence_overhead_planning_workbook	
AM_Asset_Engineering_overhead_planning_workbook	
AM_Secondary_Systems_overhead_planning_workbook	

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