

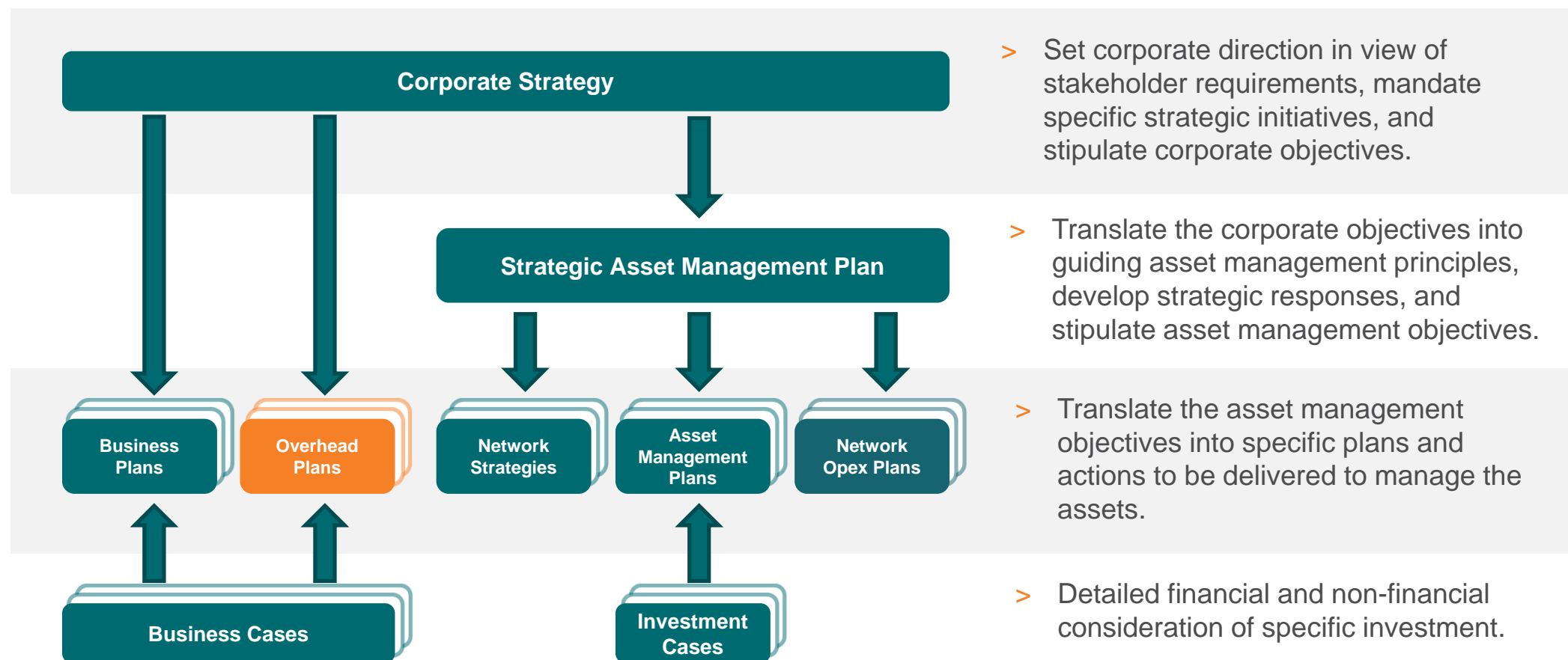
Overheads

Network Indirect – ‘Support’

2019-24

Supporting Document 11.3.9

Document hierarchy and purpose

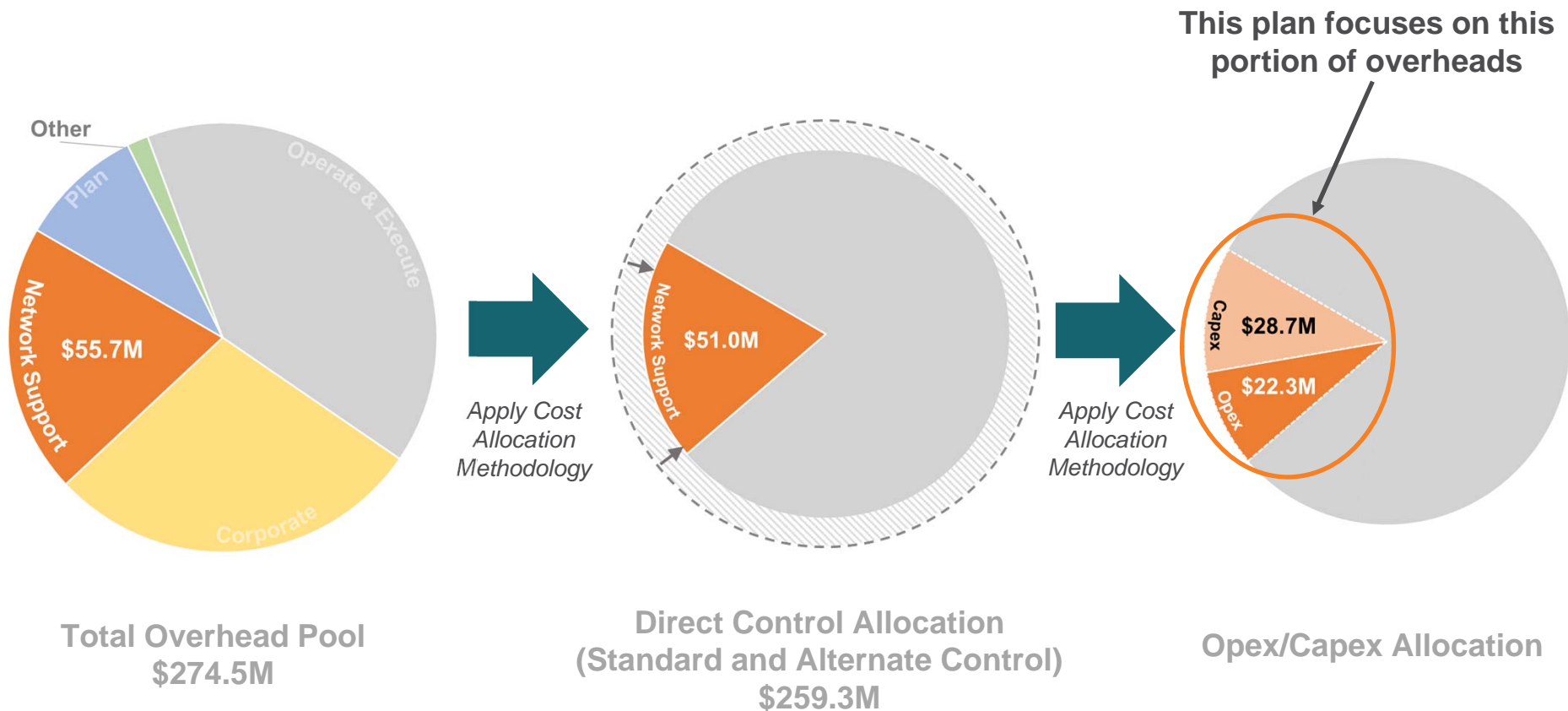


Contents

Document hierarchy and purpose	2
Contents	3
Overhead Allocation to Opex and Capex	4
Our Overhead Allocation Process	5
Executive Summary	6
Functions – Business Transformation, Customer Service, Property	8
Functions – Network Regulation, Innovation, Corporate Affairs	9
Functions – Health, Safety & Environment, Technical Training, Procurement, Electrical Safety & Authorisations, Fleet	10
Key Legislation	11
Supporting documents	12

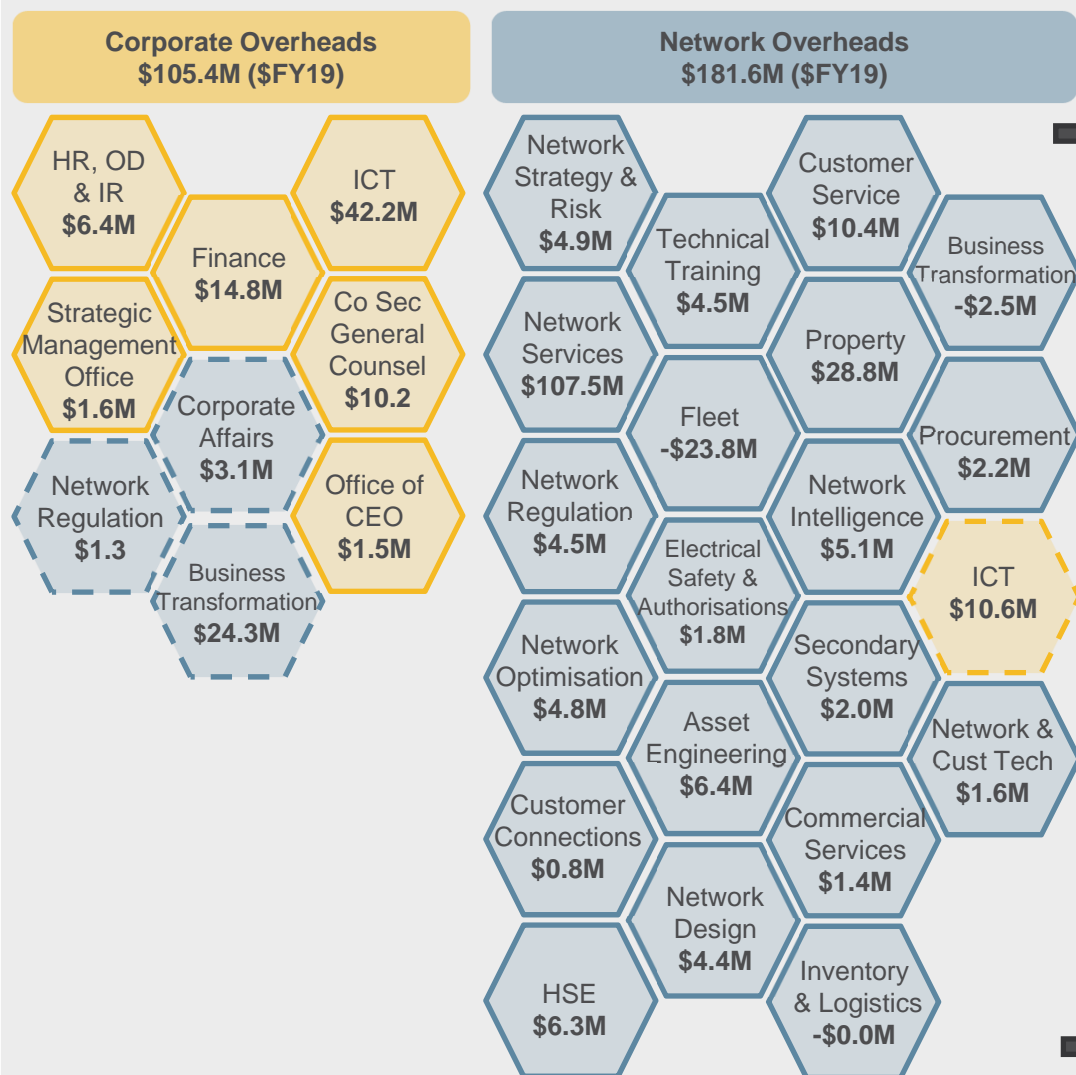
Allocation of Network Indirect – ‘Support’ to Opex and Capex (\$FY19, 5 Year Average)

- > Network Indirect – ‘Support’ 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.

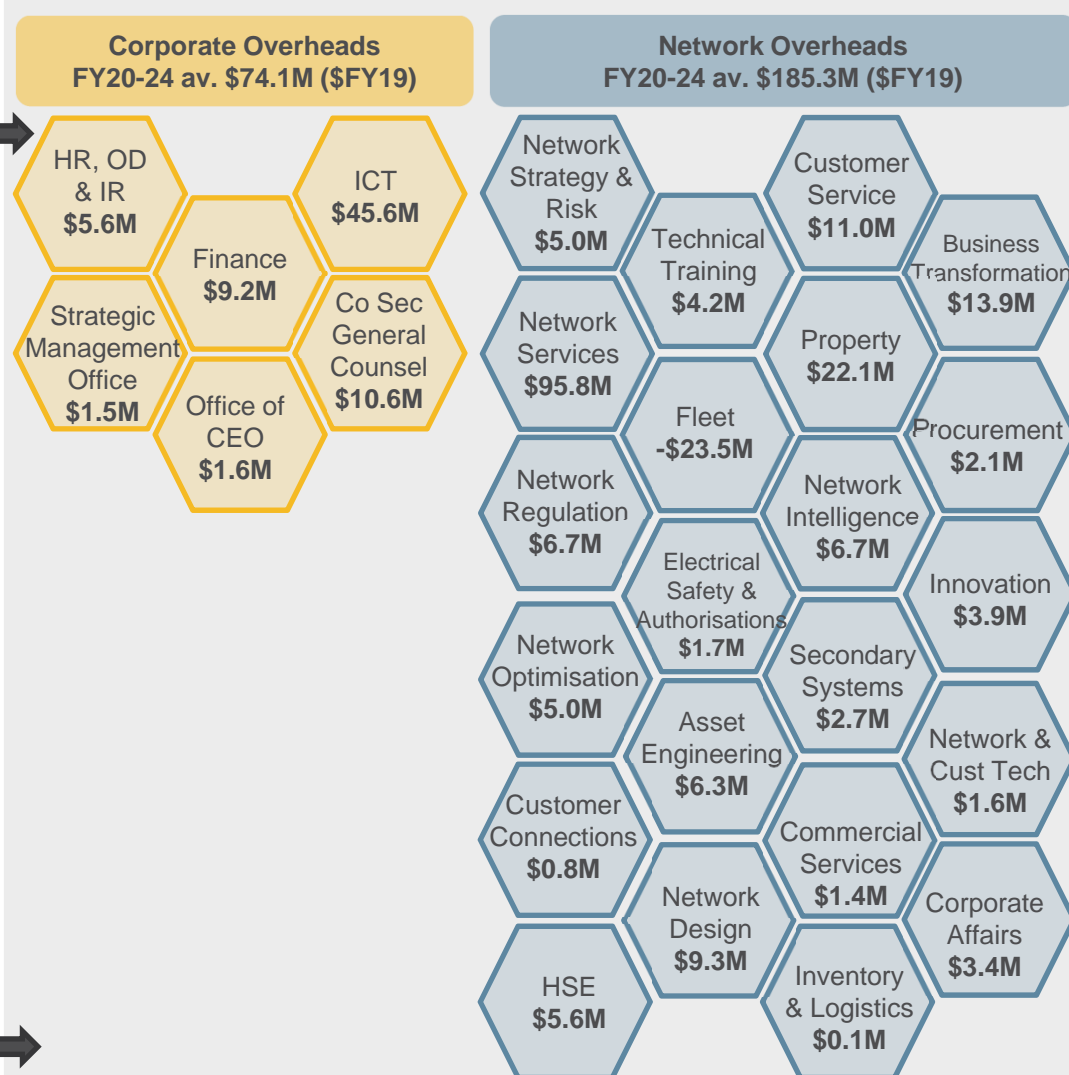


Our Overhead Allocation Process

FY17 Reported in CA RIN January 2018



FY18 – FY24 Reset RIN and Proposal



Executive summary – Network Indirect – ‘Support’

11

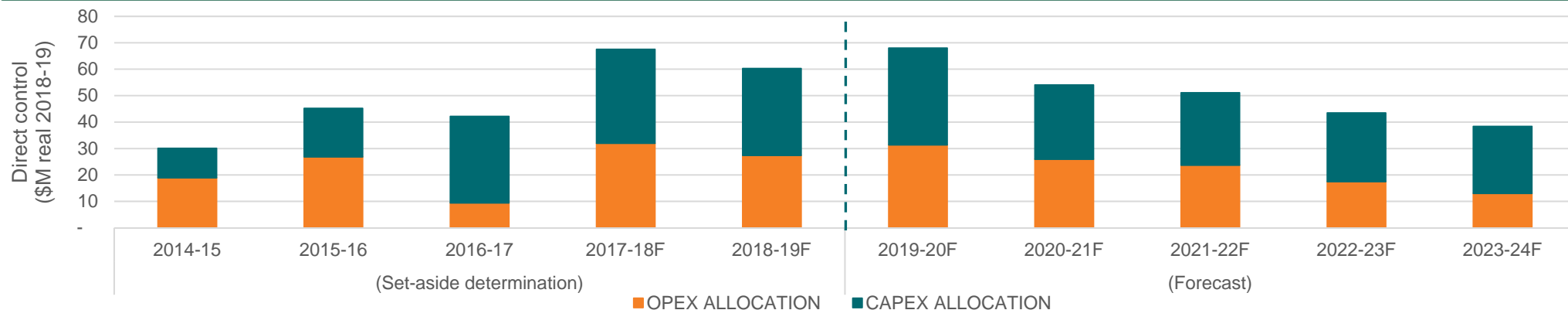
OVERHEAD
FUNCTIONS
INCLUDED

43%

REAL COST
REDUCTION BY
FY24 FROM FY18

20%

OF DIRECT
CONTROL
OVERHEADS



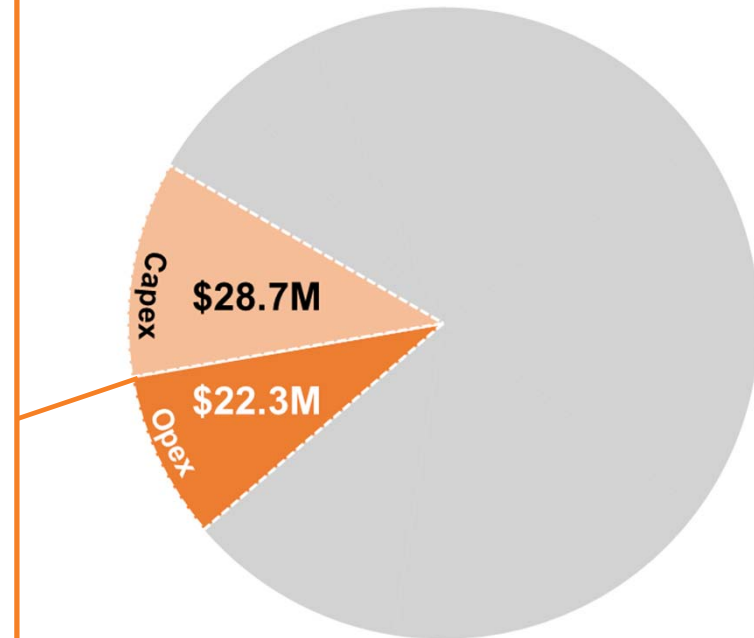
\$M real 2018-19	2014-15	2015-16	2016-17	2017-18F	2018-19F	2019-20F	2020-21F	2021-22F	2022-23F	2023-24F	5 YR (AVG)
Business Transformation	\$-4.1	\$15.2	\$-2.5	\$10.4	\$1.2	\$25.5	\$16.5	\$14.4	\$7.4	\$4.5	\$13.6
Customer Service	\$14.5	\$13.2	\$10.3	\$13.4	\$14.0	\$11.8	\$10.9	\$10.7	\$10.7	\$10.7	\$11.0
Property (excl. non-system capex)	-	-	\$28.3	\$31.6	\$30.8	\$24.9	\$23.1	\$21.8	\$21.2	\$20.4	\$22.3
Network Regulation	\$3.4	\$2.7	\$4.4	\$7.3	\$5.2	\$6.3	\$5.4	\$7.3	\$7.8	\$6.6	\$6.7
Innovation	-	-	-	\$3.3	\$2.7	\$3.9	\$3.7	\$3.7	\$4.0	\$4.0	\$3.9
Corporate Affairs	-	-	-	\$4.2	\$4.9	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4
Health, Safety & Environment	\$9.3	\$8.4	\$6.2	\$9.7	\$10.6	\$5.8	\$5.5	\$5.5	\$5.6	\$5.6	\$5.6
Technical Training	\$7.1	\$5.7	\$4.5	\$4.9	\$5.1	\$4.3	\$4.2	\$4.2	\$4.3	\$4.2	\$4.2
Procurement	-	-	\$2.2	\$3.3	\$3.2	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
Electrical Safety & Authorisations	-	-	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
Fleet (excl. non-system capex)	-	-	\$-23.4	\$-22.2	\$-19.1	\$-21.8	\$-22.6	\$-23.8	\$-24.8	\$-24.8	\$-23.5
ICT (excl. non-system capex)	-	-	\$10.4	-	-	-	-	-	-	-	-
'SUPPORT' OPEX ALLOCATION	\$18.9	\$26.8	\$9.5	\$32.0	\$27.4	\$31.4	\$25.9	\$23.7	\$17.5	\$13.0	\$22.3
'SUPPORT' CAPEX ALLOCATION	\$11.1	\$18.4	\$32.7	\$35.6	\$32.9	\$36.6	\$28.1	\$27.4	\$25.9	\$25.3	\$28.7
'SUPPORT' TOTAL	\$34.2	\$45.2	\$42.1	\$67.5	\$60.3	\$68.0	\$54.0	\$51.1	\$43.4	\$38.4	\$51.0

Network Indirect – ‘Support’ functions that contribute to forecast

Network Indirect – ‘Support’ consists of...

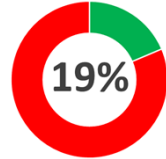
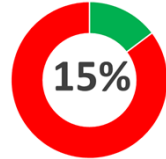
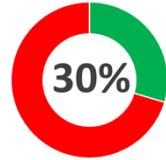
- > Business Transformation
- > Customer Service
- > Property
- > Network Regulation
- > Innovation
- > Corporate Affairs
- > Health, Safety & Environment
- > Technical Training
- > Procurement
- > Electrical Safety & Authorisations
- > Fleet

...allocated to Standard and Alternate Control



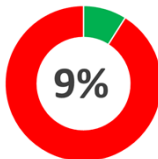
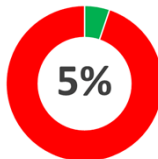
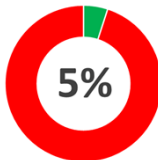
Network Indirect – ‘Support’ functions that contribute to forecast cont.

Scope: Provide support to network business across a range of shared services.

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
Business Transformation	<ul style="list-style-type: none"> > Enterprise wide business reform including program oversight, specialist advice and program execution. > Delivery of business benefits arising from strategic initiatives. > Outcomes: Transformation of business to more efficient operating model. 	 <p>19%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Customer Service	<ul style="list-style-type: none"> > Delivery of customer engagement services including providing channels to customers to obtain information or provide feedback. > Manage approvals process for new connections, connection alterations and embedding generation, including Life Support registrations. > Customer complaints management. > Retail market liaison and processes > Management of supply interruption call centre. > Outcomes: Management of network customer interface. 	 <p>15%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Property (excl. non-system capex)	<ul style="list-style-type: none"> > Property activities and expenditure forecasts are provided in the Property Business Plan 	 <p>30%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>

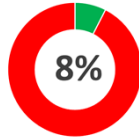
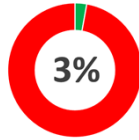
Network Indirect – ‘Support’ functions that contribute to forecast cont.

Scope: Provide support to network business across a range of shared services.

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
Network Regulation	<ul style="list-style-type: none"> > Development of a 5 year Regulatory Proposal, monitoring and reporting of compliance with various statutory requirements including the National Electricity Rules and Regulations. > Outcomes: Management of network regulatory strategy and compliance. 	 <p>9%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Innovation	<ul style="list-style-type: none"> > Development of innovative solutions to traditional network investment approaches > Development of business cases to support the introduction of innovative approaches to operations and network investments. > Build business capability and processes needed to manage/maintain data as a true business asset that assists Essential Energy is making accurate decisions. 	 <p>5%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Corporate Affairs	<ul style="list-style-type: none"> > Delivery of government, media, employee and other stakeholder communications and marketing services. > Outcomes: Management of external stakeholder relations and communication. 	 <p>5%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>

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

Scope: Provide support to network business across a range of shared services.

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
Health, Safety & Environment	<ul style="list-style-type: none"> > Support the business in implementing processes, programs and initiatives to protect the safety of the public, employees and contractors and encourage environmental stewardship. 	 <p>8%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Technical Training	<ul style="list-style-type: none"> > As a Registered Training Organisation (RTO), develop and deliver internal competency based vocational education and training and assessment. 	 <p>6%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Procurement	<ul style="list-style-type: none"> > Drives effective, efficient and value-add procurement planning, sourcing, contract and supplier management. 	 <p>3%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Electrical Safety & Authorisations	<ul style="list-style-type: none"> > Provide management and oversight of Electrical Safety Rules and associated policies and procedures. > Development and maintenance of the Technical Training Framework. 	 <p>2%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
Fleet (excl. non-system capex)	<ul style="list-style-type: none"> > Fleet activities and expenditure forecasts are provided in the Fleet Business Plan <p><i>Fleet expenditure (including depreciation) is recovered to the business</i></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)	
Electricity (Consumer Safety) Act 2004 (NSW)	
Competition and Consumer Act 2010 (Cth)	
National Energy Retail Law (Adoption) Act 2012 (NSW)	
Work Health and Safety Act 2011 (NSW)	
Workers Compensation Act 1987 (NSW)	
Corporations Act 2001 (Cth)	
Workplace Injury Management and Workers Compensation Act 1998 (NSW)	
State Owned Corporations Act 1989 (NSW)	
Apprenticeship and Traineeship Act 2001 (NSW)	
National Vocational Education and Training Regulator Act 2011 (Cth)	
Road Transport Act 2013 (NSW)	
Privacy Act 1988 (Cth)	
Environment Protection and Biodiversity Conservation Act 1999 (Cth)	
Protection of the Environment Administration Act 1991 (NSW)	
Protection of the Environment Operations Act 1997 (NSW)	
Environmentally Hazardous Chemicals Act 1985 (NSW)	

Supporting Documents

Supporting Workbooks

Workbook	Relevance to the Overhead Plan
Business_Transf_overhead_planning_workbook	Provides detailed forecasts for each Network Indirect – ‘Support’ function.
Customer_Service_overhead_planning_workbook	
Property_overhead_planning_workbook	
NW_Regulation_overhead_planning_workbook	
Innovation_overhead_planning_workbook	
Corp_Affairs_overhead_planning_workbook	
HSE_overhead_planning_workbook	
Tech_Training_overhead_planning_workbook	
Procurement_overhead_planning_workbook	
ESO_overhead_planning_workbook	
Fleet_overhead_planning_workbook	

Supporting Documents

Workbook	Relevance to the Overhead Plan
12.1.17 Fleet Business Plan	Provides details of Fleet expenditure forecast (including non-system capex)
12.1.18 Property Business Plan	Provides details of Property expenditure forecast (including non-system capex)

Essential Energy

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