Response to the Regulatory Information Notice

Under Division 4 of Part 3 of the National Electricity (New South Wales) Law

January 2023

essential energy

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4 Supporting Information Requirements

4.1 Requirement to provide supporting information under this notice

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4.1.1	Essential Energy must prepare and provide the AER with the supporting information set out in sections 4, 5 and 6 of this notice.	See responses provided in sections 4, 5 and 6 of this notice as below.

4.2 Information used for the purposes of preparing the regulatory proposal

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Consultant reports, material assumptions, etc			
4.2.1	Provide information used for the purposes of preparing the regulatory proposal including:	(a) all consultants' reports commissioned and relied upon in whole or in part;	The following consultant's reports were relied upon in the preparation of this Regulatory Proposal: > Attachment 4.03 Planning Phase Engagement Report - Woolcott > Attachment 4.04 Phase 1 Engagement Report - Woolcott > Attachment 4.05 Phase 2 Engagement Report - Woolcott > Attachment 4.06 Phase 2 Engagement Survey Report - Woolcott > Attachment 4.07 Phase 3 Engagement Report - Woolcott > Attachment 4.08 Deep Dive Engagement Report - Woolcott > Attachment 4.09 Phase 4 Engagement Report - Woolcott > Attachment 4.10 Public lighting Survey Engagement Report - Woolcott > Attachment 4.11 Public lighting Phase 1 Engagement Report - Woolcott > Attachment 4.12 Public lighting Phase 2 Engagement Report - Woolcott > Attachment 4.13 Public lighting Phase 3 Engagement Report - Woolcott > Attachment 4.14 Public lighting Phase 4 Engagement Report - Woolcott > Attachment 4.15 Independent consumer report- Comacon > Attachment 6.01 Climate Impact Assessment - KPMG > Supporting document 7.01.01 Hosting Capacity Study - Zepben > Supporting document 09.03.01 TMF Forecasts - iCare > Supporting document 09.03.02 Insurance Premium Projections Report - Marsh

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			> Attachment 9.04 Labour escalator forecasts > Attachment 9.05 Materials and land escalator forecasts > Attachment 11.01 Customer number, energy consumption and demand forecasts
		(b) all material assumptions relied upon;	Refer to Attachment 9.02 - Key Assumptions to the Regulatory Proposal for all details relating to our key assumptions.
		(c) a table that references each response to this section 4 and where it is provided in or as part of the regulatory proposal;	Our responses are outlined within Section 4 of this document.
		(d) a table that references each document provided in or as part of the regulatory proposal and its relationship to other documents provided; and	Refer to Attachment 15.09 - Regulatory Proposal Document List
		(e) each document identified in the table referred to in section 4.2.1(d) must be given a meaningful filename in the form: Essential Energy – [Author] – [title] – [date] – [public/confidential], where: (i) Author is the author of the file if not Essential Energy for example a consultant or other third party; (ii) Title provides a meaningful description of the content of document, with limited reliance on acronyms or cross references, for example "Appendix 1A" is not meaningful, but "Appendix 1A – Cost allocation method" is; (iii) Date is a relevant date associated with the file, generally the date the document was created, received or finalised; (iv) Public/confidential identifies if the file in its entirety can be published (public); or if it contains any information which is the subject of a claim for confidentiality in accordance with this notice (confidential).	Please see Attachment 15.09 for a full list of all submission documents using the required naming convention.
4.2.2	For each material assumption	(a) its source or basis;	
		(b) if applicable, its quantum;	

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	identified in response to section 4.2.1(b) provide:	(c) whether and how the assumption has been applied and was taken into account; and	Refer to Attachment 9.02 (Key Assumptions to the Regulatory Proposal) for all details relating to our key assumptions
		(d) the effect or impact of the assumption on the capital and operating expenditure forecasts in the forthcoming regulatory control period taking into account: (i) the actual expenditure incurred during the current regulatory control period; and (ii) the sensitivity of the forecast expenditure to the assumption.	
4.2.3	Provide reconciliation of the capital and operating expenditure forecasts provided in the regulatory templates to the proposed capital and operating allowances in the post-tax revenue model for the forthcoming regulatory control period.		All expenditure figures are based on the one data source - we can confirm that the figures reconcile. This is demonstrated in Attachment 15.06 – Opex Capex PTRM Reconciliations.
4.2.4	Where the regulatory proposal varies or departs from the application of any component or parameter of the capital efficiency sharing scheme, efficiency benefit sharing scheme, demand management incentive scheme or service target performance incentive scheme as set out in the framework and	(a) the reasons for the variation or departure, including why it is appropriate;	Essential Energy is looking to make some changes to STPIS: For the customer service component of STPIS, to include a customer service incentive scheme (CSIS) rather than retaining the current telephone answering metric – refer Attachment 8.03 – Customer Service Incentive Scheme (CSIS) For the reliability component of STPIS, to adjust the average five-year historical performance to reflect anticipated improvements in reliability from resilience investments in 2024–29 – refer Attachment 8.04 – Service Target Performance Incentive Scheme (STPIS) approach We are not proposing departures to any of the other schemes
		(b) how the variation or departure aligns with the objectives of the relevant scheme; and	For the CSIS, this aligns with the willingness of the customer to pay for the improved performance in the delivery of the customer service. For the proposed adjustments to the reliability targets, this aligns with taking into account the possible effects of implementing non-network alternatives.

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	approach paper, for each variation or departure explain:	(c) how the proposed variation or departure will impact the operation of the relevant scheme.	The proposed variation to the operation of the customer service component of the STPIS is set out in Attachment 8.03 - Customer Service Incentive Scheme. The proposed variation to the operation of the reliability component of the STPIS is set out in Attachment 8.04 - Service Target Performance Incentive Scheme (STPIS) approach.
Models			
4.2.5	Provide the models Essential Energy has used to:	(a) develop its total forecast capex;	Essential Energy has developed its total forecast capex using the following models: • The system (network) capex forecast is the result of an optimised portfolio, calibrated using historical performance and various modelling techniques. The 2024–29 capex forecast has been optimised through the use of Copperleaf software using a NPV calculation model to maximise the value of the investment portfolio within the optimisation constraints established • Supporting document 6.01.01 Climate Summary Line Graphs - KPMG • Supporting document 10.01.03 – Standard Control Capex Model - provides a combined view of capex. • Supporting document 10.06.12 - Community Resilience Business Case Model • Supporting document 10.07.08 - ICT Business Plan Financial Model (FY25-FY29) • Supporting document 10.08.13 - Fleet Capex Model • Supporting document 10.09.04 Property Capex Model
		(b) derive and apply the materials price changes, including any model(s) developed by a third party;	Refer to Attachment 9.05 – Materials and land escalator forecasts. We did not apply any real price escalators to materials prices.
		(c) develop total forecast opex;	Refer to Supporting Document 9.03.07 - Opex Model
		(d) develop proposed charges for public lighting services in the forthcoming regulatory control period	Refer to Supporting Document 13.03.02 - Public Lighting Model
		(e) forecast new connections and maximum demand;	Refer to Attachment 11.01 Customer number, energy consumption and demand forecasts
		(f) calculate the long run marginal cost estimates in Essential Energy's proposed tariff structure statement;	Refer to Supporting Document 12.01.01 Long Run Marginal Cost Model
		(g) develop proposed charges for metering services (the AER's Standardised metering	Refer to Supporting Document 13.02.02 Standardised Metering Capex and Opex Model

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		capex and opex model; and the Standardised metering pricing model); and	Refer to Supporting Document 13.02.03 Metering PTRM
		(h) develop proposed charges for ancillary network services (the AER's Standardised ancillary network services model).	Refer to Supporting Document 13.01.02 Standardised Ancillary Network Services Model

4.3 Classification of services

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4.3.1	If the proposed service classifications in the regulatory proposal depart from any of the service classifications set out in the framework and approach paper:	(a) provide, in a second set of regulatory templates, all information required in each regulatory template in accordance with the instructions contained therein, modified as necessary, to incorporate the proposed service classifications; and	Essential Energy is not proposing any departures from the final 2024-29 Framework & Approach for NSW published by the AER in July 2022
		(b) identify and explain where the regulatory templates differ.	

4.4 Capital Expenditure (Capex)

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General			
4.4.1	Provide justification for Essential Energy's total forecast capex, including the following information:	(a) why the total forecast capex is required for Essential Energy to achieve each of the objectives in clause 6.5.7(a) of the NER;	Essential Energy has built a bottom up forecast of capital expenditure which has been challenged by a top down review. All proposed increases in expenditure, as well as new ways of delivering our services, are supported by customers as outlined throughout our regulatory proposal but specifically: > Appendix A to our regulatory proposal – Summary of engagement outcomes > Attachment 4.02 – How engagement informed our proposal The system (network) capex forecast is the result of an optimised portfolio, calibrated using historical performance and various modelling techniques. The 2024-29 capex forecast has been optimised through the use of Copperleaf software using a NPV calculation model to maximise the value of the investment portfolio within the optimisation constraints established.

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			Constraints applied to the total replacement portfolio have been informed through extensive stakeholder engagement and consist of: > Maintain reliability performance (network risk) > Long term reduction of bushfire start risk by 20% over 20 years > Maintain safety performance > Our Strategic Asset Management Plan (SAMP), found at Attachment 10.01, provides our overarching asset management policy and is aligned to ISO 55001. > Underpinning the SAMP are our Asset Management Strategies which explicitly call out our objectives, targets and performance to 6.5.7(a). The following supporting documents to the Proposal provide further details on the necessity, prudency and efficiency of our investment plans: > Attachment 10.02 – Replacement expenditure overview > Attachment 10.03 – Augmentation expenditure overview > Attachment 10.04.01 – Connections expenditure overview > Attachment 10.05 - Future network business case overview > Attachment 10.06 - Resilience expenditure overview Further information on non-system capital expenditure can be found in the following business plans: > Attachment 10.07 - ICT business plan > Attachment 10.08 - Fleet business plan > Attachment 10.09 - Property business plan In addition, Chapter 6 – Risk appetite, reliability and resilience, Chapter 7 – A Network Fit for the Future and Chapter 10 – Capital Expenditure provide overviews of our investments.
		(b) how Essential Energy's total forecast capex reasonably reflects each of the criteria in clause 6.5.7(c) of the NER;	Essential Energy has been focusing on implementing new systems, increasing efficiency and evaluating work programs to determine their value as part of the annual planning process. Using our Appraisal Value Framework (supporting document 6.03.03) as described in Supporting Document 06.03.04 - System Capital Risk and Value Based Investment, programs that have a low value have been reduced to the lowest efficient minimum to meet compliance requirements or cancelled to allow the most efficient use of funds to comply with our obligations and customer expectations. Central to this approach is the need to maintain a good understanding of network condition so that we can intervene at the most cost efficient time within each assets lifecycle.

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			Essential Energy has undertaken industry best practice analysis and top down analysis to ensure that we are continually improving our efficiency and identifying areas with opportunities for further improvement. Our investment optimisation process ensures our investment is necessary, prudent, realistic and efficient. Further, our Strategic Asset Management Plan (Attachment 10.01) and Asset Management Objectives articulate our network objectives in relation to reliability, safety, quality and compliance.
		(c) how Essential Energy's total forecast capex accounts for the factors in clause 6.5.7(e) of the NER;	(4) Essential Energy's own running of the AER's benchmark models indicates that our level of CAPEX expenditure for 2025-2029 is efficient and anticipates that a similar exercise by the AER will show the same. These results can be seen in our System Capital Risk and Value Based Investment document (6.03.04). Essential Energy has been holding steady in recent years under the Multilateral Total Factor Productivity (MTFP) and is currently ranked 9th according to the latest Annual Benchmarking Report. The capex efficiency level had improved in the latest report, although the ranking moved from 9th to 10th. (5) Essential Energy's forecasted capital expenditure for the 2025-29 regulatory proposal is slightly higher than the previous regulatory period as illustrated in Chapter 10 – Capital Expenditure, driven by expenditure plans developed to achieve the outcomes specified by customers during our extensive customer engagement forums (see 5A). (5A) Essential Energy has completed four phases of an extensive customer and stakeholder engagement program that has fed directly into our capital expenditure forecasts. Further details can be found throughout our regulatory proposal but specifically: > Chapter 4 – Our Customer Engagement > Appendix A to our regulatory proposal – Summary of engagement outcomes > Attachment 4.02 – How engagement informed our proposal (6) Details for Essential Energy inputs can be found in supporting document 10.01.04 - Capital Unit Rates (7) Essential Energy is focused on achieving lowest life cycle analysis. Capital investment options consider a range of possible solutions including network and non-network options, with each option considering opex trade-offs in a risk versus value framework, using program and portfolio optimisation tools to assist in the building of the investment portfolio and program of works. Essential Energy utilises this capability to optimise program options against risk and the value returned to develop an optimised portfolio. Essential Energy has proposed investments during the 2025-29 period to provide future opex savings to customers, including a transition to composite pole material and the rollout of non-network solution such as SAPS. Both

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			composite poles and SAPS provide a benefit in terms of avoided opex which will be realised in future years as the volumes of these assets increase, at this early stage in their implementation, and with low volumes the opex savings are not yet at a material level to be accounted for in an negative opex step change. Also, as the models that support our optimisation software are continually enhanced and refined, Essential Energy expects to see further optimisation of its portfolio and subsequent efficient consideration of capex and opex trade-offs. In addition, there has been a recent accounting change such that from 1 July 2024, some of Essential Energy's cloud computing costs that were previously treated as capex will now be treated as opex. This re-classification of costs is in addition to the business efficiently substituting away from capital based ICT solutions towards cloud computing. (8) Our capital expenditure forecast is consistent with the Service Target Performance Incentive Scheme (STPIS). We expect slightly improved reliability outcomes as a result of our investments in resilience which have been reflected in our proposed targets for 2024-29. Please see Attachment 8.04 – STPIS approach for further details. (9) All contracts Essential Energy has in place for the delivery of capital works are at arm's length with unrelated third parties. (9A) Essential Energy's capital expenditure forecast does not include any expenditure that should be more appropriately classed as a contingent project. (10) With climate related events increasing, non-network alternatives are a key feature of Essential Energy's 2024-29 capital expenditure plans. Please refer to the following investment cases: > 10.02.12 – Stand Alone Power System (SAPS) Investment Case > 10.06.05 – Resilience Tibooburra Network Investment Case > 10.06.06 - Resilience Gresford Network Investment Case > 10.06.07 - Resilience Bonalbo Network Investment Case > 10.06.08 - Resilience Crookwell Network Investment Case > 10.06.09 - Resilience Murrurundi Network Investment Case > 10.06.10 - Resilience Lake Cargelligo Network Investment Case > 10.06.11 - Community Resilience Investment Case (11) Where applicable, we will follow the regulatory investment test for distribution (RIT-D) process for relevant programs to ensure we are undertaking the

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			most efficient investment in the long term. We have recently undertaken this process for the Master-Subtractive Metering Rectification project which involves opex and capex in the current and future regulatory periods[1]. It is likely that our proactive composite pole replacement program and SAPS deployment program will also follow the RIT-D process. (12) There are no other factors that the AER has requested. Please note that where applicable, we will follow the regulatory investment test for distribution (RIT-D) process for relevant programs to ensure we are undertaking the most efficient investment in the long term. We have recently undertaken this process for the Master-Subtractive Metering Rectification project which involves opex and capex in the current and future regulatory periods[2]. It is likely that our proactive composite pole replacement program and SAPS deployment program will also follow the RIT-D process.
		(d) an explanation of how the plans, policies, procedures and regulatory obligations or requirements identified in Workbook 1 – Forecast, regulatory templates 7.1 and 7.3 have been used to develop forecast capex; and	As discussed above, Essential Energy's Asset Management System is directed by our Strategic Asset Management Plan (Attachment 10.01). Beneath this, a level of Network Strategies, investment cases, policies and procedures enable us to achieve our asset management objectives. Our asset investment cases explicitly demonstrate how these documents inform our decision making and justify expenditure. A listing of these investment cases can be found at: > Attachment 10.02 - Replacement expenditure overview > Attachment 10.03 - Augmentation expenditure overview > Attachment 10.04.01 - Connections expenditure overview > Attachment 10.05 - Future network business case overview > Attachment 10.06 - Resilience expenditure overview > Attachment 10.07 - ICT business plan > Attachment 10.08 - Fleet business plan > Attachment 10.09 - Property business plan
		(e) an explanation of how each response provided to paragraph 4.4.1 (a) to (d) is reflected in any increase or decrease in expenditures or volumes, particularly between the current and forthcoming regulatory control periods,	Chapter 10 – Capital Expenditure provides an overview category level capital expenditure for the 2024-29 period compared to the previous three regulatory periods. Total capital expenditure is expected to increase by $124M (4.8%) from $2,572 in 2019-24 to $2,696M in 2024-29 (all $FY24). This increase is driven by:

[1] Essential Energy, *Final Project Analysis Report – MSM*, April 2022 Link

[2] Essential Energy, *Final Project Analysis Report – MSM*, April 2022 Link

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		provided in Workbook 1 – Forecast, regulatory templates 2.1 to 2.11.	> Repex is forecast to increase on average by $9M per annum mainly due to resilience spend and transition to composite poles > Augmentation expenditure (Augex) is forecast to increase on average by $9M per annum mainly due to increased resilience spend, > Connections expenditure is forecast to increase on average by $20M per annum because of fairer application of policy and shared network arrangements > Export services is a new category and will be an average of $18M per annum to prepare for future uptake of solar PV and EVs > ICT capex is forecast to decrease on average by $22M per annum due to a combination of the change in accounting treatment for cloud computing and a reduction in the ICT transformation investment program. > Fleet capex is forecast to decrease on average by $1M per annum > Property capex (excluding capitalised leases) is forecast to increase on average by $2M per annum primarily due to the cost of relocating the Lismore Depot > Capitalised leases are forecast to decrease by an average of $8M per annum > Other non-system capex is forecast to decrease by an average of $2M per annum Refer to the capital expenditure overviews (10.02, 10.03, 10.04.01, 10.05, 10.06) and non-system business plans (10.07, 10.08, 10.09) provided under Chapter 10 – Capital Expenditure, and Supporting Document 06.03.04 - System Capital Risk and Value Based Investment (RVBI).
4.4.2	Identify which items of Essential Energy's forecast capex are:	(a) derived directly from competitive tender processes;	All procurement for plant, material and outsourced labour uses a competitive tender process in accordance with Essential Energy's procurement processes and procedures. Fully outsourced programs include: > Pole staking > Over heads service mains program > All property capex
		(b) based upon competitive tender processes for similar projects;	All procurement for plant, material and outsourced labour uses a competitive tender process and form the basis of unit rates. The methodology for these unit rates can be found in supporting document 10.01.04 - Capital Unit Rates
		(c) based upon estimates obtained from contractors or manufacturers;	The following investment cases (supporting documents) are based on costs from recent trials: > 10.02.12 – Stand-alone power systems (SAPS) investment case > 10.06.05 – Resilience Tibooburra Network Investment Case

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			> 10.06.06 - Resilience Gresford Network Investment Case > 10.06.07 - Resilience Bonalbo Network Investment Case > 10.06.08 - Resilience Crookwell Network Investment Case > 10.06.09 - Resilience Murrurundi Network Investment Case > 10.06.10 - Resilience Lake Cargelligo Network Investment Case Supporting document 10.09.01 – Lismore depot relocation investment case is based on a Cost Consultant estimate.
		(d) based upon independent benchmarks;	Fleet – Energy Industry benchmarks on fleet life cycles Property – Supporting document 10.09.03 - Property Asset Condition Assessment - Building Asset Health Report - is based on cost benchmarks Repex model scenarios incorporate NEM unit rate benchmarking
		(e) based upon actual historical costs for similar projects; and	The majority of Essential Energy's 2024-29 forecast capital expenditure is based on some form of historical actual costs, for example unit rates derived from actual costs or costs based on similar projects. As mentioned above, procurement for plant, material and outsourced labour uses a competitive tender process in accordance with Essential Energy's procurement processes and procedures.
		(f) reflective of any amounts for risk, uncertainty or other unspecified contingency factors, and if so, how these amounts were calculated and deemed reasonable and prudent.	Supporting document 10.09.01 – Lismore depot relocation investment case includes a 10% contingency due to the project being in very early stages and limited knowledge of the final location of the new depot.
4.4.3	Provide all documents which were materially relied upon and relate to the deliverability of forecast capex and explain the proposed deliverability		Refer to Supporting document 10.01.01 - Essential Energy's System Deliverability Plan
Capex categories			
4.4.4	Describe each capex	(a) key drivers for expenditure;	Our regulatory proposal outlines the key drivers of our capital expenditure, specifically:

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	category and expenditures relating to these categories identified in the regulatory templates, including:		> Chapter 6 – Risk appetite, reliability and resilience > Chapter 7 – A network fit for the future > Chapter 10 – Capital Expenditure All proposed increases in expenditure, as well as new ways of delivering our services, are supported by customers as outlined throughout our regulatory proposal, but specifically: > Chapter 4 – Our Customer Engagement > Appendix A to our regulatory proposal – Summary of engagement outcomes > Attachment 4.02 – How engagement informed our proposal.
		(b) an explanation of how expenditure is distinguished between: (i) greenfield driven and reinforcement driven augex; (ii) connections expenditure and augmentation capex; (iii) replacement capex driven by condition and asset replacements driven by other drivers (e.g. the need for greenfield or reinforcement driven augex); and (iv) any other capex category or opex category where Essential Energy considers that there is reasonable scope for ambiguity in categorisation.	(i) Greenfield driven augex is derived from projects with a new Substation or new HV/LV lines. All other augex is reinforcement driven augex. (ii) Connections expenditure is expenditure that meets our connections policy requirements. Augmentation capex is expenditure on new or existing shared network. (iii) Replacement capex is typically driven by condition, while augmentation capex is typically driven by growth, resilience & reliability. (iv) No other capex or opex categories have been identified where there is reasonable scope for ambiguity in categorisation.
Replacement capex modelling			
4.4.5	In relation to information provided in *Workbook 1 – Forecast, regulatory template* 2.2 and with respect to the *AER's repex model*, provide:	(a) For individual *asset* categories in each *asset* group set out in the *regulatory templates*, provide in a separate document a description of the *asset* category, including: (i) the *assets* included and any boundary issues (i.e. with other *asset* categories); (ii) an explanation of how these matters have been accounted for in determining quantities in the age profile; (iii) an explanation of the main drivers for replacement (e.g. condition); and (iv) an explanation of whether the replacement unit cost provides for a complete replacement of the *asset*, or some other activity, including an extension of the *asset's* life	Refer to Attachment 10.02 - Replacement Expenditure Overview for a list of repex investment cases and other supporting documents. Customers support our move to the broader use of composite poles in our normal replacement program. See: > Appendix A to our regulatory proposal – Summary of engagement outcomes > Attachment 4.02 – How engagement informed our proposal.

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		(e.g. *pole* staking) and whether the costs of this extension or other activity are capitalised or not.	
Connections expenditure			
4.4.6	Provide and describe the methodology and assumptions used to prepare the forecasts of *connection* works including:	(a) Estimation of *connection* unit costs for each *customer* type; and	For each customer type the forecast costs for distribution substation installed and HV and LV augmentation (including new relays for residential customers) were added to estimate the cost metrics by connection classification as specified in supporting document 10.04.02 - Connections Investment Case. Customers support us paying an appropriate share for connections where the benefits to customers of the new connection outweigh the costs – see Appendix A to our regulatory proposal – Summary of engagement outcomes.
		(b) *Connection* volumes for each *customer* type.	The annual rate of change forecast in RIN table 6.2.4 Distribution Customer Numbers was used to forecast the additional customers expected over time. The starting point used was the number of connections added to the network in 2021–22.
4.4.7	*Essential Energy* must provide its estimation of *customer contributions* based upon the estimated life and revenue to be recovered from *connection assets*, including:	(a) the expected life of the *connection*;	Essential Energy forecasts future estimates of customer contributions using historic actuals, extracted from the relevant systems. Capital contributions are calculated using the cost incurred in providing the connection. The calculation does not use the incremental revenue gained from the connection. Essential Energy does not use the expected life of the connection when estimating customer contributions.
		(b) the *average* consumption expected by the *customer* over the life of the *connection*; and	Essential Energy does not use consumption when estimating customer contributions, as incremental revenue is not used.
		(c) any other factors that influence the expected recovery of the *Essential Energy network* use of system charge to *customers*.	The most significant factor that influences the expected recovery of network use-of-system charges is the X-factor. Essential Energy does not use use-of-system charges when calculating customer contributions, as incremental revenue is not used.
Non-network alternatives			
4.4.8	Identify the policies and strategies and procedures in the response to Workbook 1 – Forecast, regulatory template 7.1 which relate to the selection of efficient non-network solutions.		Essential Energy's policies and strategies relating to efficient selection of non-network solutions are included in: > Attachment 10.01 – Strategic Asset Management Plan > Supporting document 10.01.05 – Asset Management Policy > Supporting document 10.01.02 – Demand Management Plan

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			> Supporting document 10.02.12 – Standalone Power Systems (SAPS) Investment Case > Supporting documents 10.06.05 – 10.06.11 Resilience investments cases Customers support us moving to SAPS where it makes economic sense, especially given they improve reliability for our remote customers – see Appendix A to our regulatory proposal – Summary of engagement outcomes.
4.4.9	Explain the extent to which the provision for efficient non-network alternatives has been considered in the development of the forecast capex and forecast opex proposals.		With climate related events increasing, non-network alternatives are a key feature of Essential Energy's 2024-29 capital expenditure plans. Customers support us moving to SAPS and investing in microgrids where it makes economic sense, especially given they improve reliability for our remote customers. They also strongly support us investing to improve community resilience – see Appendix A to our regulatory proposal – Summary of engagement outcomes. Please refer to the following supporting documents: > 10.02.12 - SAPS Investment Case > 10.06.05 - Resilience Tibooburra Network Investment Case > 10.06.06 - Resilience Gresford Network Investment Case > 10.06.07 - Resilience Bonalbo Network Investment Case > 10.06.08 - Resilience Crookwell Network Investment Case > 10.06.09 - Resilience Murrurundi Network Investment Case > 10.06.10 - Resilience Lake Cargelligo Network Investment Case > 10.06.11 - Community Resilience Investment Case In addition, attachment 10.05 – Future Network Business Case Overview, outlines other efficient non-network alternatives.
4.4.10	Identify each non-network alternative that Essential Energy has:	(a) commenced during the current regulatory control period; and	Trial of SAPS and microgrids this period: > Installation of trial Bushfire Emergency Response SAPS (6 Residential SAPS and 3 Commercial SAPS for Telecommunications) > Trial Hydrogen SAPS Bulahdelah > Zone Substation Base Microgrid (Diesel Generator) at Urbenville and Ivanhoe > Network Battery installation at Port Macquarie 1MW 2MWh
		(b) selected to commence during, or will continue into, the forthcoming regulatory control period.	During the remainder of the 2019-24 regulatory period, Essential Energy propose to engage with up to 20 customers for the deployment of SAPS of which 4 are in design stage during FY23. Essential Energy has proposed a program of SAPS to be implemented over the coming Regulatory

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			Control Period, as detailed in supporting document 10.02.12 - SAPS Investment Case. Essential Energy has also proposed 6 Microgrids sites to be implemented over the coming Regulatory Control Period, to address the network resilience for customers impacted by long duration weather related outages, these are detailed in supporting documents 10.06.05 through to 10.06.10. > 10.06.05 – Resilience Tibooburra Network Investment Case > 10.06.06 - Resilience Gresford Network Investment Case > 10.06.07 - Resilience Bonalbo Network Investment Case > 10.06.08 - Resilience Crookwell Network Investment Case > 10.06.09 - Resilience Murrurundi Network Investment Case > 10.06.10 - Resilience Lake Cargelligo Network Investment Case Learnings from the installation of microgrids at Urbenville and Ivanhoe this period have been factored into the proposals for the sites listed above. The investments proposed for 2024-29 are consistent with customer and stakeholder engagement feedback as outlined in Appendix A to our regulatory proposal – Summary of engagement outcomes, and Attachment 4.02 – How engagement informed our proposal.
4.4.11	For each non-network alternative identified provide a description, including cost and location.		Please refer to the following supporting documents: > 10.02.12 - SAPS Investment Case > 10.06.05 – Resilience Tibooburra Network Investment Case > 10.06.06 - Resilience Gresford Network Investment Case > 10.06.07 - Resilience Bonalbo Network Investment Case > 10.06.08 - Resilience Crookwell Network Investment Case > 10.06.09 - Resilience Murrurundi Network Investment Case > 10.06.10 - Resilience Lake Cargelligo Network Investment Case > 10.06.11 - Community Resilience Investment Case In addition, attachment 10.05 – Future Network Business Case Overview, outlines other efficient non-network alternatives.
4.4.12	Provide, for each year of the current regulatory control period, and	(a) Essential Energy's distribution network; or (b) the relevant transmission network.	No payments have been made to embedded generators as a result of deferring augmentation. We are continually investigating making payments to embedded generators to defer augex.

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	for the forthcoming regulatory control period, details of each payment made, or expected to be made, by Essential Energy to an embedded generator in reflection of any costs avoided by deferring augmentation of:		

4.5 Forecast input price changes

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
4.5.1	Provide:	(a) information supporting or relied upon that explain the change in the price of goods and services purchased by Essential Energy, including evidence that any materials price forecasting method explains the price of materials previously purchased by Essential Energy.	We sourced land and materials escalators from BIS Oxford Economics. Refer to Attachment 9.05 – Materials and land escalator forecasts. Essential Energy did not apply any real escalators to land or materials.
4.5.2	Provide also an explanation of:	(a) the methodology underlying the calculation of each price change, including: (i) sources; (ii) data conversions; (iii) the operation of any model(s) provided under paragraph 4.2.5(b); and (iv) the use of any assumptions such as lags or productivity gains.	We sourced land and materials escalators from BIS Oxford Economics. Refer to Attachment 9.05 – Materials and land escalator forecasts. Essential Energy did not apply any real cost escalators to land or materials.
		(b) whether the same price changes have been used in developing both the forecast capex proposal and forecast opex proposal; and	The same assumptions have been applied to both opex and capex forecasts.

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
		(c) if the same price changes have not been used in developing both the forecast capex proposal and forecast opex proposal, why it is appropriate for different expenditure escalators to apply.	n/a

4.6 Operating and maintenance expenditure

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
Total forecast operating and maintenance expenditure (opex)			
4.6.1	Provide:	(a) justification for *Essential Energy's* total *forecast opex*, including: (i) why the proposed total forecast *opex* is required for *Essential Energy* to achieve each of the objectives in clause 6.5.6(a) of the *NER*; (ii) how *Essential Energy's* total forecast *opex* reasonably reflects each of the criteria in clause 6.5.6(c) of the *NER*; and (iii) how Essential Energy's total forecast opex accounts for the factors in clause 6.5.6(e) of the NER.	Refer to Attachment 9.03 - Opex approach, 9.04 Labour escalator forecasts, and Chapter 10. We have sourced land and materials escalators from BIS Oxford Economics. Refer to Attachment 9.05 – Materials and land escalator forecasts. Essential Energy did not apply any real cost escalators to land or materials. All proposed increases in expenditure, as well as new ways of delivering our services, are supported by customers as outlined throughout our regulatory proposal but specifically: > Appendix A to our regulatory proposal – Summary of engagement outcomes > Attachment 4.02 – How engagement informed our proposal.
4.6.2	If *Essential Energy* used a *revealed cost base year* approach to develop its total forecast *opex* proposal, provide:	(a) explanation and justification for why that base year represents efficient and recurrent costs.	Refer to Attachment 9.03 - Opex approach.
4.6.3	If *Essential Energy* does not use a *revealed cost base year* approach to develop its total forecast provide:	(a) explanation of major drivers for the increases and decreases in expenditure by *opex category* in the *forthcoming regulatory control period* compared to actual historical expenditure;	n/a
		(b) explanation and justification for: (i) whether *Essential Energy* considers there is a year of	n/a

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
		historical *opex* that represents efficient and recurrent costs; or (ii) why *Essential Energy* considers no year of historical *opex* represents efficient and recurrent costs.	
Output growth			
4.6.4	Provide:	(a) the output growth drivers Essential Energy used to develop the amount of total forecast opex attributable to output growth;	Refer to Attachment 9.03 Opex Approach. Essential Energy has adopted the approach used in the AER's Opex Model to develop the output growth rate – Supporting Document 09.03.07 – Standard Control Opex Model. Opex Rate of Change model uses a weighted average growth rate based on customer numbers, circuit length, and ratcheted maximum demand to derive output growth forecasts. The growth drivers are outlined in Attachment 11.01 Customer number, energy consumption and demand forecasts. The total forecast opex attributable to output growth has been applied in accordance with the AERs opex model.
		(b) the weight applied to each output growth driver;	
		(c) the forecast amount for each output growth driver;	
		(d) evidence that the growth drivers explain cost changes due to output growth; and	
		(e) an explanation of how, in developing the amount of total forecast opex attributable to output growth Essential Energy applied the above output growth measures.	
Real price changes			
4.6.5	Provide:	(a) the labour and non-labour inputs used to develop the amount of total forecast opex attributable to input price growth;	Refer to above response 4.6.4 (a) Refer to Attachment 9.03 Opex Approach. Essential Energy has adopted the approach used in the AER's Opex Model to develop the input price growth – Supporting Document 09.03.07 – Standard Control Opex Model. Refer to Attachment 9.04 Labour escalator forecasts. We have sourced labour escalators from BIS Oxford Economics.
		(b) the weight applied to each labour and non-labour input;	
		(c) the forecast growth rate applied to each labour and non-labour input; and	
		(d) an explanation of how, in developing the amount of total forecast opex attributable to changes in the price of labour and non-labour inputs, Essential Energy applied the real price measures in Workbook 1 – Forecast, regulatory template 2.14.	
Productivity change			
4.6.6	Provide, in percentage year on year terms, the productivity		Refer to Attachment 9.03 Opex Approach

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
	measure that *Essential Energy* used to develop the amount of total forecast *opex* attributable to changes in productivity.		
4.6.7	Provide an explanation of:	(a) how, in developing the amount of total forecast opex attributable to changes in productivity, Essential Energy applied the productivity measure;	Refer to Attachment 9.03 Opex Approach
		(b) whether Essential Energy's forecast productivity changes capture the historical trend of cost increases due to changes in regulatory obligations or requirements and industry best practice.	
Step changes			
4.6.8	Provide an explanation of why Essential Energy considers:	(a) the efficient costs of the step change are not provided by other components of Essential Energy's total forecast opex such as base opex, output growth, real price growth or productivity growth;	Refer to Attachment 9.03 Opex Approach
		(b) the total forecast opex will not allow Essential Energy to achieve the objectives in clause 6.5.6(a) of the NER unless the step change is included; and	
		(c) the total forecast opex will not reasonably reflect the criteria in clause 6.5.6(c) of the NER unless the step change is included.	
4.6.9	For each step change in forecast expenditure, provide a description of the step change and an explanation of:	(a) when the change occurred, or is expected to occur;	Refer to Attachment 9.03 Opex Approach
		(b) what the driver of the step change is;	
		(c) how the driver has changed or will change (for example, revised legislation may lead to a change in a regulatory obligation or requirement); and	
		(d) whether the step change is recurrent in nature.	
4.6.10		(a) the relevant opex category;	Refer to Attachment 9.03 Opex Approach

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
	For each step change in forecast expenditure, provide justification for when, and how, the step change affected, or is expected to affect:	(b) the relevant capex category;	
		(c) total opex; and	
		(d) total capex.	
4.6.11	For each step change in forecast expenditure, provide the process undertaken by Essential Energy to identify and quantify the step change; provide cost benefit analysis that demonstrates how Essential Energy proposes to address the step change in a prudent and efficient manner, including:	(a) the timing of the step change; and	Refer to Attachment 9.03 Opex Approach
		(b) if *Essential Energy* considered a 'do nothing' option, evidence of how *Essential Energy* assessed the risks of this option compared with other options.	
4.6.12	For each *step change* in forecast expenditure, where the *step change* is due to a change in a *regulatory obligation or requirement* provide:	(a) relevant variations or exemptions granted to *Essential Energy* during the *previous regulatory control period* or the *current regulatory control period*	n/a
		(b) any relevant compliance audits *Essential Energy* conducted during the *previous regulatory control period* or the *current regulatory control period*.	n/a
		(c) with reference to specific clauses of the relevant legislative instrument(s), the: (i) previous *regulatory obligation or requirement*; and (ii) how the changed *regulatory obligation or requirement* is driving the *step change*.	n/a

4.7 Ancillary network services

RIN Section	RIN Section Question	Essential Energy Response
4.7.1	Provide a description of each *ancillary network service* listed in the *Standardised ancillary network services model* published by the *AER*.	Refer 13.01.01- ANS Service Schedule

4.8 Public lighting services

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
4.8.1	Specify which items are *capex* and *opex* for each year of the *current regulatory control period* and forecast for the *forthcoming regulatory control period.*		Refer supporting document 13.03.02- Public Lighting Model
4.8.2	Provide unit costs for the *current regulatory control period* and forecast for the *forthcoming regulatory control period* for:	(a) luminaires;	Refer supporting document 13.03.02- Public Lighting Model
		(b) dedicated street lighting *poles*;	
		(c) brackets;	
		(d) lamps;	
		(e) photoelectric cells;	
		(f) labour rate (per hour); and	
		(g) miscellaneous materials.	
4.8.3	Provide the depreciation period in years for each type of luminaire.		Refer to Attachment 13.03 - Public Lighting Explanatory Document for economic lives of assets.
4.8.4	Provide the bulk change cycle in years for lamps and photoelectric cells.		For lamps, see Attachment 13.03 Public Lighting Explanatory Document. For photoelectric cells, Essential Energy is not proposing a bulk change cycle, only replacing as they fail.
4.8.5	Provide details of the *average* replacement age of each type of luminaire.		Refer to Attachment 13.03 - Public Lighting Explanatory Document
4.8.6	Provide the number of luminaires, by type, for the current and *forthcoming regulatory control periods*.		Refer to Supporting Document 13.03.02 - Public Lighting Model
4.8.7	Provide the number of luminaires, *poles* and brackets replaced per year, for the current and *forthcoming regulatory control periods*.		Refer to Supporting Document 13.03.02 - Public Lighting Model
4.8.8	Provide details, including assumptions used, for any other costs that are incurred for the provision of *public lighting services*.		Refer to Attachment 13.03 Public Lighting Explanatory Document and Supporting Document 13.03.02 - Public Lighting Model.
4.8.9	Provide the reasons for assumptions underpinning the proposed charges as set out in the models and/or modelling for public lighting for the *forthcoming regulatory control period* provided in response to 4.2.5(d) of this *notice*.		Refer to Attachment 13.03 - Public Lighting Explanatory Document. Our public lighting proposal is underpinned by engagement with our councils as outlined in Attachment 4.02 – How engagement informed our proposal. We will continue to engage with councils in 2023.
4.8.10	For *public lighting services*, specify the number of *customers* in each year of the *current regulatory control period*, and forecast for the *forthcoming regulatory control period*.		Refer to Supporting Document 13.03.02 - Public Lighting Model

4.9 Incentive schemes

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
Efficiency benefit sharing scheme			
4.9.1	For the purposes of applying the *efficiency benefit sharing scheme*:	(a) identify all cost categories proposed to be excluded from the operation of the *efficiency benefit sharing scheme*;	We have prepared our EBSS in accordance with the AER's guideline which accounts for excluded cost categories and adjustments. Essential Energy has not made any other adjustments or exclusions. Refer to Attachment 5.08 - EBSS and CESS approach
		(b) explain for each cost category identified the reasons for the proposed exclusion.	We have prepared our EBSS in accordance with the AER's guideline which accounts for excluded cost categories and adjustments. Essential Energy has not made any other adjustments or exclusions. Refer to Attachment 5.08 - EBSS and CESS approach
Service target performance incentive scheme and customer service incentive scheme			
4.9.2	If *Essential Energy* proposes to apply an *incentive design* under the *AER's Customer Service Incentive Scheme*, this proposal must meet the requirements under clause 3.3 of the *Customer Service Incentive Scheme*.		Essential Energy is proposing a new customer and stakeholder supported Customer Service Incentive Scheme that will meet the requirements of clause 3.3, as detailed in: > Attachment 4.02 – How engagement informed our proposal > Attachment 8.03 – Customer Service Incentive Scheme > Attachment 8.04 – Service Target Performance Incentive Scheme (STPIS) approach. Our attachments describe how we engaged closely with customers to develop a scheme that satisfies the design scheme criteria. It is based on three customer service measures which customers value and would like to see improved - these will replace the current telephone answering parameter. The targets and weightings for each measure have also been consulted on with customers and reflect their feedback. Our CSIS model clearly sets out the relevant calculations for each parameter.

4.10 Indicative impact on annual electricity bills

RIN Section	RIN Section Question	Essential Energy Response
4.10.1	For the purposes of calculating the impact of Essential Energy's regulatory proposal on the annual electricity bill of typical residential and business customers in New South Wales, provide the data source for each input used for the calculation.	Refer to Reset RIN workbook 5 – Table 7.6 Indicative bill impact which refers to the data source for each input.

4.11 Proposed tariff structure statement

RIN Section	RIN Section Question	**Essential Energy** Response
4.11.1	Provide and describe the methodology and assumptions used to prepare the *long run marginal cost* estimates in *Essential Energy's tariff structure statement*.	Refer to Chapter 2 of Attachment 12.02 Tariff Structure Explanatory Statement – Designing our proposed distribution charges under the NER
4.11.2	Describe the relationship between the expenditure, demand and other inputs (as appropriate) used in the model provided under this section and the expenditure, demand and other forecasts (as appropriate) provided as part of the building block proposal for the *forthcoming regulatory control period*.	Refer to Chapter 2 of Attachment 12.02 Tariff Structure Explanatory Statement – Designing our proposed distribution charges under the NER
4.11.3	If *Essential Energy* calculates the *long run estimate cost estimates* using a method different from the Average Incremental Cost method, *Essential Energy* must provide all inputs, definitions and sources for inputs, a description of the methodology, and calculations for every stage of the methodology in the in the materials submitted to the *AER*.	Essential Energy uses the average incremental cost method
4.11.4	Describe the methods and assumptions used to derive the disaggregated *capex* beyond the *forthcoming regulatory control period*. Provide any model(s) used to derive such *capex*.	The methods and assumptions used to derive capex beyond the forthcoming regulatory control period (2029-34) are consistent with those used for the 2024-29 regulatory control period. Connections expenditure was calculated from the budget breakdown of Connections expenditure by voltage level (ST, HV, LV). Augmentation expenditure related to customer demand was calculated from the 'Augex attributable to customer demand', broken down by voltage level (ST, HV, LV) using 'Augex voltage split'. Augmentation expenditure related to network exports was calculated from the 'Augex attributable to DER', broken down by voltage level (ST, HV, LV) using 'Augex voltage split'. Associated replacement expenditure was calculated from total repex using 'Growth related Repex as proportion of total Repex', broken down by voltage & asset type (ST, HV Lines & Cables, HV Subs, LV Lines & Cables)
4.11.5	Describe the methods and assumptions used to derive the disaggregated *opex* beyond the *forthcoming regulatory control period*. Provide any model(s) used to derive such *opex*.	The methods and assumptions used to derive opex beyond the forthcoming regulatory control period (2029-34) are consistent with those used for the 2024-29 regulatory control period. Opex was calculated as a percentage of capital expenditure using 'Opex as a proportion of Capex', broken down by voltage level (ST, HV, LV).
4.11.6	Describe the methods and assumptions used to derive the disaggregated demand beyond the *forthcoming regulatory control period*. Provide any model(s) used to derive such demand.	Refer to Attachment 11.01 Customer number, energy consumption and demand forecasts.

4.12 Rate of return

RIN Section	RIN Section Question	Essential Energy Response
4.12.1	For the purposes of assessing *Essential Energy's* proposal we require it to provide 'placeholder' averaging periods which will be made public and have been used to calculate an indicative rate of return in *Essential Energy's regulatory proposal*.	The placeholder averaging periods, which Essential Energy have used to calculate an indicative rate of return, are provided in Attachment 5.03 - Allowed Rate of Return.

4.13 Regulatory asset base

RIN Section	RIN Section Question	Essential Energy Response
4.13.1	If the value of the *regulatory asset base* as at the start of the *forthcoming regulatory control period* is proposed to be adjusted because of changes to *asset* service classification, provide details including relevant supporting information used to calculate that adjustment value.	The opening RAB at 1 July 2024 is not proposed to be adjusted for any asset service classification changes.
4.13.2	Provide details of any departure in the allocation of actual *capex*, *asset* disposal and *customer contribution* values across *asset* classes in the *roll forward model* from those reported in the Annual Reporting RIN for the relevant *regulatory years* and the reasons for that departure.	There are no departures in the allocation of actual capex, asset disposal and customer contribution values in the RFM from those reported in the Annual Reporting RIN for any years.

4.14 Depreciation schedules

RIN Section	RIN Section Question	Essential Energy Response
4.14.1	Identify any changes to standard *asset* lives for existing *asset* classes from the previous *determination*. Explain the reason(s) for each change and provide supporting information.	There are no proposed changes to standard asset lives for existing asset classes.
4.14.2	Identify any changes in the *post-tax revenue model* to *asset* classes from the previous *determination*. Explain the reason(s) for using these new *asset* classes and provide supporting information on their proposed standard *asset* lives.	One new class is proposed for Distributed Energy Resources (DER) - refer to this RIN response, questions 4.4.8 to 4.4.11 Non-network Alternatives. New microgrids and SAPS are being installed to improve resilience and do not fit under existing classes.
4.14.3	If any existing *asset* classes from the previous *determination* are proposed to be removed and their residual values to be reallocated to other *asset* classes in the *post-tax revenue model*, explain the reason(s) for the change and provide supporting information. This should include a demonstration of the *materiality* of the change on the forecast depreciation allowance.	There are no proposed removals to existing asset classes.

4.15 Corporate tax allowance

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
4.15.1	Identify each change to standard tax *asset* lives for existing *asset* classes from the previous *determination*. Explain the reason(s) for the change and provide relevant supporting information, including Federal tax laws governing depreciation for tax purposes.		There are no changes to standard tax lives for existing asset classes from that in the previous determination.
4.15.2	Identify each difference in the *capitalisation* of expenditure for regulatory accounting purposes and tax accounting purposes. Provide reasons and supporting calculations to reconcile any differences between the two forms of accounts.		There are no differences in the capitalisation of expenditure for regulatory and tax accounting purposes within the 2024–29 PTRM (Attachment 5.04).
4.15.3	Please provide the following information regarding *immediate expensing capital expenditure* for *standard control services*:	(a) Explain the approach *Essential Energy* used to forecast its *immediate expensing capital expenditure* for the 2024–2029 regulatory control period as provided in the proposed post-tax revenue models.	n/a
		(b) State if *Essential Energy* intends to change its tax policy on *immediate expensing capital expenditure* from its current policy.	
4.15.4	The *post-tax revenue model* applies the diminishing value (DV) method for tax depreciation purposes to all new depreciable *assets* except for certain *assets*. Where *Essential Energy* proposes *capex* associated with buildings and in-house software to be exempted from the DV method of tax depreciation, confirm that the proposal satisfies the following requirements:	(a) Buildings (capital works): *Capex* for buildings may be depreciated using the straight-line (SL) method if it satisfies the definition of a capital work under section 43.20 of the *Income Tax Assessment Act 1997* (ITAA).	n/a
		(b) In-house software: *Capex* for in-house software may be depreciated using the SL method if it satisfies the definition of in-house software under section 995.1 of the ITAA, and may be depreciated using the SL method, consistent with section 40.72 of the ITAA.	

4.16 Related party transactions

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
4.16.1	Identify and describe all entities which:	(a) are a *related party* to *Essential Energy* and contribute to the provision of *distribution services*; or	We do not have any related parties which contribute to the provision of distribution services.
		(b) have the capacity to determine the outcome of decisions about *Essential Energy's* financial and operating policies.	The NSW Treasurer and the NSW Minister for Finance and Employee Relations are the two Shareholding Ministers of Essential Energy

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
			held on behalf of the NSW state. The State Owned Corporations Act 1989 gives the Shareholding Ministers the authority and responsibility to influence the Statement of Corporate Intent (SCI), which sets out the strategic direction, performance targets, and nature and scope of the organisation. NSW Treasury via the Treasurer Directions can influence both financial and operating policies. NSW Cabinet's role is to direct overall Government policy and make decisions about State issues. NSW Cabinet as a group comprises all NSW Ministers.
4.16.2	Provide a diagram of the organisational structure depicting the relationships between all the entities identified in the response to this section 4.16.		Essential Energy is a 100% NSW State Owned Corporation.
4.16.3	Identify:	(a) all arrangements or *contracts* between *Essential Energy* and any of the other entities identified in the response to this section 4.16 currently in place or expected to be in place during the *forthcoming regulatory control period* which relate directly or indirectly to the provision of distribution *services*; and	We have no arrangements or contracts with related parties directly or indirectly related to the provision of distribution services.
		(b) the service or services that are the subject of each arrangement or *contract*.	Not applicable to Essential Energy
4.16.4	For each service identified as the subject of each arrangement or *contract*:	(a) provide: (i) a description of the process used to procure the service; and (ii) supporting documentation including, but not limited to, requests for tender, tender submissions, internal committee papers evaluating the tenders, *contracts* between *Essential Energy* and the relevant provider.	Not applicable to Essential Energy
		(b) explain: (i) why that service is the subject of an arrangement or *contract* (i.e. why it is outsourced) instead of being undertaken by *Essential Energy* itself; (ii) whether the services procured were provided under a standalone *contract* or provided as part of a	

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
		broader operational agreement (or similar); (iii) whether the services were procured on a genuinely competitive basis and if not, why not; and (iv) whether the service (or any component thereof) was further outsourced to another provider by the *related party*.	

5 Basis of Preparation

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
5.1.	Basis of preparation	1. Essential Energy must explain the basis upon which it prepared information to populate the input cells for all information (other than forecast information) in the regulatory templates. 2. The basis of preparation must be a separate document (or documents) that Essential Energy submits with its completed regulatory templates. 3. The basis of preparation must follow a logical structure that enables the AER to clearly understand how Essential Energy has complied with the requirements of this notice.	Refer to Attachment 15.07 – Reset RIN Basis of Preparation

6 Assurance Requirements

RIN Section	RIN Section Question	RIN Sub Section Question	Essential Energy Response
6.1.3	Assurance Requirements	Essential Energy must provide the AER with the audit reports and/or assurance reports as applicable, prepared in accordance with the requirements set out in this section 6.1.	Essential Energy has not provided any actual or estimated financial or non-financial historical information that has not previously been audited.
6.2.4	Statutory Declaration	The *notice* requires a company officer of Essential Energy to attest to the quality of the information provided in response to the *notice*, in accordance with the form of statutory declaration set out in section 6.2.8.	Refer to Attachment 15.08 – CEO Statutory Declaration