Essential Energy

15.07 Reset RIN Basis of Preparation

January 2023

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Purpose

This document has been prepared to align with the AER Regulatory Information Notice in Division 5, part 1, paragraph 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."*

AER's Instructions

The AER requires the Basis of Preparation to follow a logical structure that enables auditors, assurance practitioners and the AER to clearly understand how Essential Energy has complied with the requirements of the Notice. It must be a separate document (or documents) that Essential Energy submits with its completed regulatory templates.

The AER has set out what must be in the Basis of Preparation. This is shown in Table 1 below, which aligns to Division 5, part 2, paragraph 1 and paragraph 2 of the notice.

Table 1: Requirements of the Basis of Preparation

Number	Requirement
5.2.1 (a)	*Demonstrate how the information provided is consistent with the requirements of this notice;*
5.2.1 (b)	*Explain the source from which Essential Energy obtained the information provided;*
5.2.1 (c)	*Explain the methodology Essential Energy applied to provide the required information, including any assumptions Essential Energy made;*
5.2.1 (d)	*Explain, in circumstances where Essential Energy cannot report actual information and therefore must report estimated information:* *(i) why an estimate was required, including why it was not possible for Essential Energy to use actual information;* *(ii) the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Essential Energy's best estimate.*
5.2.2	*Essential Energy may provide additional detail beyond the minimum requirements if Essential Energy considers it may assist a user to gain an understanding of the information presented in the regulatory templates.*

General Approach

Data Quality Issues

Essential Energy has actual data with which is used to complete the majority of the historical information tables in this Reset RIN, but where such data is not available, the tables will be completed with estimated data.

Whilst the business continues moving toward more accurate reporting for the historical component of the Reset RINs, this will take time to filter through to all the required historical reported years. In the meantime, Essential Energy continues to stress concern in relation to the reliance on some of this information provided within these tables for benchmarking and decision-making purposes.

Process Used to Determine if Information is Actual or Estimated

Where actual information is not able to be derived from Essential Energy's financial and information systems, information has been provided using the best available estimate. In circumstances where the AER has recommended an approach for estimating, that approach has been followed as far as practicable and reasons for any variations have been identified and explained.

Estimated Data

As defined in each Worksheet section herein.

Basis Of Preparation

Workbook 2 – Historical Data

Table: 4.2.4 Metering capex

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Data used to populate tables has been produced through automated queries from the EDDiS database, with the queries providing total numbers by type and categories of meters required for completion of these table.

Expenditure Data has been sourced from PeopleSoft and is allocated based on Metering Projects that relate to maintenance. The data reconciles back to Regulatory accounts and is therefore considered actual information.

Methodology & Assumptions

Table 4.2.4 A Meter related costs

No meters have been purchased since early 2017. Since Power of Choice implementation, no new meters are being installed.

Table 4.2.4 B Asset disposal income

No revenue generated.

Table 4.2.4 C Capital contributions

All new metering is either customer or meter provider owned, no capital contributions to report.

Use of Estimated Information

No estimated data was used as parts of this table.

Table: 4.2.5 Meter population - end of year

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Meter population volumes for have been produced through automated queries from the EDDiS database, with the queries providing total number of meters by type required for completion of this table.

Methodology & Assumptions

Meter types were identified using meter install code, voltage, amperes.

Meters still installed were identified using meter status and record start data.

In addition to the data populated on the table, the following table provides further breakdown of meters by the number of phases.

Meter type	Meter type phases and CT/DC	2017-18	2018-19	2019-20	2020-21	2021-22
Meter Type 4	Single phase	-	-	-	-	-
	Multi-phase	71	43	25	21	20
	Current transformer	33	18	12	11	11
	Direct connect	38	25	13	10	9
Meter Type 5	Single phase	130	138	136	122	109
	Multi-phase	384	374	325	272	245
	Current transformer	240	228	189	159	141
	Direct connect	274	284	272	235	213
Meter Type 6	Single phase	1,222,451	1,163,838	1,080,193	1,015,135	954,496
	Multi-phase	156,639	145,551	132,116	121,877	107,843
	Current transformer	6,288	5,524	4,881	4,395	3,678
	Direct connect	1,372,802	1,303,865	1,207,428	1,132,617	1,058,661

Use of Estimated Information

No estimated data was used as parts of this table.

Table: 4.2.6 Meter Actions by Meter Type

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Data used to populate tables has been produced through automated queries from the EDDiS database, with the queries providing total number of meters by type and categories required for completion of these tables.

Methodology & Assumptions

Table 4.2.6 A New meter installations

Meter types were identified using meter install code, voltage, amperes.

Meter installed date was identified using meter status and record start data.

In addition to the data populated on the table, the following table provides further breakdown of meters by the number of phases.

Meter type	Meter type phases and CT/DC	2017-18	2018-19	2019-20	2020-21	2021-22
Meter Type 4	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	-	-	-	-	-
Meter Type 5	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	-	1	-	-	-
Meter Type 6	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	19	-	-	-	-

Table 4.2.6 B Refurbished meters

Since Power of Choice implementation, no new meters are being installed. No meters required refurbishment.

Table 4.2.6 C Replacement meters – End of life

Since Power of Choice implementation, no new meters are being installed. No meters required replacement.

Table 4.2.6 D Replacement meters – Failures and faults

Meter types were identified using meter install code, voltage and amps standing data.

Meter removed date was identified using meter status and record start data.

Meter replacements have ended Since Power of Choice implementation.

In addition to the data populated on the table, the following table provides further breakdown of meters by the number of phases.

Meter type	Meter type phases and CT/DC	2017-18	2018-19	2019-20	2020-21	2021-22
Meter Type 4	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	-	-	-	-	-
Meter Type 5	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	2	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	5	-	-	-	-
Meter Type 6	Single phase direct connect	9426	440	-	-	-
	Multi-phase direct connect	1268	101	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	184	9	-	-	-

Table 4.2.6 K Abolishment's

Meter types were identified using meter install code, voltage and amps standing data.

Meter abolished date was identified using NMI status (X) and record start data.

In addition to the data populated on the table, the following table provides further breakdown of meters by the number of phases.

Meter type	Meter type phases and CT/DC	2017-18	2018-19	2019-20	2020-21	2021-22
Meter Type 4	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	-	-	-	-	-
Meter Type 5	Single phase direct connect	-	-	-	-	-
	Multi-phase direct connect	-	-	1	1	-
	Single Phase current transformer	-	-	-	-	-
	Multi-Phase current transformer	-	2	-	2	-
Meter Type 6	Single phase direct connect	2171	2152	1984	1768	1326
	Multi-phase direct connect	-	-	-	-	-
	Single Phase current transformer	3	-	3	-	-
	Multi-Phase current transformer	22	13	19	8	7

Use of Estimated Information

No estimated data was used as parts of this table.

Table: 4.2.7 ICT Projects CAPEX

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Information for this table is sourced from the Essential Energy ERP system, if applicable.

Methodology & Assumptions

ICT CAPEX relating to Metering services is generally a sub-component of larger ICT projects relating to Essential Energy's customer and market systems. Historical costs have therefore been captured as part of reported total ICT Capex. For this reason, there are no costs attributed to table 4.2.7 Metering ICT Projects Capex.

Use of Estimated Information

No estimated data was used as parts of this table.

Table: 4.2.8 Equipment Population – At End of Year

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Information for this table is sourced from the Essential Energy ERP system, if applicable.

Methodology & Assumptions

Essential Energy does not have any Equipment population used to provide ACS Metering services to report for 2017-2022.

Use of Estimated Information

No estimated data was used as parts of this table.

Table: 7.4.1 Total Unregulated Revenue Earned with Shared Assets

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Unregulated Revenue Earned with shared assets data has been sourced from:

- 2019 Reset RIN for 2014-15 to 2016-17;
- PeopleSoft Financials from 2017-18 to 2020-21; and
- Oracle ERP for 2021-22.

Methodology & Assumptions

- The data for 2014-15 to 2016-17 was taken directly from the 2019 Reset RIN. The 2019 Reset RIN BoP will explain the underlying methodology and assumptions.
- The data for 2017-18 to 2020-21 was sourced directly from PeopleSoft. The classification of revenue was based on department and account combinations, being:
    - NBN Income captured in department 173 and GL accounts 11240 (Sundry Income), 10620 (OOI Misc Income) and 11840 (Access Permit Fees);
    - Fibre Optic Income captured in department 253 and GL accounts 11240 (Sundry Income), 10620 (OOI Misc Income) and 11890 (Access Fees); and
    - Rental Income captured in department 426 up to 2016-17. From 2017-18, Radio Site Rentals is captured in department 901 and Rental Properties through department 426. GL Account 10400 (OOI Rental Income).
- 2021-22 was sourced from Oracle ERP. The classification of revenue was based on cost centre and product combinations, being:
    - NBN Income captured in cost centres 1152 and 2565 with product code 20065;
    - Fibre Optic Income captured in cost centres 2425 and 2565 with product code 20020; and
    - Rental Income captured in cost centres 2615 and 2621 with no product code and in cost centres 2425 and 2565 with product code 20055.

Use of Estimated Information

Historical information does not include the use of estimates.

Table: 7.4.2 Shared Asset Unregulated Services - Apportionment Methodology

Total revenue forecast to be received from Shared Asset Unregulated Services does not reach the revenue materiality threshold of 1% so no apportionment is required.

Workbook 3 - Efficiency Benefit Sharing Scheme (EBSS)

Table: 7.5.1 The Carryover Amounts That Arise from Applying the EBSS During The Current Regulatory Control Period

Compliance with Requirements of the Notice

Essential Energy has:

- Identified the OPEX allowance applicable to the years for which the EBSS applied (2019-20 through to 2023-24);
- Identified the actual and estimated OPEX for the years 2019-20 through to 2022-23 to which the EBSS is to be applied;
- Reconciled actual OPEX (years 2019-20 through to 2021-22) to the Annual Reporting RIN for the 2019-24 period; and
- Reconciled forecast OPEX to the Reset RIN tables and regulatory proposal.

Source of Information

- The OPEX allowance for the 2019-20 through to 2022-23 years in Table 7.5.1 is sourced from the PTRM for the 2019-24 regulatory period, which includes the approved Cost Pass Through values relating to the 2019–20 bushfires and licence condition changes.
- Actual OPEX data (years 2019-20 through to 2021-22) in Table 2 has been sourced from the Annual Reporting RIN
- Forecast OPEX data has been sourced from the business' build-up of costs and forecast allocation rates.

Methodology & Assumptions

Essential Energy is aware that there are different versions of the EBSS model, with different circumstances indicating their relevant application. Essential Energy overspent its allowances in some of the years during the 2019–24 regulatory period. Technically, Essential Energy considers Option 1 to be the correct version to be applied in this instance, which would result in an EBSS penalty of $94 million. However, in the interests of customer affordability, we have applied Option 2. This results in a more favourable outcome for customers in 2024–29, delivering a $118 million penalty to Essential Energy.

Use of Estimated Information

All forecast data within this workbook has been estimated and is based on best estimates available.

Table: 7.5.2 Proposed Forecast OPEX For the EBSS For The Forthcoming Regulatory Control Period

Compliance with Requirements of the Notice

The amount of forecast controllable OPEX has been included in this table.

Forecast OPEX has been reconciled to the OPEX presented in the Reset RIN and the regulatory proposal.

Source of Information

The data has been sourced from the AER Opex Model.

Methodology & Assumptions

The forecast OPEX line is equal to the total OPEX line in the Reset RIN tables on sheet 2.16 OPEX Summary.

This is the total OPEX considered to be controllable by Essential Energy and upon which efficiencies should be based.

Use of Estimated Information

All forecast data is estimated and has been based on best estimates available.

Workbook 4 - Capital Expenditure Sharing Scheme (CESS)

Compliance with Requirements of the Notice

Essential Energy has:

- Identified the CAPEX allowance applicable to the years for which the CESS applied (2019-20 through to 2023-24);
- Identified the actual and estimated CAPEX for the years 2019-20 through to 2023-24 to which the CESS is to be applied;
- Noted any proposed exclusions from either allowed CAPEX or actual/estimated CAPEX in the tables provided;
- Reconciled actual CAPEX (years 2019-20 through to 2021-22) to the RFM for the 2019-24 period; and
- Reconciled forecast CAPEX to the Reset RIN tables and regulatory proposal.

Source of Information

- The CAPEX allowance for the 2019-20 through to 2023-24 years in Table 1 is sourced from the PTRM for the 2019-24 regulatory period, which includes the approved Cost Pass Through values relating to the 2019–20 bushfires and licence condition changes.
- Actual CAPEX data (years 2019-20 through to 2021-22) in Table 2 has been sourced from the RFM for the 2019-24 regulatory period – which in turn is derived from the Annual Reporting RIN
- Forecast CAPEX data has been sourced from the business' build-up of costs and forecast allocation rates.

Methodology & Assumptions

- There were no proposed exclusions from the CESS
- There are no proposed exclusions from actual/forecast data as there is only one project proposed in the current regulatory period that did not proceed. The value of this project ($17M FY19$) is not material in the scheme of the 2019-24 allowance representing less than 1% of the total CAPEX allowance. This has been deferred and re-proposed in the 2024-29 regulatory period.
- Essential Energy is not asking for materially higher CAPEX in the next regulatory period (3% increase from the 2019-24 allowance including approved Cost Pass Through values)

Use of Estimated Information

All forecast data is estimated and has been based on best estimates available.