

Operational Procedure: Asset: Capitalisation

CEOP2416

Before you begin ...

- 1 CHECK that this printed document is the most recent version before you use it
 - The online version of this document is the current version.
- 2 DO NOT unlawfully disclose any restricted information in this document
 - To see how the law applies to you:
 - [Employee](#): Read your contract of employment with Essential Energy
 - [Contractor](#): Read your contract of engagement with Essential Energy
 - Sub-contractor: Read your contract with the contractor engaged by us
 - Accredited Service Providers: comply with Essential Energy policies, state acts and regulations.

COMMERCIAL-IN-CONFIDENCE**Summary**

The Asset Capitalisation policy aims to:

- ACHIEVE a consistent interpretation of capital expenditure across all areas of Essential Energy
- ALIGN the accounting for capital expenditures for both management decision making (Commercial Accounting) and external financial reporting (Financial Accounting)
- MEET the requirements of NSW Treasury's Guidelines for Capitalisation of Expenditure in the NSW Public Sector (TPP 06-6), Australian equivalents to International Financial Reporting Standards (AIFRS), and Urgent Issues Group (UIG) Abstracts.

Positions and Responsibilities

Key positions	Responsibilities
Finance Team	All Sections
Executive Management, Regional General Managers, General Managers, Group Managers, Area Managers, Business Performance Managers, Team Leaders and Work Schedulers, Purchase Requisitioners	4

Contacts

Position	Extension number
Group Manager – Financial Accounting & Treasury	8230
Senior Financial Accountant – Capitalised Assets	8646

COMMERCIAL-IN-CONFIDENCE**CONTENTS PAGE**

1	INTRODUCTION.....	4
2	WHY THESE INSTRUCTIONS ARE IMPORTANT	4
3	CHALLENGES	4
4	THE PROCEDURES	5
4.1	Capitalisation Threshold.....	5
4.2	Asset Definition	5
4.3	Asset Recognition	6
4.3.1	Assets constructed for own use	6
4.3.2	Asset Replacement	6
4.3.3	Asset Enhancement	7
4.3.4	Gifted Assets	7
4.3.5	Training	8
4.4	Maintenance	8
4.4.1	Major Periodic Maintenance (MPM).....	8
4.5	Information Technology Assets (IT Assets)	8
4.5.1	Research Phase of Internally Generated Intangible Assets	9
4.6	Spares for Plant and Equipment.....	9
4.7	Recording of Assets.....	9
4.7.1	Work in Progress (WIP) - Projects	9
4.7.2	Asset Class	9
4.7.3	Depreciation	9
4.7.4	Purchasing – ‘Non- Project’ Assets.....	10
4.8	Capitalisation Checklist.....	10
4.9	Depreciation Rates.....	16
4.10	Expenditure Classification Decision Tree	17
5	REFERENCES.....	18
6	REVISIONS	18

COMMERCIAL-IN-CONFIDENCE**1 INTRODUCTION**

The objectives of this policy are:

- ACHIEVE a consistent interpretation of capital expenditure across all areas of Essential Energy
- ALIGN the accounting for capital expenditures for both management decision making (Commercial Accounting) and external financial reporting (Financial Accounting); and
- MEET the requirements of NSW Treasury's Guidelines for Capitalisation of Expenditure in the NSW Public Sector (TPP 06-6), Australian equivalents to International Financial Reporting Standards (AIFRS), and Urgent Issues Group (UIG) Abstracts.

The policy applies to all areas of Essential Energy and is effective from 1 July 2009. This policy should be read in conjunction with other Essential Energy policies, in particular:

- CEOP2008 - Network: Capital Expenditure
- CEOP2191 - Corporate Finance: Business Case
- CEOP8019 - Networks: Capital Contributions
- CEOP8018 - Networks: Asset Management
- CEOP2133 - Disposal: Management of Unserviceable Distribution Transformers
- CEOP2438 - Procurement: Corporate Procurement.

This policy does not address:

- Assets or maintenance in relation to Australian taxation laws
- Allocation of overheads to capital projects.

2 WHY THESE INSTRUCTIONS ARE IMPORTANT

This document is designed to ensure consistency and create one point of reference for the treatment of Capital expenditure in Essential Energy.

3 CHALLENGES

- Provide consistent interpretation of capital expenditure across all areas of Essential Energy
- Align the accounting for capital expenditures for both management decision making (Commercial Accounting) and external financial reporting (Financial Accounting)
- Ensure we adhere to the NSW Treasury's Guidelines for Capitalisation of Expenditure in the NSW Public Sector (TPP 06-6), Australian equivalents to International Financial Reporting Standards (AIFRS), and Urgent Issues Group (UIG) Abstracts.

COMMERCIAL-IN-CONFIDENCE**4 THE PROCEDURES**

Executive Management, Regional General Managers, General Managers, Group Managers, Area Managers, Business Performance Managers, Team Leaders and Work Schedulers, Purchase Requisitioners

4.1 Capitalisation Threshold

Expenses can be classified as either operating or capital expenditure. The classification of the expenditure is based on whether future economic benefits will flow to the entity as a result of the expenditure (Refer to **Section 4.4**). Once the classification of the expense has been determined as capital or operating, the next step is to identify whether the type of expense relates to Network assets or Non-Network assets.

Essential Energy has set a capitalisation threshold of \$600 for Non-Network assets. This means that all non-Network asset expenditure in excess of **\$600** are to be treated as capital as they are expected to provide future economic benefits for more than one financial year.

When applying the capitalisation threshold the costs of the assets or parts of an asset that form part of a network (eg computer system and office furniture) should be aggregated together. The dollar value by itself does not indicate the nature of the expenditure. **Please note if the dollar value of the group of assets is greater than \$600, then a project number must be assigned to the expenditure.**

Non-Network asset expenditure below the capitalisation threshold are expensed.

The Capitalisation threshold does not apply to Network assets. If the asset expenditure relates to the Network or Network assets, then review of the criteria as set out in **section 4.4** of this policy must be undertaken to determine whether the expense is operating or capital.

4.2 Asset Definition

An 'Asset' is defined as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Essential Energy assets are defined as either complex or component assets. For example:

The electricity network is a complex asset. The component assets to the network include substations, HV lines, LV lines and metering. Each of these component assets can be broken down into further component assets (e.g. feeders, poles, wires, and switchgear).

A component asset has a useful life that is materially different than its complex asset. The assessment of whether expenditure is capital or maintenance (i.e. operating expenditure) is performed at the **component asset** level where the useful life of the asset is materially different to the complex asset. For example:

A pole and its assemblies is a component asset of a complex asset being a feeder. The useful life of a pole is generally shorter than the useful life of the entire line. Asset related expenditure is assessed at the component asset level. In consideration of Essential Energy's business processes and the monitoring of business performance, a more reliable unit of measurement when making Network capital expenditure decisions is the key component asset level eg. Poles, Switchgear, Transformers, Reclosers and Regulators and Conductors.

COMMERCIAL-IN-CONFIDENCE**4.3 Asset Recognition**

Assets are initially measured at cost being the amount of cash or cash equivalent paid or the fair value of other consideration given to acquire the asset at the time of its acquisition. The cost of a new asset purchase comprises:

- (a) its **purchase price**, including **import duties** and **non-refundable purchase taxes**, after deducting trade discounts and rebates
- (b) any **costs directly attributable** to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- (c) the initial estimate of the **costs of dismantling** and **removing** the item and restoring the site on which it is located.

Examples of **directly attributable** costs are:

- Costs of employee benefits arising directly from the construction or acquisition of the item of property, plant and equipment
- Costs of site preparation
- Initial delivery and handling costs
- Installation and assembly costs
- Costs of testing whether the asset is functioning properly
- Professional fees.

4.3.1 Assets constructed for own use

Assets that are constructed by Essential Energy (using employees, third party contractors, or a combination of both) are capitalised.

These assets are typically network related, but can include the development of IT assets (e.g. computer software).

The cost of these assets may include:

- Directly purchased physical assets and associated incidental costs
- Labour and supervision costs up to stage when asset is ready for use in location and condition intended by management
- Costs of design and technical assistance
- Internal and external plant hire costs
- Transfers from inventories
- Directly attributable overheads up to stage when asset is ready for use in location and condition intended by management.

4.3.2 Asset Replacement

All expenditure relating to the replacement of an asset is **capitalised** to the extent that the asset:

- (a) has reached the end of its useful life; or
- (b) has not reached the end of its useful life but the replacement will result in an **increase** or **improvement** to the asset's current:
 - Service capacity
 - Service quality; or

COMMERCIAL-IN-CONFIDENCE

- Useful life.

This is determined at the component asset level. For example:

The electricity network (complex asset) will probably never be replaced in its entirety. Replacement would take place at the lower component level being the poles and wires, etc.

Specific examples of asset replacement that are to be capitalised include:

- Pole replacement (including ancillary assemblies)
- Service cable replacement
- Replacement of street lighting fittings
- Air break switch replacement.

Refer to further examples in **section 4.9** of this policy. The examples above are capitalised to the extent that the asset is at the end of its useful life or that the replacement will result in an increase in service capacity, service quality, or useful life (where the asset has not reached the end of its useful life).

4.3.3 Asset Enhancement

Asset related expenditure is capitalised when and only when there is an **increase** or **improvement** to a component asset's current:

- Service capacity
- Service quality; or
- Useful life.

Asset enhancement includes **Augmentation** and **Refurbishment**. Examples of asset enhancement that are capitalised include:

- Converting an old undersized overhead conductor to a new larger capacity overhead or underground feeder
- Refurbishment of distribution transformers (including refurbishment of earthing systems)
- Modification, improvement or upgrading of the functionality of an existing IT asset.

Refer to further examples in **section 4.9** of this policy.

Examples of asset related expenditure that would not be classified as asset enhancement, and is therefore operating expenditure includes:

- Aesthetic improvements or beautification projects (e.g. painting)
- General Defects i.e. replacing only the cross arms on the pole. If defect expenditure included the removal of old pole, insulators, cross arms and reconductoring results in asset enhancement then expenditure is capital.

The **refurbishment of unserviceable distribution transformers** is subject to specific treatment as described in CEOP2133 – Management of Unserviceable Distribution Transformers.

4.3.4 Gifted Assets

The recognition and measurement of gifted assets (i.e. capital contributions) is covered in CEOP8019: Procedure Policy - Capital Contributions.

COMMERCIAL-IN-CONFIDENCE

4.3.5 Training

In accordance with accounting standards, related staff training costs is **not** to be included as a cost of an item of property, plant and equipment.

4.4 Maintenance

Maintenance expenditure is not capitalised. It is treated as an expense for accounting purposes. Maintenance expenditure will normally have the following characteristics:

- Periodic, regular, and on-going
- Required to ensure asset remains operational
- Required to ensure the achievement of the asset's pre-determined service capacity and quality; and
- Required to achieve the asset's pre-determined useful life (i.e. there is no increase to the asset's original useful life).

Examples of maintenance expenditure include:

- Work to rectify a breakdown (i.e. forced maintenance)
- General defects, particularly in relation to "fault emergency"
- Ad hoc painting of a building
- Electrical and plumbing repairs
- Pole ground line inspection and treatment
- Clearing of vegetation under lines (e.g. tree clearing and weed control)
- Replacement of "consumable items" (e.g. globes, starters, diffusers, and gaskets) in street lights
- Filtering or changing oil in a power transformer in a zone substation.

Refer to further examples in **section 4.9** of this policy.

4.4.1 Major Periodic Maintenance (MPM)

MPM can either fit the definition of routine type maintenance, which is expensed, or represent the replacement of separately identifiable asset components, which is capitalised. To ascertain the correct accounting treatment, each case must be assessed separately. For example:

All of Essential Energy's feeders are subjected to a Reliability Centred Maintenance (RCM) assessment every 4.5 years, on a cyclical basis. If the nature of the work falls under the definition of asset enhancement or asset replacement (in accordance with **section 4.4** of this policy) the expenditure should be **capitalised**. In this case, the work is separately identified as a component asset. If the work is purely maintenance (in accordance with this section of the policy) the work is treated as an **expense**.

4.5 Information Technology Assets (IT Assets)

All IT asset expenditure, whether expended for operational use, as part of R&D projects, or for any other purpose will be subject to the capitalisation tests described in this policy.

COMMERCIAL-IN-CONFIDENCE**4.5.1 Research Phase of Internally Generated Intangible Assets**

No intangible asset arising from research (or from the research phase of an internal project) is capitalised. Expenditure on research (or on the research phase of an internal project) is operating expenditure when it is incurred.

4.6 Spares for Plant and Equipment

An assessment is required to be made, prior to recognition, as to whether a spare part is considered major or not.

Spare parts and servicing equipment are usually carried as inventory and recognised in profit and loss as consumed. However major spare parts and stand-by equipment qualify as property, plant and equipment where they are expected to be used during more than one period.

Spare parts that are for a particular asset, or class of assets, and which would become redundant if that asset or class was retired or discontinued, are to be included in the cost of the asset or class to which the asset relates. The depreciable amount of spares must be allocated over the useful life of the asset or the class. This is because spares that can be used only in connection with a particular non-current asset do not have useful lives of their own.

Spares are distinguished from separate components of an asset that have their own useful lives. Spares can also be distinguished from stores and supplies that would generally be consumed on an ongoing basis and are disclosed as inventories.

4.7 Recording of Assets**4.7.1 Work in Progress (WIP) - Projects**

Assets that are recorded under 'Project' numbers are normally Network assets. However, non-network assets may also be recorded under a project number where the aggregate cost of the expenditure is greater than \$600.

When expenditure is incurred on a project asset, the asset will be initially recorded in an appropriate WIP ledger account. This is the process of capitalisation. WIP is included in the Property, Plant and Equipment disclosure in the Balance Sheet and is disclosed separately in the notes to the financial statements.

4.7.2 Asset Class

When all acquisition costs have been recorded and the asset is first put to use or held ready for use, the carrying value of the asset will be moved from WIP to an appropriate asset class and recorded in the asset register. At this time, depreciation of the asset begins (subject to Depreciation Conventions).

In the case of a complex asset that requires installation in successive stages, it will be deemed to be ready for use after installation has been completed to a stage where service or saleable product can be obtained.

4.7.3 Depreciation

The depreciation method used shall reflect the pattern in which the asset's future economic benefits are expected to be consumed by the entity.

The depreciation method applied to an asset shall be reviewed at least at the end of each annual reporting period and, if there has been a significant change in the expected pattern of consumption of the future economic benefits embodied in the asset, the method shall be changed to reflect the changed pattern.

COMMERCIAL-IN-CONFIDENCE

Refer to **section 4.10** for Essential Energy's depreciation rates.

4.7.4 Purchasing – 'Non- Project' Assets

Assets that are purchased through the purchasing module are non-network assets.

When expenditure is incurred on a non-project asset through the PeopleSoft purchasing module, the asset will initially be recorded in an appropriate capital clearing account and subsequently added to fixed asset register via an automated asset addition process. The purchase category and associated asset profile chosen will determine the depreciation method.

4.8 Capitalisation Checklist

Cost Item Description	Capitalise	
	Yes	No
New Asset Purchase		
Buildings	✓	
Communication bearer systems	✓	
Communications	✓	
Computer hardware – laptop	✓	
Concrete pole line	✓	
Customer meter	✓	
Fleet and fleet (heavy)	✓	
Furniture and fittings	✓	
Gas	✓	
Generation	✓	
Generation switchyard	✓	
High voltage powerline purchase	✓	
Individual assets costing less than \$600		x
IT hardware	✓	
IT software	✓	
Land	✓	
Leasehold improvements	✓	
Motor vehicle	✓	
Office equipment purchase greater than \$600	✓	
Other line	✓	
Other substation	✓	
Other transformer	✓	
Overhead line	✓	
Pole substation	✓	

COMMERCIAL-IN-CONFIDENCE

Cost Item Description	Capitalise	
	Yes	No
Pole transformer	✓	
Powerline purchase	✓	
Radio equipment/mobile phones	✓	
SCADA	✓	
Steel pole line	✓	
Street lighting overhead	✓	
Street lighting underground	✓	
Sub transmission substation	✓	
Substation, transformers and transformer bays purchases	✓	
SWER line	✓	
Telephone installations	✓	
Tools and tests equipment	✓	
Tower line	✓	
Transformers	✓	
Underground cable	✓	
Easement purchase	✓	
Zone substation purchase	✓	
Asset Constructed for Own Use		
Costs of design and technical assistance	✓	
Directly attributable overheads	✓	
Directly purchased physical assets and associated incidental costs	✓	
Internal and external plant hire costs	✓	
Labour and supervision costs	✓	
Transfers from inventories	✓	
Asset Replacement		
Air break switch replacement	✓	
Conductor replacement	✓	
Cross arm and insulator replacement (when completed as part of a work pack)	✓	
Feeder circuit breaker replacement	✓	
HV switching station replacement	✓	
Pole replacement (including ancillary assemblies) plus nailing	✓	
Power transformer replacement in zone substation	✓	
Protection relay replacement	✓	
Replacement of full street lighting assembly (i.e. not just consumables)	✓	

COMMERCIAL-IN-CONFIDENCE

Cost Item Description	Capitalise	
	Yes	No
Service cable replacement	✓	
Transformer replacement	✓	
Voltage regulator replacement	✓	
Zone substation fence replacement	✓	
Asset Enhancement		
Aesthetic improvements or beautification projects (e.g. painting)		x
Balancing loads on feeders resulting in improved voltage balance and tighter control of voltage received by customers (improved service quality)	✓	
Converting an old, undersized overhead conductor to a new, larger capacity overhead or underground feeder	✓	
Installation of power factor correction units (decreases load on networks, decreases losses and increases and improves capacity of supply and quality of voltage levels received by customers)	✓	
Major upgrade and expansion of zone substation	✓	
Measurable quality improvement (e.g. health or safety improvements)	✓	
Modification, improvement or upgrading of the functionality of an existing IT asset	✓	
Rectification of conductor defects (i.e. completed under forced maintenance conditions)		x
Rectification of pole and pole attachment defects i.e. completed under forced maintenance conditions)		x
Refurbishment	✓	
Refurbishment of distribution transformers (including refurbishment of earthing systems)	✓	
Upgrading an old re-closer to a more modern device	✓	
Upgrading capacity of feeder exit cables out of zone substations	✓	
Maintenance		
Painting of a building		x
Broken tie wire replacement		x
Carrying out annual "pre bush fire season" aerial patrol		x
Clearing of vegetation under lines (e.g. tree clearing and weed control)		x
Cross arm replacement		x
Electrical and plumbing repairs		x
Filtering or changing oil in a power transformer in a zone substation		x
Fitting a splice over a broken strand		x

COMMERCIAL-IN-CONFIDENCE

Cost Item Description	Capitalise	
	Yes	No
General defects, particularly in relation to "fault emergency"		x
Performing a "thermoscan" survey		x
Periodic testing of protection equipment		x
Pole ground line inspection and treatment		x
Repairs to customer metering equipment		x
Replacement or repair of "consumable items" (e.g. globes, starters, diffusers, and gaskets) in street lights		x
Re-tension of a line		x

COMMERCIAL-IN-CONFIDENCE

Cost Item Description	Capitalise	
	Yes	No
Re-tension of a stay wire		x
Work to rectify a breakdown (i.e. forced maintenance)		x
Other asset related expenditure		
Accounts payable department costs directly attributable to construction activity	✓	
Accounts payable department costs relating to marketing, distribution and administration		x
Administration and other general overhead costs		x
Advertising and promotional activities		x
Apprentice labour hours directly incurred on site construction	✓	
Apprentice training costs		x
Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset	✓	
CEO and Finance Managers' time directly attributable to construction activity	✓	
Claims from third parties	✓	
Costs of conducting business in a new location or with a new class of customer		x
Costs of design and technical assistance directly related to a construction contract	✓	
Costs of employee benefits arising directly from the construction or acquisition of assets	✓	
Costs of hiring plant and equipment	✓	
Costs of moving plant, equipment and materials to and from a contract site	✓	
Costs of opening a new facility		x
Costs of site preparation	✓	
Costs of testing whether a constructed asset is functioning properly	✓	
Depreciation of idle plant and equipment		x
Depreciation of plant and equipment used in the construction of network assets	✓	
Direct labour costs	✓	
Direct materials costs (incl. expenditure on spare parts that are for a particular asset, or class of assets, and which would become redundant if that asset or class was retired or discontinued)	✓	
Disposal costs on sale of assets (e.g. legal fees, valuation fees, title search fees, rates)		x
Estimated costs of rectification and guarantee work (including expected warranty costs) on a construction contract	✓	

COMMERCIAL-IN-CONFIDENCE

Intangible Asset research costs - Feasibility, functionality or impact studies		x
In house lunches and meal entertainment		x
Initial delivery and handling costs	✓	
Installation and assembly costs	✓	
Insurance costs (self and public liability) that are operating in nature and cannot be specifically identified as insurance related to construction activity		x
Insurance costs that can be specifically identified as insurance relating to construction activity	✓	
IT integration and connectivity costs		x
IT minor development or changes that do not significantly increase the overall functionality of software (eg. changes to reports or formats, screen layouts etc)		x
Legal fees that cannot be specifically identified as legal fees related to construction activity		x
Maintenance activities (including OH&S)		x
Manual data entry conversion into electronic format		x
Preliminary network or infrastructure design		x
Preparation and processing of construction personnel payroll	✓	
Professional fees arising directly from bringing an asset to its working condition	✓	
Rent, land tax and council rates		x
Research and development costs		x
Selling costs		x
Site labour costs (including site supervision)	✓	
Staff training costs		x
Storage costs		x
User and/or technical training		x

COMMERCIAL-IN-CONFIDENCE**4.9 Depreciation Rates**

Asset Description	Depreciation Method	Depreciation Rate	Effective Life Years
11 kV Overhead Line	Straight Line	2.22%	45
11 kV Underground Cable	Straight Line	2.00%	50
132 kV Concrete/Steel Pole Line	Straight Line	2.11%	47
132 kV Other Line	Straight Line	2.11%	47
132 kV Tower Line	Straight Line	2.11%	47
132 kV Underground Cable	Straight Line	2.11%	47
132/66/33/22/11 kV Transformers	Straight Line	2.50%	40
22 kV Overhead Line	Straight Line	2.22%	45
22 kV Underground Cable	Straight Line	2.00%	50
33 kV Concrete Pole Line	Straight Line	2.22%	45
33 kV Other Line	Straight Line	2.22%	45
33 kV Underground Cable	Straight Line	2.00%	50
66 kV Concrete Pole Line	Straight Line	2.22%	45
66 kV Other Line	Straight Line	2.22%	45
66 kV Underground Cable	Straight Line	2.00%	50
Buildings	Straight Line	2.50%	40
Communication Bearer Systems	Straight Line	10.00%	10
Communications	Straight Line	15.00%	7
Computer Hardware - Laptop	Straight Line	33.33%	3
Customer Meter	Straight Line	4.00%	25
DC Link	Straight Line	2.11%	47
Easement	Straight Line	-	-
Emergency Spares	Straight Line	-	-
Fleet (Passenger)	Straight Line	15.00%	7
Fleet (Light)	Straight Line	15.00%	7
Fleet (Heavy)	Straight Line	10.00%	10
Furniture & Fittings	Straight Line	7.50%	13
Gas	Straight Line	5.00%	20
Generation	Straight Line	3.33%	30
Generation Switchyard	Straight Line	3.33%	30
Intangibles	Straight Line	25.00% or life of intangible	
IT Hardware	Straight Line	25.00%	4
IT Software	Straight Line	25.00%	4
Land	Straight Line	-	-
Land Under Infrastructure	Straight Line	-	-
Leasehold Improvements	Straight Line	Term of lease	
LV Overhead Line	Straight Line	2.22%	45
LV Underground Cable	Straight Line	2.00%	50
Office Equipment	Straight Line	20.00%	5
Other Substation	Straight Line	2.50%	40
Other Transformer	Straight Line	2.50%	40
Pole Substation	Straight Line	2.50%	40
Pole Transformer	Straight Line	2.50%	40
Radio Equipment / Mobile Phones	Straight Line	10.00%	10
SCADA	Straight Line	10.00%	10
Street Lighting Overhead	Straight Line	6.67%	15
Street Lighting Underground	Straight Line	6.67%	15
Sub-Transmission Substation	Straight Line	2.50%	40
SWER Line	Straight Line	2.22%	45
Telephone Installations	Straight Line	5.00%	20
Timber Poles	Straight Line	2.22%	45
Tools & Test Equipment	Straight Line	20.00%	5
Zone Substation	Straight Line	2.50%	40

COMMERCIAL-IN-CONFIDENCE

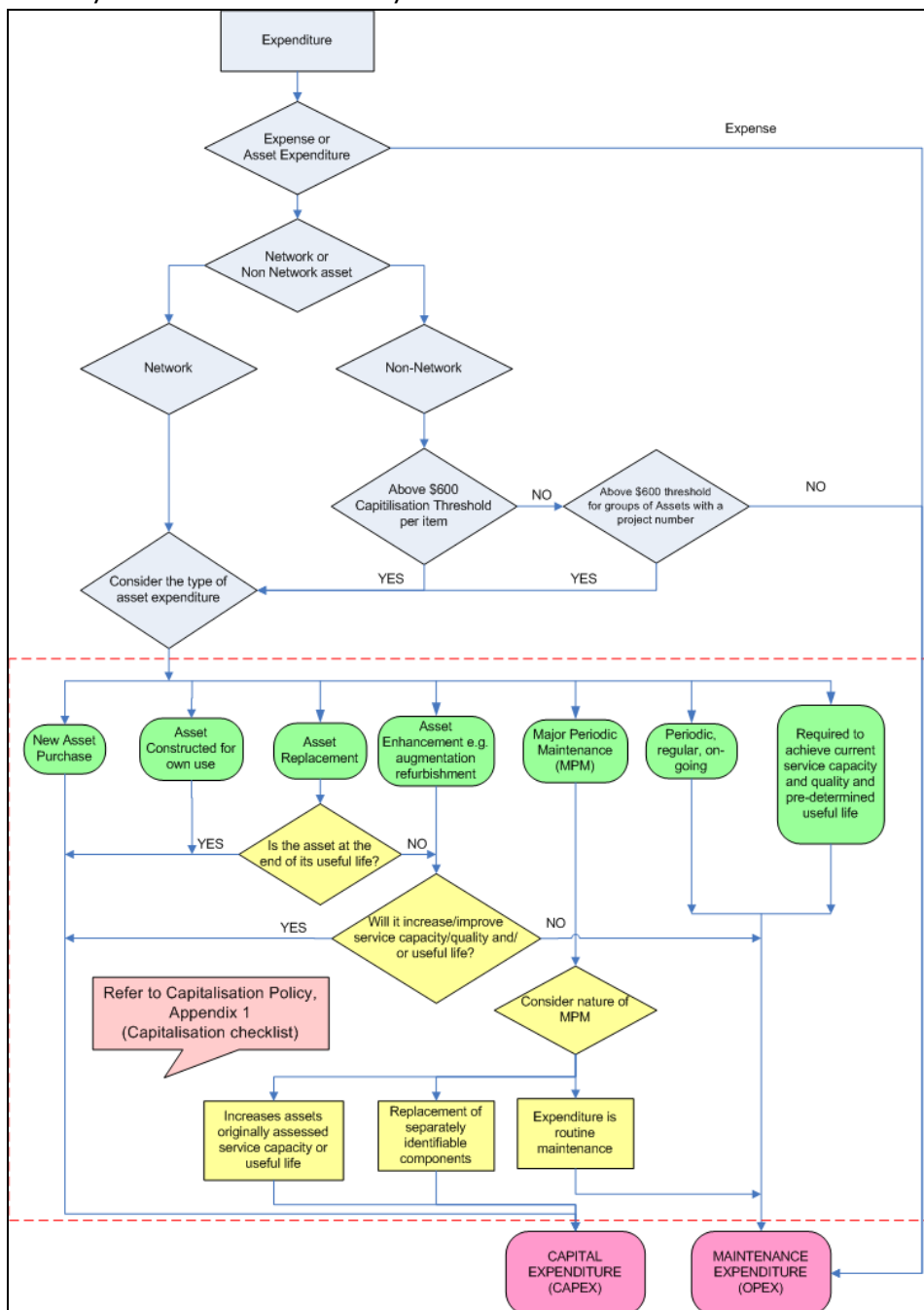
4.10 Expenditure Classification Decision Tree

Expense: An outflow of cash which will not result in any future economic benefits beyond the current financial year.

Asset expenditure: An 'Asset' is defined as a resource controlled by an entity as a result of past events and from which future economic benefits are expected to flow to the entity.

Network Asset: is the equipment, plant or building used to convey, and control the conveyance of, Utilities (Electricity, Gas and Water) to customers. Network assets are commonly referred to as 'System Assets'.

Non-Network Asset: is the equipment, plant or building that is used in the daily operating activities of the entity but is not used in the direct supply of Utilities (Electricity, Gas and Water) to customers. Examples include Land, Structures & Improvement, Office Furniture & Equipment, Fleet, Communication plant & equipment etc. Non-Network assets are commonly referred to as 'Non-System Assets'.



COMMERCIAL-IN-CONFIDENCE**5 REFERENCES**

- CEOF6631 - Finance: General Capital Expenditure Guidelines Summary - Retail
- CEOF6632 - Finance: General Capital Expenditure Guidelines Summary - Infrastructure
- CEOF6633 - Finance: General Capital Expenditure Guidelines Summary - Infrastructure Operations
- CEOF6634 - Finance: General Capital Expenditure Guidelines Summary - Finance and Risk
- CEOF6635 - Finance: General Capital Expenditure Guidelines Summary - Engineering Services
- CEOF6636 - Finance: General Capital Expenditure Guidelines Summary - Customer and Corporate Affairs
- CEOF6637 - Finance: General Capital Expenditure Guidelines Summary
- CEOF6638 - Finance: General Capital Expenditure Guidelines Summary - Corporate and Commercial Services
- CEOF6639 - Finance: General Capital Expenditure Guidelines Summary - Corporate and Business Strategy
- CEOP2008 - Network: Capital Expenditure
- CEOP2191 - Corporate Finance: Business Case
- CEOP8019 - Networks: Capital Contributions
- CEOP8018 - Networks: Asset Management
- CEOP2133 - Disposal: Management of Unserviceable Distribution Transformers
- CEOP2438 - Procurement: Corporate Procurement

6 REVISIONS

Issue Number	Section	Details of Changes in this Revision
2	All	Update to rebrand to Essential Energy