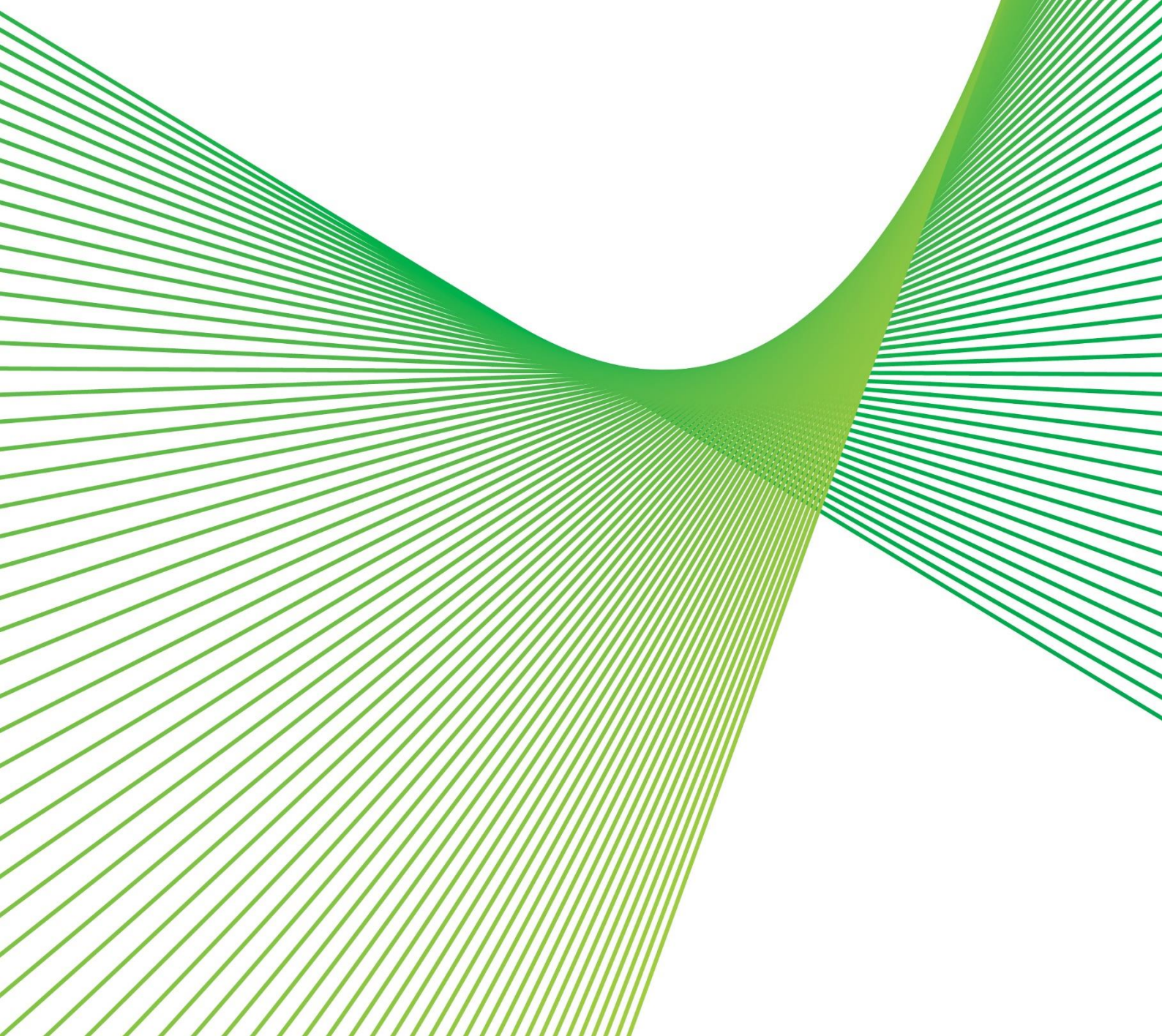


# Cost Allocation Methodology

30 May 2023



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## 1. Version control

NSW Electricity Networks Operations Pty Limited as Trustee for the NSW Electricity Networks Operations Trust (trading as “Transgrid”) is responsible for meeting the transmission network service provider’s obligations under the National Electricity Rules, being the entity holding the registration in the National Electricity Market as the Network Service Provider – Transmission and System Operator.

In accordance with clause 3.2 (1) of the Australian Energy Regulator (“AER”) Cost Allocation Guidelines, Transgrid will maintain a listing of all AER approved Cost Allocation Methodology (“CAM”) versions.

Clause 6A.19.4 (f) of the National Electricity Rules (“NER”) permits Transgrid with the AER’s approval to amend its CAM from time to time, subject to the requirements contained in clause 4.2 of the AER Cost Allocation Guidelines.

Transgrid has chosen to submit an amended CAM to the AER for approval principally to reflect recent changes to Transgrid’s ownership and operational structure.. To ensure the relevance of the CAM and to effectively promote the NER cost allocation principles and AER Cost Allocation Guidelines, Transgrid has revised its CAM subject to the AER’s approval. We believe these changes will make it easier for Transgrid staff to apply the CAM effectively and monitor compliance.

Table 1: Version History

Version Number	Date	Details of changes
0.0	4 September 2007	Initial document – information extracted from various Financial Procedures to meet National Electricity Rule 6A.19.4 requirement
1.0	18 February 2008	Document expanded at request of AER
2.0	12 December 2016	Document has been updated principally to reflect changes to Transgrid’s ownership and operational structure, record keeping and compliance monitoring processes.
3.0	17 January 2022	Document has been updated principally to reflect changes to Transgrid’s ownership and operational structure.
4.0	23 September 2022	Document has been updated to include the addition of NSW Non-Contestable Services provided in accordance with the NSW Electricity Infrastructure Investment Act. Further to rebranding, relevant references to Transgrid Services have been replaced with references to Lumea. The Transgrid organisational structure has also been updated.
5.0	30 May 2023	Document updated to further expand on NSW Non-Contestable Services

## 2. Nature, scope and purpose of the document

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Each Transmission Network Service Provider (“TNSP”) is responsible for developing the detailed principles and policies for attributing costs to, or allocating costs between or within, the categories of transmission and non-regulated services (“services”) that it provides. These detailed principles and policies must be included in the CAM that the TNSP submits to the AER for approval.

This document is Transgrid’s revised CAM, and has been prepared in accordance with:

- the requirements of the NER and National Electricity Law (NEL); and
- the AER’s Cost Allocation Guidelines for electricity transmission network service providers published in September 2007 (the Guidelines).

The NER requires that each TNSP comply with the CAM that has been approved by the AER.

This document sets out the CAM adopted by Transgrid for the purposes of attributing and allocating costs to services in accordance with the requirements of the NER, and for reporting historic and forecast operating and capital cost information to the AER.

The CAM will be used in the preparation of capital and operating expenditure forecasts for building block proposals and for annual regulatory financial reporting obligations (regulatory accounts) in accordance with clause 5.1 of the AER Cost Allocation Guidelines.

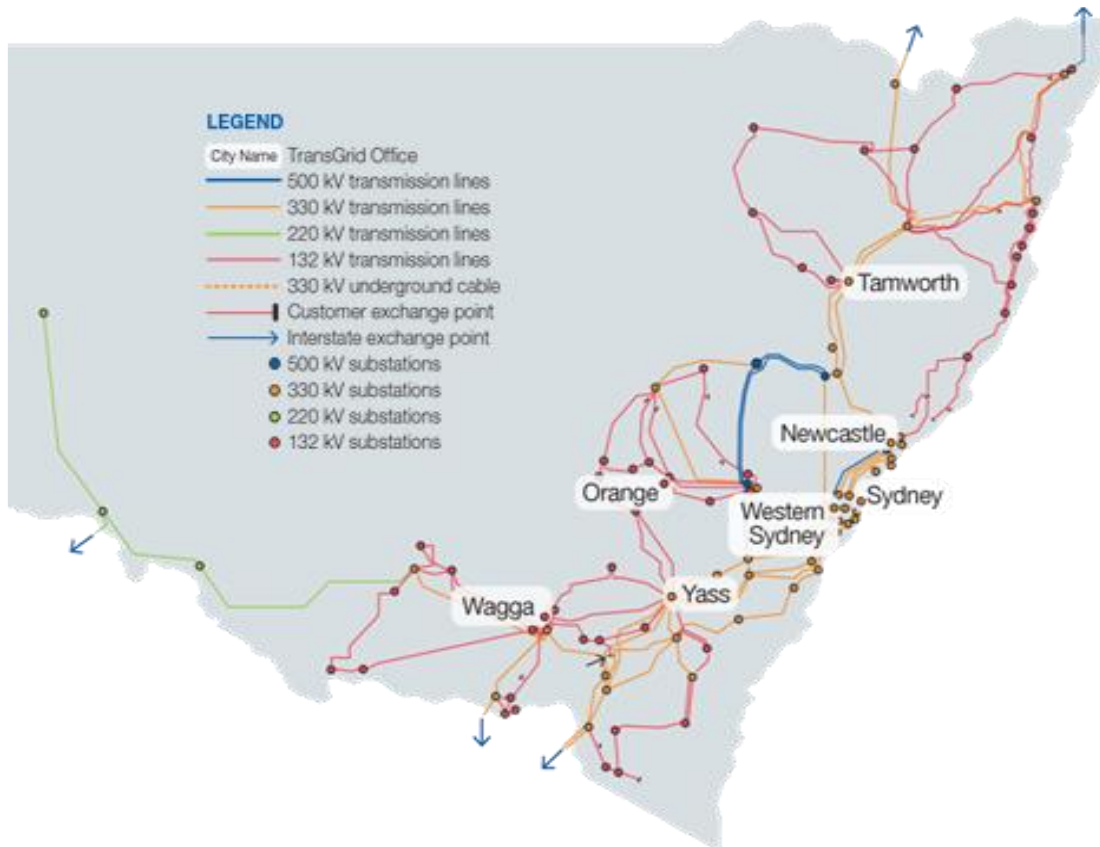
The document also provides guidance for Transgrid management and staff in relation to cost allocation principles, policies and ongoing obligations as they relate to the operations and delivery of services.

### ***Transmission Ring-Fencing Guidelines***

In accordance with clause 2.2.6 of the AER Cost Allocation Guidelines, Transgrid’s CAM complies with and is consistent with the Transmission Ring-Fencing Guidelines.

### 3. Introduction

Transgrid is the operator and manager of the high voltage electricity transmission network in New South Wales. The network is interconnected to Queensland and Victoria providing a robust electricity system that facilitates interstate energy trading.



Transgrid also coordinates plans for the total intra-regional and inter-regional electricity transmission requirements for New South Wales through its jurisdictional planning responsibility.

## 4. Ownership and operational structure

Clause 3.2 (4) of the AER Cost Allocation Guidelines requires Transgrid to provide a description of its corporate and operational structure in order to enable the AER to understand how it is organised to provide its services.

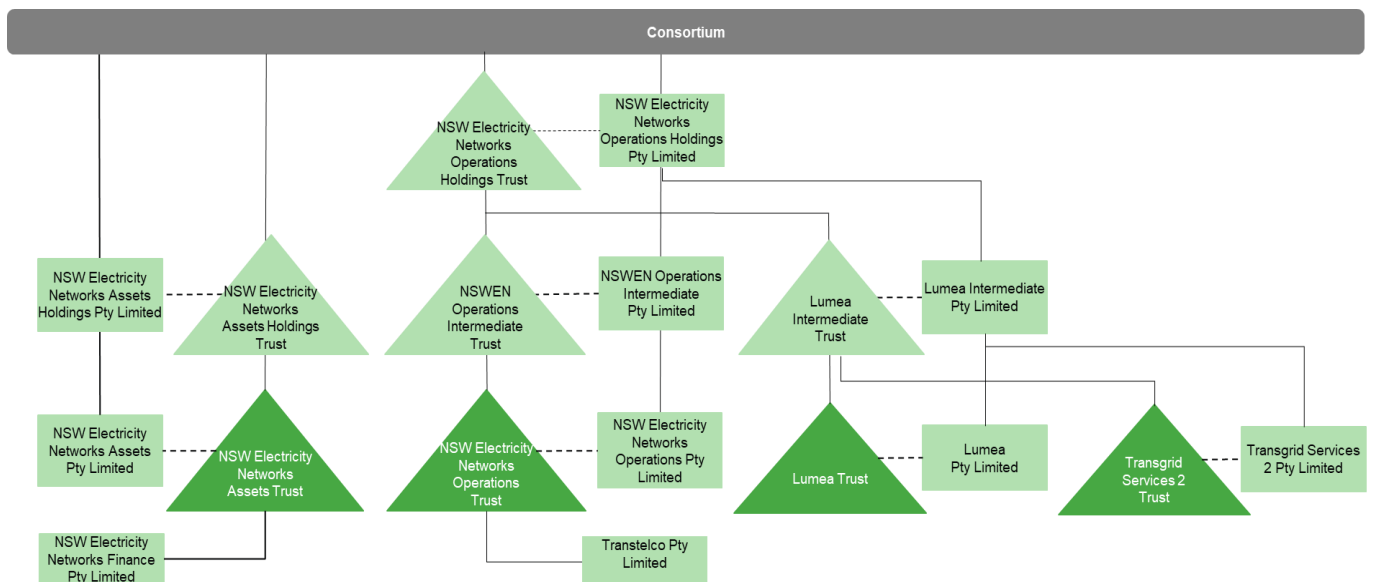
### 4.1. Ownership structure

On 16 December 2015, a consortium of investors comprising Hastings Funds Management as manager of UTA Power Networks, Spark Infrastructure Group, Tawreed Investments Ltd, a wholly owned subsidiary of the Abu Dhabi Investment Authority, Caisse de depot et placement du Quebec (“CDPQ”), and Wren House Infrastructure Investments Asset Trust, a wholly owned indirect subsidiary of the Kuwait Investment Authority, entered into agreements to take control of the NSW high voltage electricity transmission network assets and operations. Subsequently, OMERS Infrastructure has acquired Wren House’s ownership stake in Transgrid.

These agreements consist of a 99-year Transmission Network Lease from the NSW State Government for the lease of the network assets held by the NSW Electricity Networks (NSWEN) Assets Trust, and the purchase of non-land based assets and business operations by the NSWEN Operations Trust from the NSW State Government.

The network assets are sub-leased by the NSWEN Operations Trust from the NSWEN Assets Trust, with the NSWEN Operations Trust taking responsibility for the management and operations of these assets.

The current ownership structure is summarised in the following diagram.



The principal activities of the entities in the structure are as follows:

### NSWEN Operations Holding Trust

- NSWEN Operations Pty Limited as Trustee for the NSWEN Operations Trust (trading as “Transgrid”) is:
  - > The licenced operator of the transmission network and operates the Transgrid business.
  - > Responsible for meeting the transmission network service provider’s obligations under the National Electricity Rules, being the entity holding the registration in the National Electricity Market as the Network Service Provider – Transmission and System Operator.
  - > Holds a telecommunications carrier licence.
- Transtelco Pty Limited is an inactive subsidiary of NSWEN Operations Pty Limited as Trustee for the NSWEN Operations Trust.
- NSWEN Operations Holdings Intermediate Trust holds the investment in the NSWEN Operations Trust.
- NSWEN Operations Holdings Trust holds the investment in the NSWEN Operations Intermediate Trust, as well as holdings in Transgrid Services Intermediate Trust.
- Lumea Intermediate Trust (formerly “Transgrid Services Intermediate Trust”) holds the investment in Lumea Trust (formerly “Transgrid Services Trust”) and Transgrid Services 2 Trust.
- Lumea Trust and Transgrid Services 2 Trust provide non-regulated services.

### NSWEN Assets Trust

- NSWEN Assets Trust leases the network assets from the NSW State Government and sub-leases these assets to NSWEN Operations Trust. It has no active trading operations.
- NSWEN Finance Pty Limited is a subsidiary of NSWEN Assets Trust and sources financing for the NSWEN group.
- NSWEN Assets Holdings Trust holds the investment in the NSWEN Assets Trust.

The NSWEN Assets Trust and NSWEN Operations Trust are separate and independent entities, each with its own board and governance structure. All transactions between the trusts are commercially negotiated at arm’s length.

## 4.2. Operational structure

Transgrid has adopted a strategic asset management framework for the management of network assets that are sub-leased from the NSWEN Assets Trust. Its asset management processes are integrated into a business model which provides clear direction and leadership, clarity around the accountabilities for optimising asset performance and achieving business results over the entire asset lifecycle, and clarity around the boundaries, hand-over and communication flows. These accountabilities for asset management are separated into three (3) core roles of Business Owner, Asset Manager and Service Provider. The key responsibilities for these roles are described briefly below.

**The Business Owner/Transgrid Board**, is responsible for setting the long term corporate objectives and asset outcomes, manage regulatory and stakeholder interfaces, setting financial parameters and requirements for the overall service delivery and defining an acceptable level of risk for the assets.

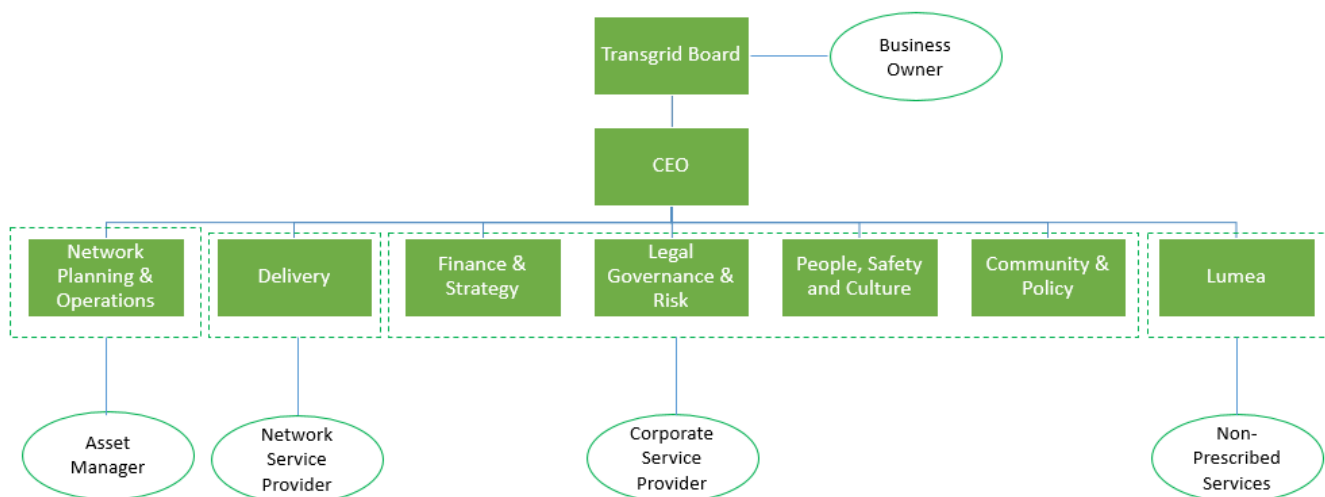
**The Asset Manager’s** key responsibilities are the long-term stewardship of the asset base and strategic definition of the required services within the financial parameters and corporate objectives set by the Business Owner. The Asset Manager is responsible for:

- setting the long term and short term asset management strategies and objectives and asset management plans to deliver the corporate objectives and required asset outcomes;
- making trade-offs between cost, risk and performance over the complete asset lifecycle;
- undertaking lifecycle costing and analysis of the assets;
- maintaining the long term health of the assets; and
- setting the financial parameters within which the service providers are to deliver the agreed asset management plans.

**The Service Provider’s** key responsibilities are implementing the asset management plans in accordance with the financial parameters agreed with the Asset Manager, delivering high quality services, keeping the assets in fit-for-purpose condition, identifying new risks and providing proactive communication and asset information to the Asset Manager on a timely basis.

This model ensures that strategic asset management decisions are integrated to allow a whole of life approach to assets, as well as ensuring that there is clear accountability at a functional level to maintain service costs, whether it be Works Delivery costs and utilisation for network services or back office costs for corporate services.

Transgrid’s Asset Manager/ Service Provider model is important to efficiently and effectively manage Transgrid’s transmission business. The model delivers an integrated and responsive management structure, as summarised in the following organisational chart:





## 5. Date of commencement and Publication

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### 5.1. Date of commencement

Clause 3.2 (9) of the AER Cost Allocation Guidelines requires Transgrid to provide details of the proposed date on which the CAM will commence.

This CAM will commence from 1 July 2022 or the date of the AER's approval or deemed approval in accordance with the NER, whichever is the later. The CAM will remain in force until such time as an amended methodology is approved by the AER.

### 5.2. Publication

In accordance with clause 6A.19.4(h) of the NER, Transgrid will maintain a current copy of its approved CAM on its website.

## 6. Accounting and responsibilities

Clause 3.2 (3) of the AER Cost Allocation Guidelines requires the CAM to provide details of accountabilities within Transgrid, and to set out clearly:

- the TNSP’s commitment to implementing the cost allocation methodology; and
- responsibilities within the TNSP for updating, maintaining and applying the cost allocation methodology and for internally monitoring and reporting on its application.

In accordance with clause 3.2(3)(A) of the AER Cost Allocation Guidelines, Transgrid is committed to implementing the CAM effectively. The internal accountabilities and responsibilities apply as follows:

Responsibility	Detailed Activities
Transgrid Board	<ul style="list-style-type: none"> <li>• Approval of the CAM.</li> <li>• Certify that revenue proposals and regulatory financial statements have been prepared in accordance with the CAM.</li> </ul>
Chief Financial Officer (CFO)	<ul style="list-style-type: none"> <li>• Endorsement of CAM.</li> <li>• Ensure compliance with the CAM.</li> </ul>
GM Commercial Finance	<ul style="list-style-type: none"> <li>• Maintain and update the CAM.</li> <li>• Monitor and report on the application of the CAM.</li> <li>• Determine the causal cost drivers for the allocation of shared costs.</li> <li>• Ensure that the categorisation of costs as being directly attributable is reasonable.</li> <li>• Apply the CAM in preparation of regulatory reports for the AER, and development of supporting working papers.</li> </ul>
Transgrid staff	<ul style="list-style-type: none"> <li>• Comply with all relevant costing procedures and guidelines issued to ensure that Transgrid complies with the approved CAM.</li> <li>• Correctly attribute direct costs to the correct category of transmission services through labour costing or expenditure allocation.</li> </ul>

### 6.1. Compliance monitoring

Annual financial statements are required to be prepared for each trust at 30 June each year in accordance with Australian Accounting Standards (“AAS”) and audited by an independent financial auditor. As the trusts stand alone and are not stapled, they are not consolidated for accounting and tax purposes.

However, for regulatory purposes, and in accordance with Transgrid’s licence to supply electricity transmission services, Transgrid is required to prepare annual regulatory accounting statements for the whole business (i.e. assets and operations) for submission to the AER. These annual regulatory accounting statements and other associated regulatory schedules prepared in accordance with this CAM are also independently audited as required by the AER.

Besides the preparation and independent audit of its annual financial statements and regulatory accounting statements, Transgrid employs further internal controls to monitor its ongoing compliance with the CAM and the AER’s Cost Allocation Guidelines including:

- when processing and approving costing entries, Finance staff review the coding of costs;
- the annual review of templates, documentation and work papers by the Finance team during the preparation of regulatory accounting statements;
- cost allocation models are subject to review by the Regulatory team, and external audit during the preparation and audit of the annual regulatory accounting statements;
- the Directors will make such enquiries as may be necessary to allow them to sign the Responsibility Statements for regulatory financial information submitted to the AER; and
- where required by the AER, any additional financial information prepared under the CAM shall be subject to independent audit.

## 7. Records management

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For the purpose of Clause 3.2 (7) of the AER Cost Allocation Guidelines Transgrid confirms that it maintains financial source documentation and records consistent with the accounting standards and statutory requirements to adequately demonstrate compliance with the CAM and the AER Cost Allocation Guidelines.

Transgrid utilises an Enterprise Resource Planning (ERP) financial management system to capture, control and report its costs at general ledger account level through the use of account numbers, activity centres, responsibility centres (i.e. cost centres) and projects.

Transgrid will maintain records of cost attributions and allocations as follows:

- all financial records will be kept in Transgrid's financial systems;
- Transgrid's statutory financial statements and associated accounting records will form the basis of all reporting requirements;
- all records will be kept for
  - > activity prior to 15 Dec 2015 in accordance with the State Records Act; and
  - > other material at least seven years; and
- all records will be available to independent auditors and the Australian Energy Regulator (AER), to enable the AER to replicate reported outcomes.

These records will be maintained by Transgrid to:

- demonstrate the attribution of costs to, or allocation of costs between, different categories of services in accordance with this CAM to the AER under clause 5.2 of the AER Cost Allocation Guidelines; and
- allow attributions or allocations to be audited or otherwise verified by a third party, including the AER, as required in accordance with Clause 3.2(7) of the AER Cost Allocation Guidelines.

Transgrid will prepare and maintain appropriate documentation and information that supports the preparation of the Regulatory Accounts for submission to the AER. These records are provided to external auditors for the purpose of providing an opinion that the Regulatory Accounts are presented fairly in accordance with the approved CAM.

In addition, any changes to this CAM will be:

- supported by documentation and signed off by Transgrid management prior to being submitted for AER approval; and
- subject to prior approval by the AER.

## 8. Transmission services

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Clause 3.2(5) of the AER Cost Allocation Guidelines requires Transgrid to specify the categories of services that it provides, and to which costs are to be attributed or allocated, and the types of persons to whom those services are provided. In accordance with this requirement, Transgrid notes that its CAM applies to the categories of services which are defined in Chapter 10 of the NER. For the purpose of this CAM, the categories of services and the types of persons to whom those services are provided are:

- **Prescribed Transmission Services** - these services are subject to revenue regulation by the AER and are shared transmission network services, connection services provided to distribution networks, and grandfathered connection services provided to generators and high voltage customers.
- **Negotiated transmission services** – these are connection services provided to a generator or transmission customer, or a group of generators or transmission customers, and shared transmission services provided to customers where the service is varied from standard network performance requirements.
- **Non-regulated services** – these are services that Transgrid is not obliged to provide and which are capable of being provided on a contestable basis by a range of suppliers. Commercial terms and conditions are negotiated between the parties. Transgrid provides non-regulated services including:
  - > the relocation of transmission lines for mining operations, major roadworks and land development projects;
  - > provision of telecommunication facilities to government, enterprise and wholesale customers;
  - > maintenance of Distribution Network Service Provider infrastructure; and
  - > contestable network connections.
- **NSW Non-Contestable Services** – these are services provided under the NSW Electricity Infrastructure Investment Act (NSW EII), are subject to regulation, and include services such as shared transmission network services, network stability services, connection services provided to distribution networks, and connection services provided to generators

## 9. Cost allocation principles and policies

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### 9.1. Guiding principles

Clause 3.2(6) of the AER Cost Allocation Guidelines requires Transgrid to include within the CAM details of the principles and policies used for attributing costs directly to, or allocating costs between, categories of services. These principles and policies must meet the requirements of clause 2.2 of the AER Cost Allocation Guidelines.

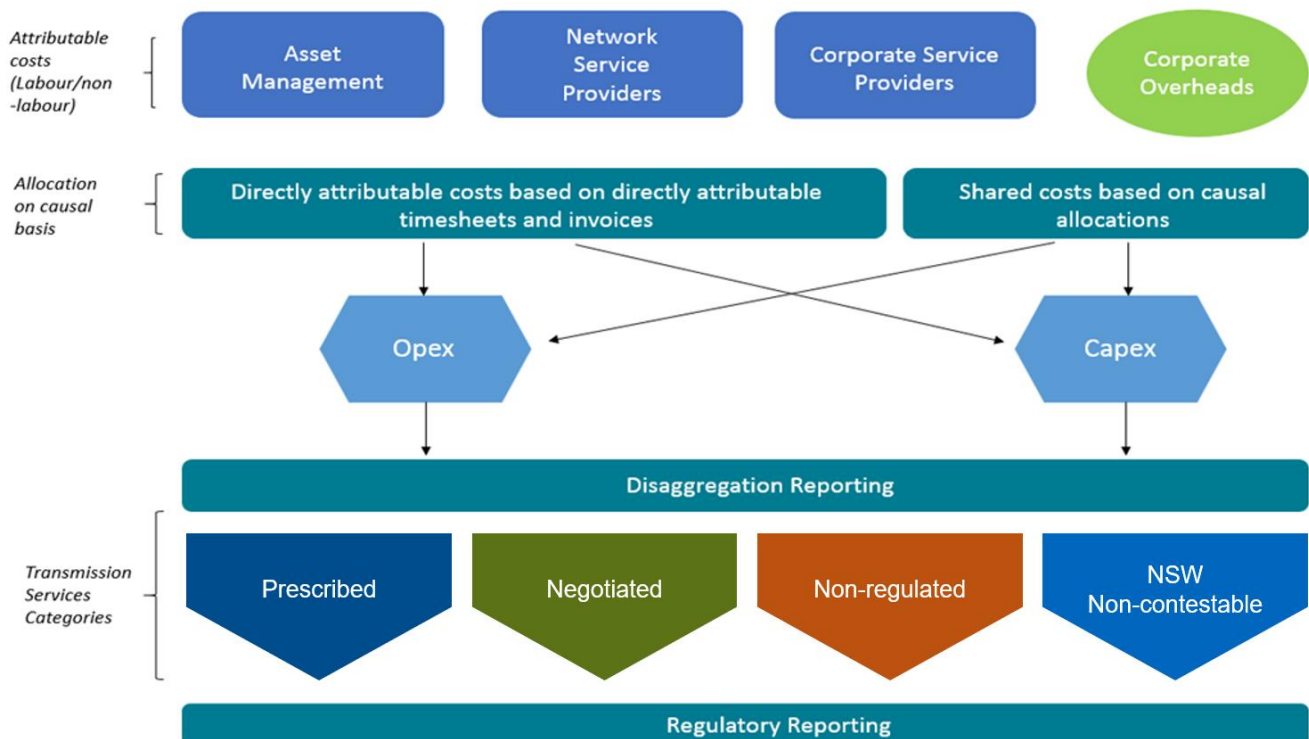
This CAM has been developed in accordance with the Cost Allocation Principles contained in clause 6A.19.2 of the NER. These principles support effective cost allocation and underpin the cost allocation policies and processes used by Transgrid to attribute costs to, or allocate costs between, the different categories of services:

- Transgrid incurs 'directly attributable costs' and 'shared costs' on the provision of services.
- 'Directly attributable costs' are ones which are specific to, and can be identified as belonging to, a specific service category (based on the nature of the cost item). These costs are directly attributed to the service category to which they relate.
- 'Shared costs' are ones which are not specific to one service category and which are incurred by Transgrid on the provision of all its services. These costs are allocated to services through the application of a suitable cost allocator.
- Transgrid will not allocate the same cost more than once.
- A directly attributable cost will only be attributed to one category of transmission service.
- The same cost will not be treated as both a directly attributable cost and a shared cost.
- An avoided cost approach will not be used to allocate shared costs.
- Transgrid will recover the same cost only once through the charges that it levies for its services.
- The allocation of costs must be determined according to the substance of a transaction or event rather than its legal form.
- Wherever possible, Transgrid will directly attribute or allocate costs to the appropriate service category. The majority of Transgrid costs are directly allocated in this way.
- If direct attribution is not possible, a causal basis of allocation is undertaken. Transgrid utilises direct labour as the cost allocator for shared costs to service categories.
- Costs which have been allocated to prescribed transmission services must not be reallocated to negotiated transmission services.
- Costs which have been allocated to negotiated transmission services may be reallocated to prescribed transmission services to the extent they satisfy the principles referred to in this section; and
- NSW Non-Contestable Services – these are services provided in accordance with the NSW Electricity Infrastructure Investment Act (EII).

Consistent with clause 3.2.(6) of the AER Cost Allocation Guidelines, the principles and policies described in this section apply to all expenditure regardless of the party with whom the expenditure is incurred and therefore will apply to any related party expenditure.

### 9.2. Overview of cost allocation methodology

The figure below illustrates at a high level the process that Transgrid uses to allocate costs. A more detailed description is provided in the sections below.



Transgrid performs regular reviews of its cost base to ensure that all costs which can be directly attributable to services (given their nature) are identified in order to reduce the level of costs subject to allocation.

The cost allocation method in this CAM is consistent with Transgrid's previous cost allocation principles, policies and methodology, thereby allowing for comparison between historical cost allocation for previous years and future years.

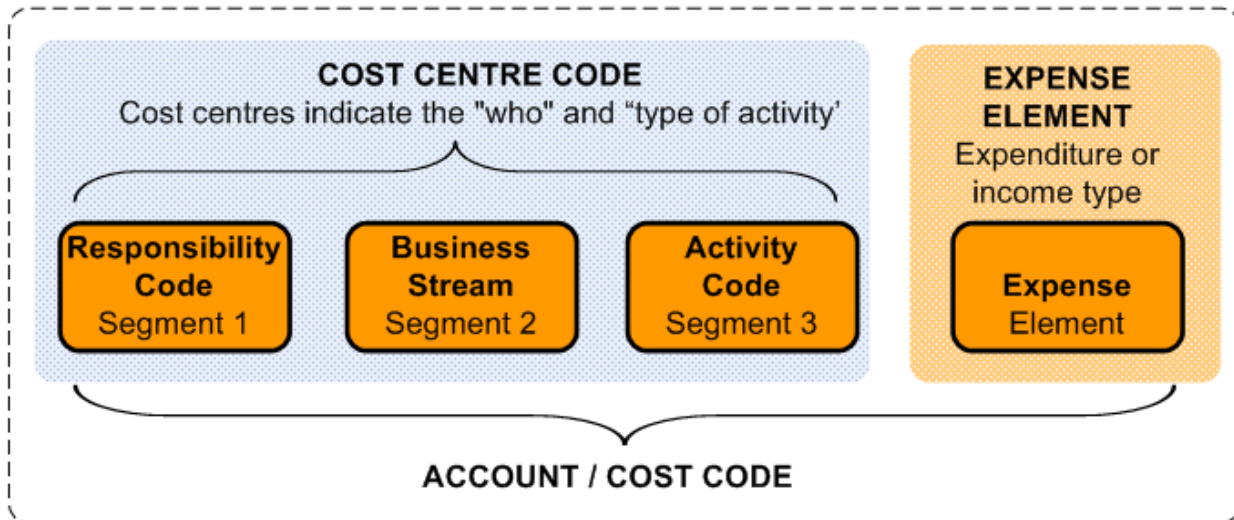
The marginal increase in direct labour costs associated with the non-contestable NSW REZ and PTIP projects are expected to correlate with the marginal increase in shared costs. If the marginal increases are not correlated, the differences are expected to be immaterial. The use of the allocator (share of direct labour costs) would therefore ensure consistency with the historical cost allocation methodology and would not disrupt the time series provided to the AER.

### 9.3. Cost capture system

Transgrid's ERP system is used to capture all costs. Transgrid's chart of accounts and costing systems have been established such that costs (both operating and capital) can be separately accounted for and reported in accordance with the CAM and regulatory reporting requirements. The chart of account structure enables costs to be attributed directly to, or automatically allocates costs between the following service categories:

- Prescribed transmission services
- Negotiated transmission services
- Non-regulated services
- NSW EII Non-Contestable Services

Each account in the General Ledger comprises four segments, whereby each segment has a 3-digit numeric code which facilitate automated cost attribution and allocation to specific 'segments' for management and regulatory reporting purposes as follows:

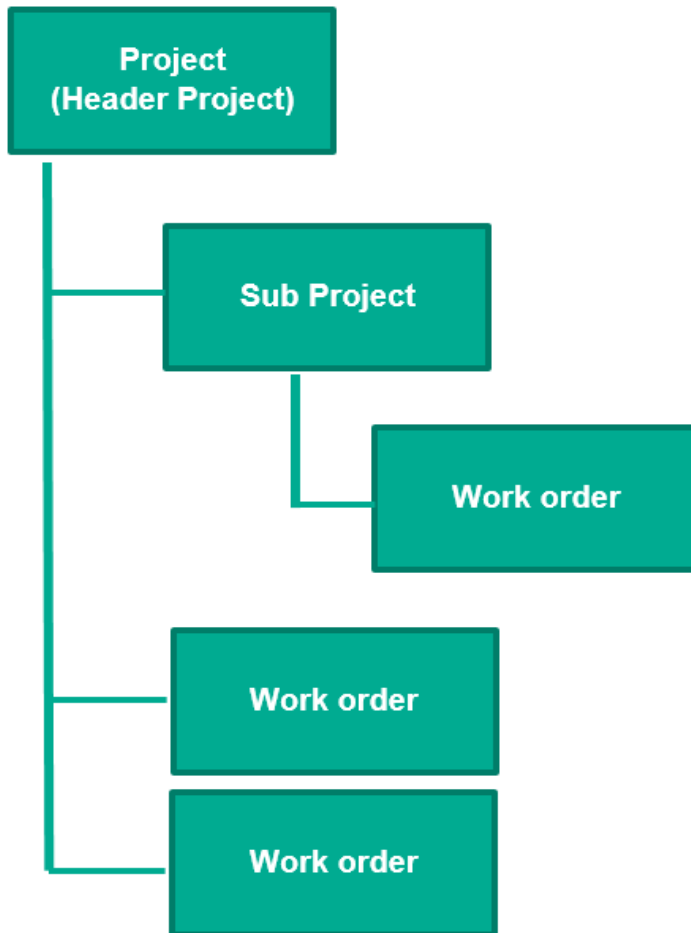


Level	Segment name	Format	Segment description
1	Responsibility centre	3-digit number	The area of financial responsibility assigned to a manager or supervisor e.g. Substations - Tamworth
2	Business Segment	3-digit number	Identifies the service category i.e. prescribed, negotiated or non-regulated.
3	Activity centre	3-digit number	Type of work being performed e.g. Asset inspections
4	Cost item	3-digit code	Type of expenditure e.g. Labour

In addition to the above, Transgrid employs a Project Costing Structure to collect and monitor costs associated with specific projects.

The Project structure is shown diagrammatically below.





Projects can have multiple levels using either sub projects or work orders to capture transactions. Projects are linked to a cost centre.

#### 9.4. Directly attributable costs

##### ***Labour costs***

Timesheets are used to directly attribute labour costs to projects/work orders.

Staff members are responsible for attributing labour hours to appropriate projects/work orders on a regular basis accounting for all days of activity. This reflects the project or activity undertaken by the staff member.

From the labour hours charged, the direct costs are attributed to the appropriate project or responsibility centre by multiplying the number of hours charged by the individual staff member's labour rate per hour.

##### ***Non labour costs***

Non labour expenses are directly attributed to the appropriate service by coding costs to the relevant project/work order.

The following table provides a summary of the principal cost items that Transgrid directly attributes to its various services, including the process and basis for that attribution:

Cost item	Description	Basis of attribution	Services attributed to
Labour	Salaries and wages, associated payroll on-costs and employee/industry allowances.	Directly attributed through labour costing to a project/work order.	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>
Materials	Inventory and non-inventory (irregular) items	The certification process for invoices requires officers to confirm the correct project/work order is used for the costing.	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>
Expenses	Expenditure associated with performing particular types of work. The principal expense items incurred by Transgrid are: <i>Easement maintenance – expenditure associated with vegetation management on easements; outsourced design services; outsourced commercial business services; services associated with equipment installs; and environmental and flora management which involves provision of services pertaining to environmental management / assessment, vegetation control and other costs to protect or maintain an environmental condition.</i>	The certification process for invoices requires officers to confirm the correct project/work order is used for the costing.	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>

As discussed in Section 7, records of all direct costs and their allocation to specific transmission and non-regulated services are maintained in Transgrid's ERP financial management systems.

## 9.5. Shared costs

In addition to direct costs, Transgrid also incurs shared costs. These costs cannot be exclusively linked to a specific service category, but need to be incurred in order for Transgrid to be able to provide transmission and other non-regulated services. These costs therefore need to be assigned to service categories via the use of specific allocators. Similar to direct costs, shared (or indirect) costs are captured in activity centres/responsibility centres at the general ledger account level.

### 9.5.1. Selection of direct labour as the cost allocator for shared costs

Transgrid uses direct labour as the cost allocator for its shared costs. The reasons for using this approach include:

- All lines of work Transgrid performs have a significant direct labour input. Transgrid's labour costs represent the majority of its operating expenditure. In addition, the majority of work outsourced has a high labour component e.g. easement maintenance; drafting services; environmental assessments.
- Transgrid has robust systems in place to capture direct labour as set out above, and
- Transgrid recognises the level of support required for a task is generally aligned to the level of labour involved in undertaking that task.

It is believed that this allocation method is the most appropriate for Transgrid. Costs are allocated on a causal basis in a way that is both transparent and equitable.

The numeric quantity or percentage of the direct labour allocator will change from time to time throughout the regulatory control period, because the quantum of the cost driver on which the allocator is based will change in the normal course of events. The information from which the percentage of direct labour allocator will be calculated will be sourced from Transgrid's ERP financial management systems (section 7).

### 9.5.2. Shared cost summary

A summary of Transgrid's principal shared costs is provided in the table below:

Cost item	Description	Cost relationship	Services allocated to
General maintenance activities	<ul style="list-style-type: none"> <li>• Maintenance staff's work that cannot be directly costed to a project or work order.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>
IT	<ul style="list-style-type: none"> <li>• Development and enhancement of Transgrid's IT applications and systems.</li> <li>• Software Licences, application support costs and system administration support.</li> <li>• Desktop configuration management, managing and implementing changes to the Standard Operating Environment (SOE), PC management, printer configuration and support, and call centre operations.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>
Senior management and support	<ul style="list-style-type: none"> <li>• Work related to executive &amp; general managers and senior / regional management of Transgrid, as well as their immediate support staff or services.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>• Prescribed</li> <li>• Negotiated</li> <li>• Non regulated</li> <li>• NSW EII Non-Contestable Services</li> </ul>

Cost item	Description	Cost relationship	Services allocated to
Business and administration services	<ul style="list-style-type: none"> <li>Work related to reception services, and the provision of local finance and administration services that are typically performed by the business management and services function of a business unit.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
High voltage network portfolio and project management	<ul style="list-style-type: none"> <li>Work related to portfolio and project management activities associated with the co-ordination and development of Network Augmentation and Network Asset Replacement.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Fleet and mobile plant	<ul style="list-style-type: none"> <li>All costs associated with the ownership of Transgrid motor vehicles and plant including bulk registrations, NRMA renewals, toll-fees, service and repair costs of sedans, station wagons, light commercials, off road vehicles, trucks and special vehicles issued with a Transgrid Fleet Number.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Network ancillary	<ul style="list-style-type: none"> <li>Includes calibration of equipment used for routine/preventative maintenance, standby allowance for maintenance work, specification development for maintenance jobs, purchasing of maintenance equipment, and safety checks.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Asset performance reporting and analysis	<ul style="list-style-type: none"> <li>Reporting and analysis on network related assets and asset management activities including, Quarterly Asset Performance Review (QAPR), ITOMS benchmarking, asset/equipment condition analysis, maintenance achievement, annual compliance reporting.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Maintenance planning and scheduling	<ul style="list-style-type: none"> <li>Preparing monthly, weekly and daily maintenance schedules, organising resources, materials and equipment prior to executing the maintenance work.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Warehousing	<ul style="list-style-type: none"> <li>Developing warehousing strategies and plans including the overall management of the warehousing function.</li> <li>Work related to the operations of the warehouse, including cataloguing, stores</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>

Cost item	Description	Cost relationship	Services allocated to
	receipting, issues, stock takes, and inspections into store.		
Purchasing	<ul style="list-style-type: none"> <li>Raising requisitions and authorities for expenditure, purchasing, purchase order raising and processing, and receipting of purchase orders.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Training and development	<ul style="list-style-type: none"> <li>Attending training courses, development programs, conferences or industry forums including the travel and accommodation costs associated with attending.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Recruitment	<ul style="list-style-type: none"> <li>Developing recruitment strategies and plans.</li> <li>Preparing, evaluating and grading position descriptions.</li> <li>Advertising positions, attendance at job evaluation panels, conducting employment interviews, preparing employment contracts and agreements.</li> <li>Management of recruitment and remuneration benefit services.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
People Support	<ul style="list-style-type: none"> <li>Developing, overseeing and participating in employee performance reviews and undertaking performance management; providing workplace relations advice, representation and advocacy.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>
Budgeting reporting and analysis	<ul style="list-style-type: none"> <li>Preparation of the annual budgets, re-forecasting, monthly financial reporting, business unit performance reporting, investigation and analysis of financial and operational metrics, including financial modelling and "what if" scenarios and analysis.</li> </ul>	Shared – Causal	<ul style="list-style-type: none"> <li>Prescribed</li> <li>Negotiated</li> <li>Non regulated</li> <li>NSW EII Non-Contestable Services</li> </ul>

As discussed in Section 7, records of all causally allocated costs to specific transmission and non-regulated services are maintained in Transgrid's ERP financial management systems.

## 10. Directors' sign off

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On behalf of the board of directors of NSW Electricity Networks Operations Pty Limited as Trustee for the NSW Electricity Networks Operations Trust (trading as "Transgrid")\*, we confirm that:

- In the directors' opinion, the information contained in this CAM (version 3.0 dated 23 September 2021) is accurate: and
- It is Transgrid's intention that this CAM, once approved by the AER, will be complied with.

\* As the entity holding the registration in the National Electricity Market as the Network Service Provider – Transmission and System Operator, NSW Electricity Networks Operations Pty Limited as Trustee for the NSW Electricity Networks Operations Trust is responsible for meeting the transmission network service provider's obligations under the National Electricity Rules.

Signed in accordance with a resolution of directors:

\_\_\_\_\_ Dated:

**Jerry Maycock**

\_\_\_\_\_ Dated:

**Julie Stanley**

## 11. Reconciliation to clause 3.2 of the AER Cost Allocation Guidelines

Clause	Requirement	Section in Transgrid's revised CAM
3.2 (1)	A version history and date of issue for the document	Section 1
3.2 (2)	A statement of the nature, scope and purpose of the document and the way in which it is to be used by Transgrid	Section 2
3.2. (3)	Details of the accountabilities within Transgrid for the document in order to set out clearly: the <i>TNSP's</i> commitment to implementing the <i>cost allocation methodology</i> ; and responsibilities within the <i>TNSP</i> for updating, maintaining and applying the <i>cost allocation methodology</i> and for internally monitoring and reporting on its application.	Section 6
3.2 (4)	A description of the <i>TNSP's</i> corporate and operational structure in order to enable the <i>AER</i> to understand how the <i>TNSP</i> is organised to provide its <i>transmission services</i>	Section 4
3.2 (5)	A specification of the categories of <i>transmission services</i> that Transgrid provides to which costs are to be attributed or allocated and the types of persons to whom those services are provided	Section 8
3.2 (6)	Transgrid's detailed principles and policies to be used for attributing costs directly to, or allocating costs between, categories of <i>transmission services</i> that meet the requirements of clause 2.2 of these <i>guidelines</i> . For the avoidance of doubt, this includes the attribution or allocation of costs relating to any <i>related party transactions</i>	Section 9
3.2 (7)	A description of how Transgrid will maintain records of the attribution or allocation of costs to, or between, categories of <i>transmission services</i> in order to enable any such attribution or allocation to be: demonstrated to the <i>AER</i> , in accordance with clause 5.2 of these <i>guidelines</i> and audited or otherwise verified by a third party, including the <i>AER</i> , as required.	Section 7
3.2 (8)	A description of how Transgrid will monitor its compliance with the <i>cost allocation methodology</i> and these <i>guidelines</i>	Section 6
3.2 (9)	Details of the proposed date on which the <i>cost allocation methodology</i> will commence, having regard for clause 4.1(d) of these <i>guidelines</i>	Section 5
3.9 (10)	Statement signed and dated by not less than two directors of Transgrid, which states whether in the directors' opinion, the information contained in the <i>cost allocation methodology</i> is accurate and which confirms Transgrid's intention to comply with the <i>cost allocation methodology</i> as approved by <i>AER</i> .	Section 10