

Essential Energy Annual Information Order Supporting Information 2024-25

November 2025



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Introduction – Framework for responding to the AIO

This document represents Essential Energy's written response to the Annual Information Order - Distribution issued by the AER on 5 April 2024. This document addresses the supporting information requirements contained in Section 4 of the Annual Information Order.

Purpose and contents of AER's Regulatory Information Notice

The AER issued an Annual Information Order (AIO) on 5 April 2024. For 2024-25, the AER required that Essential Energy must, on or before 30 November 2025 (Section 1.5, Table 1):

- Prepare and maintain the information as specified in the Order;
- Provide the information specified in the Order, audited in accordance with Section 6 of the Order, electronically using the AER File sharing service, AER information portal or other method agreed with the AER; and
- Verify, using the statutory declaration in Section 6 of the Order, the information specified in the Order.

Structure of Essential Energy's response

Essential Energy has provided the information required by Section 1.6.1 of the Order, with the following comprising Essential Energy's response to the Annual Information Order:

- a. Data requirements with the data reporting workbooks (issued from the AER via email sent on 31 January 2025) completed in accordance with Section 3 of the Order and the instructions and definitions.
- b. Supporting Information responses as specified in Section 4 of the Order (this document).
- c. A Basis of Preparation document in accordance with Section 5, and Appendix C to the AER's Order, stating how Essential Energy has complied in respect of each variable in each of the worksheets and any other information prepared in accordance with the requirements of this Order.
- d. The Audit Reports and/or Assurance Reports, prepared in accordance with the requirements of Section 6 of the Order.
- e. A statutory declaration, prepared in accordance with the requirements of Section 6 of the Order.

All attachments are listed in Table 1 below.

Table 1 – Essential Energy's Response to the Annual Information Order – Attachments

Attachment	Document Title
Attachment 1	Essential Energy – Annual Order 2024-25 – Data Submission Workbook – CONFIDENTIAL
Attachment 2	Essential Energy – Annual Order 2024-25 – Data Submission Workbook – PUBLIC
Attachment 3	Essential Energy – Annual Order 2024-25 – Data Submission Workbook – OPTIONAL 5.4 Maximum Demand – PUBLIC
Attachment 4	Essential Energy – Annual Order 2024-25 – Data Submission Workbook – SCS Legacy Meters – PUBLIC
Attachment 5	Essential Energy – Annual Order 2024-25 – Supporting Information – Public [This Document]
Attachment 6	Essential Energy – Annual Order 2024-25 – Capitalisation Policy – Public
Attachment 7	Essential Energy – Annual Order 2024-25 – DMIAM Compliance Report – PUBLIC
Attachment 8	Essential Energy – Annual Order 2024-25 – Debt Portfolio – Confidential
Attachment 9	Essential Energy – Annual Order 2024-25 – Customer Service Incentive Scheme – PUBLIC
Attachment 10	Essential Energy – Annual Order 2024-25 – CSIS Data Assurance Letter – PUBLIC
Attachment 11	Essential Energy – Annual Order 2024-25 – Basis of Preparation – Public



Attachment 12	Essential Energy – Annual Order 2024-25 – AUDIT and REVIEW Opinion – Public
Attachment 13	Essential Energy – Annual Order 2024-25 – Statutory Declaration – PUBLIC
Attachment 14	Essential Energy – Annual Order 2024-25 – Claim of Confidentiality – PUBLIC



Response to Section 4

In this section, Essential Energy addresses the requirements of Section 4 of the Order. Each of these matters is addressed below:

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:	
4	Supporting information requirements		
4.1	Requirement to provide supporting information under this Order		
4.1.1	Electricity distributors must prepare and provide the AER with the information set out in sections 4, 5 and 6 of this Order.		
4.1.2	Electricity distributors must provide the following information to assist the AER in identifying the information:	(a) a table that identifies each response to this section 4 and where it is provided in the annual information submission; (b) a table that references each file (workbook, document or other) provided, where each file listed in the table must be given a name in the form: [Electricity distributor name] – Annual Order – [reporting period] – [title] – [public/confidential]	This table is our response to 4.1.2(a). Refer to Table 1 on page 2 of this document.
4.2	Policies and procedures		
4.2.1	The electricity distributor must provide its policies and procedures, encompassing:	(a) regulatory accounting principles and policies, (b) capitalisation policy, (c) policy/procedures for the allocation of overheads, in accordance with the approved cost allocation method.	(a) There is no statement of policy for this procedure. (b) Provided. (c) Essential Energy applies the approved CAM to the trial balance through the financial system, and results are adjusted at year end if required and agreed back to the statutory accounts, and verified by independent auditors. There is no statement of policy for this procedure.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.2.2	The electricity distributor must identify any changes to the policies and procedures listed at 4.2.1 that have occurred in the reporting period, and describe:	Capitalisation policy updated to address capitalisation requirements for Intium built assets. This did not impact the RIO information reported and also reflects accounting standards requirements. Provided as Attachment 6.
4.2.3	If the policies and procedures required at 4.2.1 have previously been submitted to the AER, and have not been amended since that submission the electricity distributor must report the previous submission date, and does not have to provide the policies and procedures again.	
4.3	Regulatory adjustments	
4.3.1	For regulatory adjustments recorded in the data workbooks (Workbook 06 – Operating expenditure, Workbook 09 – Revenue and financial statements) the electricity distributor must provide information that reconciles and explains all adjustments between the audited statutory accounts and the Distribution business, set out in a regulatory adjustment reconciliation report.	Refer to Appendix 1 – Regulatory Adjustments.
4.3.2	For each regulatory adjustment recorded in the data workbooks (Workbook 06 – Operating expenditure, Workbook 09 – Revenue and financial statements) the regulatory adjustment reconciliation report must include:	
4.3.3	If an electricity distributor has previously provided the AER with a regulatory adjustments journal in	

(a) the reason for the change
(b) the impact of the change on the information being reported.

(a) a detailed explanation for the underlying reason for the regulatory adjustment.
(b) methodology and assumptions used to quantify the regulatory adjustment.
(c) details of relevant debits and credits associated with the regulatory adjustment.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
	response to annual reporting obligations in place for the 2022-23 reporting year, then the regulatory adjustment reconciliation report must continue to be in the form of a regulatory adjustments journal.	
4.4	Discretionary row descriptors	
4.4.1	Electricity distributors should keep discretionary row descriptors (inputs) used to meet the information requirements in the data workbooks at Appendix A the same in each reporting period.	
4.4.2	If an electricity distributor has varied the row descriptors (input) compared to those used in the previous reporting period or regulatory year, the electricity distributor must provide:	(a) an explanation of the relationship between the current row descriptors, and those used previously (b) an explanation of why the change was made (c) supporting material (or references to supporting material) driving the change (including for example policies, guidelines, or accounting standards).
4.5	Allocation of revenues and expenditures to distribution services	
4.5.1	For each item of revenue or expenditure that is not directly attributable and is reported on a causal allocation basis to distribution services provide:	(a) a description of the causal basis of allocation (b) the numeric quantity of the allocator (c) an explanation of why the allocator was selected.
4.5.2	For each item of revenue or expenditure that is not directly attributable and is reported on a non-causal allocation basis to distribution services provide:	(a) a description of the non-causal basis of allocation (b) the numeric quantity of the allocator
		There have been some minor additions to row descriptors. These items were previously included in the provided row descriptors but were excluded into the updated templates. Added for completeness. Expenditure and revenue items are attributed directly to the Distribution Business, as directed by the application of the approved CAM to the trial balance. They are allocated using one allocator, being Direct Costs, as directed by the approved CAM. Expenditure and revenue items are attributed directly to the Distribution Business, as directed by the application of the approved CAM to the trial balance.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
		(c) an explanation of why the allocator was preferred over other possible allocators (d) an explanation why no causal basis of allocation could be established (e) documents showing any approval previously granted by the AER to use the allocator.
4.6	Allocation of revenues and expenditures to service segments	
4.6.1	For each item of revenue or expenditure reported on a causal allocation basis from distribution services to a service segment provide:	(a) a description of the causal basis of allocation (b) the numeric quantity of the allocator (c) an explanation of why the allocator was selected.
4.6.2	For each item of revenue or expenditure reported on a non-causal allocation basis from distribution services to a service segment provide:	(a) a description of the non-causal basis of allocation (b) the numeric quantity of the allocator (c) an explanation of why the allocator was preferred over other possible allocators (d) an explanation why no causal basis of allocation could be established (e) documents showing any approval previously granted by the AER to use the allocator.
4.7	Material differences	
4.7.1	Identify each difference (where the difference is equal to or greater than ± 10 per cent) between the target performance measure specified in the service target performance	Essential Energy's reliability S-factor is capped so we did not exceed 10%.

Checklist of requirements for DNSP 4.1.2 (a):

Essential Energy's Response:

<p>incentive scheme and actual performance reported in the data workbooks.</p>		
<p>4.7.2 Identify each difference (where the difference is equal to or greater than ± 10 per cent) between the AER's forecast operating expenditure and actual operating expenditure reported in Workbook 06 - operating expenditure.</p>		<p>Difference between actual operating expenditure versus the AER's forecast operating expenditure is driven by:</p> <ul style="list-style-type: none"> • Higher direct vegetation expenditure; and • Higher overheads, driven by higher labour costs.
<p>4.7.3 Identify each difference (where the difference is equal to or greater than ± 10 per cent) between the AER's forecast capital expenditure by purpose and actual capital expenditure by purpose reported in Workbook 07 - capital expenditure.</p>		<p>Difference between actual capital expenditure by purpose versus the AER's forecast capital expenditure by purpose is driven by:</p> <ul style="list-style-type: none"> • Replacement – increase in labour costs mainly due to higher than expected wage increases; • Connections – most large connections are now being performed as Ancillary Services works; • Augmentation – small volumes in this category results in year on year fluctuations; • Export Services – impacts of delays in the metering program and the IT elements mainly being delivered as non-capitalisable SaaS solutions; • Overheads – mainly due to increases in labour costs; • Fleet – increase in unit costs for vehicles since COVID-19 supply restrictions and increased fleet

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.7.4	Explain the reasons for each difference identified in the response to section 4.7.1, 4.7.2 and 4.7.3.	<p>numbers due to business growth; and</p> <ul style="list-style-type: none"> ICT – higher proportion of projects are non-capitalisable as they are SaaS solutions. <p>As above.</p>
4.8	Compliance	
4.8.1	Explain the procedures and processes used by the electricity distributor to ensure the distribution services have been classified in accordance with the electricity distributor's current distribution determination.	<p>Combinations of general ledger fields are used to identify the classification of services against financial transactions.</p> <p>Each year a review is undertaken to identify changes to the business as a whole and specific general ledger fields, to ensure the fields have retained integrity in relation to business operations. This is included in the financial audit.</p>
4.8.2	Explain the procedures and processes used by the electricity distributor to ensure the negotiated service criteria, as set out in the electricity distributor's current distribution determination, have been applied.	<p>Essential Energy does not have any negotiated services.</p>

Checklist of requirements for DNSP 4.1.2 (a):

Essential Energy's Response:

4.8.3

Describe the process the electricity distributor has in place to identify a negative change event under clause 6.6.1(f) of the NER and the materiality threshold applied to these events.

Essential Energy's regulatory and communications teams receive notification from all regulatory and government bodies of proposed or actual changes to any Rules, Regulations or Legislation that may impact the electricity sector. These are maintained in a register and assigned to the appropriate team for review and notification to the business of any new or changed requirements in relation to Essential Energy's distribution business. This register is reviewed on a regular basis by the Regulatory team.

In addition regular meetings are held between the Regulatory and Finance and Risk teams to ensure that any changes to accounting standards, reporting or taxation laws are communicated to the Regulatory team.

Through a regular review of this register and liaison with other areas of the business, Essential Energy can confirm that none of the negative pass through events listed in 6.6.1(f) of the NER or the 2024-29 NSW Distribution Determination have occurred during the 2024-25 year that would have resulted in a 1 per cent of revenue (approximately \$11M) change in the cost of providing direct control services. These events are listed below:

NER 6.6.1(f)

A negative change event for a Distribution Network Service Provider or a pass through event that materially



Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
		<p>reduces the costs of providing direct control services:</p> <p>Any of the following is a pass through event:</p> <ul style="list-style-type: none"> • A regulatory change event; • A service standard event; • A tax change event; or • A retailer insolvency event. <p>In addition the following were approved as pass through events in the 2024-29 Distribution Determination:</p> <ul style="list-style-type: none"> • Insurance coverage; • Insurer credit risk; • Natural disaster; and • Terrorism.
4.9	Demand management incentive scheme	
4.9.1	Identify each demand management incentive scheme (DMIS) eligible project and committed project for which the electricity distributor seeks approval.	There was no DMIS project expenditure during the 2024-25 year.
4.9.2	For each DMIS eligible project identified in the response to section 4.9.1:	Not applicable.
		(a) explain how it complies with the AER's RIT-D or the minimum project evaluation requirements detailed at section 2.2.1 of the DMIS; (b) submit a demand management compliance report in accordance with section 2.4 of the DMIS.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.9.3	For each committed project identified in the response to section 4.9.1:	Not applicable.
4.9.4	Provide an overview of developments in relation to projects or programs completed in previous years of the current regulatory control period, and of any results to date.	Not applicable.
4.9.5	Provide any other required information as specified by the DMIS.	Not applicable.
4.10	Demand management innovation allowance mechanism	
4.10.1	Identify each demand management innovation allowance mechanism (DMIAM) eligible project for which the electricity distributor seeks approval.	(1) Small Customer Tariff Trials
4.10.2	For each DMIAM eligible project identified in the response to section 4.10.1:	Refer to Attachment 7.
4.10.3	Provide an overview of developments in relation to projects or programs completed in previous years of the current regulatory	Refer to Attachment 7.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
	control period, and of any results to date.	
4.10.4	Provide any other required information as specified by the DMIAM.	Refer to Attachment 7.
4.11	Tax standard asset lives	
4.11.1	Identify all tax standard asset lives applied to asset classes that differ from those contained in the AER approved Post Tax Revenue Model for the reporting period.	There are no tax standard asset lives applied to asset classes that differ from those contained in the AER approved PTRM for Essential Energy's current regulatory period.
4.11.2	Explain the reasons for each difference identified in section 4.11.1 including reasons for any departure from the Australian Tax Office's most recent determination of effective life.	Not applicable.
4.12	Tax reporting – immediate expensing	
4.12.1	List and explain the types of capital expenditure (such as refurbishment capital expenditure and capitalised overheads) associated with the immediate expensing capital expenditure as reported in the data workbooks, if any.	Essential Energy treat all 'replacement' capital expenditure (as set out in Table 8.2.1) as an immediate deduction for tax purposes in the year the expense is incurred. This excludes overheads attributable to the expenditure. Essential Energy also includes as an immediate deduction any portion of export services capital expenditure which is classed as replacement expenditure at source. Essential Energy also treats capitalised interest as an immediate deduction but in practice has not capitalised interest for several years.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.12.2	State if the electricity distributor has, since the last reporting period, changed and/or intends to change its tax policy on immediate expensing capital expenditure and explain the rationale for the change and impact of the change.	Essential Energy has changed its policy on the tax treatment of replacements. Previously, Essential Energy used to capitalise and depreciate replacement assets. However, Essential Energy changed its policy to adopt the treatment in tax ruling TR97/23: Income tax: Deductions for repairs. This ruling allows for the replacement of eligible poles and wires to be treated as a deduction for repairs for tax purposes.
4.13	Regulatory investment test expenditure	
4.13.1	For each project where the electricity distributor has incurred expenditure during the reporting period relating to a project that has undergone a RIT-D in accordance with r.5.17 of the NER and the AER's RIT-D application guidelines provide the following details:	(a) the name of the RIT-D and the date on which the RIT-D process was concluded; and (b) whether the expenditure on the project is classified as augmentation expenditure or replacement expenditure.
4.14	Related party information	
4.14.1	For each related party transaction reported in Workbook 09 – Revenue and financial statements, the electricity distributor must confirm that the contract or arrangement with the related party requires the related party to provide all relevant information to enable the electricity distributor to meet its reporting obligations (including allocation or attribution of costs of that related party contract) under this Order.	Essential Energy can confirm that for the related party transactions reported in Table 8.7 we receive adequate information from related parties (TCorp and NSW Treasury) to meet our reporting obligations.
4.15	Reporting of fines and penalties	

Checklist of requirements for DNSP 4.1.2 (a):

Essential Energy's Response:

<p>4.15.1 Where any fine or penalty has been incurred by the electricity distributor during the reporting period as a result of non-compliance with:</p>	<p>(a) a distribution safety standard; or (b) distribution reliability standard; or (c) distribution service standard; or (d) the NEL or NER; or (e) the National Energy Retail Law or National Energy Retail Rules; or (f) any Act or instrument referred to in s.2D(1)(b)(ii) to (v) of the NEL, the electricity distributor must identify and itemise each fine or penalty (including a description of the non-compliance, the size of each fine or penalty, and the relevant authority that levied each fine or penalty).</p>	<p>Essential Energy has not incurred any fines or penalties for non-compliance with the instruments under 4.15.1.</p>
<p>4.15.2 For all such fines or penalties identified in response to section 4.15.1, the electricity distributor must provide a statement attesting that:</p>	<p>(a) The electricity distributor has not included any of that expenditure or cost, or any part of that expenditure or cost, in the operating expenditures contained in its response to this Order; and (b) The electricity distributor has not recovered any of that expenditure or cost, or any part of that expenditure or cost, from end users; and (c) The electricity distributor has not sought to pass through any of that expenditure or cost, or any part of that expenditure or cost, to end users.</p>	<p>Not applicable.</p>
<p>4.15.3 Where no such fines or penalties have been identified in response to section 4.15.1, the electricity distributor must provide a statement attesting that no such fine or penalty has been incurred.</p>		<p>Essential Energy has not incurred any fines or penalties for non-compliance with the instruments under 4.15.1.</p>
<p>4.15.4 The fines or penalties identified in section 4.15.1 exclude any payments made in accordance with the AER's incentive schemes (including guaranteed service level payments under Chapter 6 of the AER's service</p>		<p>Noted.</p>

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
	target performance incentive scheme) or any relevant jurisdictional guaranteed service level scheme.	
4.16	Tariff variations	
4.16.1	The electricity distributor must provide an explanation of the timing and nature of any material changes in the level and structure of tariffs in the reporting period.	Essential Energy has not had material changes in the level and structure of tariffs in the 2024-25 reporting period.
4.16.2	The electricity distributor must provide an explanation of any material tariff reassignments in the reporting period.	Essential Energy has not made any material tariff reassignments in the 2024-25 reporting period.
4.17	Vegetation management	
4.17.1	The electricity distributor must provide a list of regulations that result in a material cost on performing vegetation management works (including, but not limited to, bushfire mitigation regulations).	Vegetation management costs are impacted by a number of requirements on Essential Energy under the Electricity Supply Act and Electricity Supply Regulation. Key regulations include: <ul style="list-style-type: none"> • NSW Government – ISSC3 Guideline for managing vegetation near powerlines • NSW Rural Fire Service – Standards for asset protection zones • NSW Rural Fire Service – Guide for bushfire prone land mapping • Rural Fires Act 1997 (NSW) • Australian standard 4373 – pruning of amenity trees
4.17.2	The electricity distributor must provide a list of self-imposed standards from the electricity	Vegetation management standards are covered through internal policies including, but not limited to the following:

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.17.3	<p>distributor's vegetation management program.</p> <p>The electricity distributor must provide an explanation of the cost impact of regulations and self-imposed standards on performing vegetation management work in the reporting period.</p>	<ul style="list-style-type: none"> • CEOP2010 Vegetation Clearing Guidelines for New Power Lines • CEOP2021 Vegetation: Removing Vegetation Near Overhead Powerlines • CEOP2140 Vegetation Management Requirements for Network Assets <p>The external regulations and internal standards drive Essential Energy's costs for vegetation management.</p>
4.18	<p>Reconciliation of expenditure</p> <p>The electricity distributor must identify all non-network operating expenditures items that have been reported against more than one operating expenditure category. The report must specify the relevant categories and expenditure amounts, for each non-network expenditure item allocated to multiple categories and enable reconciliation to total non-network operating expenditure reported on a mutually exclusive/collectively exhaustive basis to meet the requirement for Opex by purpose.</p>	<p>There is no non-network operating expenditure reported against more than one operating expenditure category. The non-network is included in Corporate and Network Overheads in Table 2.1.2 to avoid double counting.</p>
4.19	<p>Benchmarking asset base</p> <p>If the electricity distributor wishes to report benchmarking asset base values in accordance with the Optional additional approach set out in Appendix A Data workbook</p>	<p>No additional data provided.</p>
4.19.1		<p>a) Submit the economic benchmarking asset base tables prepared using the optional additional approach as a separate data submission</p>

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
	instructions, Section 8.1.5 Optional additional approach, it must:	
4.20	Taxable income adjustments	
4.20.1	The electricity distributor must provide in its basis of preparation, the methodology used to determine the permanent differences due to disallowed interest expenditure, and specify the interest expenditures it has assessed to be non-deductible.	Essential Energy did not have any permanent differences due to disallowed interest expenditure.
4.20.2	The electricity distributor must provide in its basis of preparation, details of the prior year tax adjustments, including the reasons for the change (e.g. change in legislation, court judgment or Australian Tax Office correspondence where relevant).	Prior year returns were amended to adopt the tax treatment of replacements contained in tax ruling TR97/23: Income tax: deduction for repairs. This ruling allows for the replacement of poles and wires to be treated as a deduction for repairs for tax purposes. Prior to adopting this treatment, Essential Energy used to capitalise and depreciate this expenditure. The basis of preparation was to consider the items identified as replacements in the replacements RIN and exclude those items that would not meet the definition of a repair per ruling TR97/23. Essential Energy also utilised the loss carry back tax offsets available for the 2019 to 2022 income years to apply the excess losses to taxable income assessed in the eligible years. As discussed above, Essential Energy adopted the tax treatment in TR97/23 and amended prior year returns to also take up that treatment. This has resulted in large accumulated tax losses to carry
4.20.3	If the electricity distributor has reported tax losses carried forward in Workbook 09 - Revenue and financial statements it must provide an explanation of the factors that have	

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:	
4.20.4	<p>resulted in the carried forward tax losses.</p> <p>The electricity distributor must report any tax losses that have been used by the electricity distributor during the regulatory year. The electricity distributor must provide supporting calculations for the tax losses used.</p>	<p>forward and offset against future taxable income.</p> <p>None of the tax losses were used by Essential Energy during the 2024-25 reporting period. The application of TR97/23 has resulted in accumulated tax losses each year which are being carried forward.</p>	
4.21	Interest expense		
4.21.1	<p>The electricity distributor must provide in its basis of preparation, in relation to its interest expenditure:</p>	<p>(a) a description and explanation of the methodology used to allocate the interest expenditure. This methodology should provide:</p> <ul style="list-style-type: none"> i. the specific debt that has been allocated to the electricity distributor's core regulated services; ii. the general debt that has been allocated to the electricity distributor's core regulated services; iii. the method used to allocate the specific debt and general debt between the regulated and unregulated assets held at the group level and also to the core regulated services; and iv. the method used to allocate related party interest to the electricity distributor's core regulated services, to the extent related party debt has been included in the specific or general debt allocations; and 	<p>Refer to Basis of Preparation for Table 8.7.</p>

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
	(b) if available or applicable to the electricity distributor, details of the characteristics of the portfolio of debt being allocated to the electricity distributor, including: <ul style="list-style-type: none"> i. the value of drawn debt allocated to the electricity distributor's core regulated services; ii. the portfolio-weighted average term of debt instruments giving rise to interest expense reported; and iii. any additional detail in its basis of preparation, that electricity distributor would consider relevant in understanding the allocated interest expenditure 	Refer to Attachment 8 – Debt Portfolio.
4.22	Small scale incentive schemes	
	Customer service incentive scheme For every reporting year for which a customer service incentive scheme applies to the electricity distributor, the electricity distributor must report the information specified in the AER's regulatory determination that applied the scheme (applicable regulatory determination). The information must be reported in a form consistent with the requirements set out in the applicable regulatory determination, or as otherwise agreed with the AER.	See Attachment 10 – Customer Service Incentive Scheme Reporting Model.
4.22.1	regulatory determination that applied the scheme (applicable regulatory determination). The information must be reported in a form consistent with the requirements set out in the applicable regulatory determination, or as otherwise agreed with the AER.	
4.22.2	Information reported under section 4.22.1 is required to be included in the basis of preparation submitted by the electricity distributor.	Refer to the Basis of Preparation for the CSIS Model preparation.
4.22.3	Information reported under 4.22.1 is subject to the assurance requirements set out in the applicable regulatory determination.	Noted.
	Export service incentive scheme	

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.22.4	For every reporting year for which an export service incentive scheme applies to the electricity distributor, the electricity distributor must report the information specified in the applicable regulatory determination that applied the scheme. The information must be reported in a form consistent with the requirements set out in the applicable regulatory determination, or as otherwise agreed with the AER. Information reported under section 4.22.4 is required to be included in the basis of preparation submitted by the electricity distributor.	Not applicable.
4.22.5	Information reported under section 4.22.4 is required to be included in the basis of preparation submitted by the electricity distributor.	Not applicable.
4.22.6	Information reported under 4.22.4 is subject to the assurance requirements set out in the applicable regulatory determination.	Not applicable.
4.23	Large projects	
4.23.1	For each large project reported in Workbook 07 – Capital expenditure the electricity distributor must report:	(a) the date of an AER determination to incorporate the expenditure forecast for the large project into the maximum allowed revenues for the electricity distributor (b) whether the project is a contingent project (as defined in the NER) (c) the expenditure forecast for the reporting year; the difference between forecast and actual expenditure; and drivers of the difference.
4.24	Circuit capacity	
4.24.1	The electricity distributor must describe in its basis of preparation the methodology used to estimate circuit capacities reported in	Essential Energy does not have any large project capital expenditure in the 2024-25 reporting period. Refer to the Basis of Preparation for Table 3.5 Physical Assets.

Checklist of requirements for DNSP 4.1.2 (a):		Essential Energy's Response:
4.24.2	<p>Workbook 03 – Network metrics – Circuit capacity.</p> <p>The electricity distributor must explain any changes in methodology used to estimate circuit capacity implemented for the reporting period.</p>	<p>There have been no changes in the methodology used to estimate circuit capacity in the 2024-25 reporting period.</p>

Appendix 1 – Regulatory Adjustments

FINANCIAL TEMPLATE ITEM	AMOUNT \$	DESCRIPTION
Table 8.1.1.1: Revenue - SCS		
Distribution Revenue	(207)	Immaterial rounding correction
Shared Asset Revenue	(4,462,743)	Unregulated revenue earned from shared assets, such as leasing property and telecommunications assets.
Contributions	(26,831,342)	Type 1 Contributions for unregulated services, predominately Essential Water
Recoverable Works	(12,053)	Immaterial amount incorrectly allocated to Ancillary Network Services in statutory accounts.
Other Revenue	(31,021,133)	Unregulated services revenue, predominantly Essential Water
Gifted Assets	(114,859,696)	Type 2 Contributions for capital work classified as unregulated services, no cash component
TOTAL REVENUE ADJUSTMENTS	(177,187,175)	

Table 8.1.1.2: Expenditure - SCS		
Maintenance Expenditure	1,508,776	Reallocation of costs from recoverable works to emergency response, and impacts from reallocation of support costs via CAM
Operating expenditure excluding maintenance expenditure	(49,870,232)	Includes direct costs and indirect costs allocated through CAM to Unregulated services, Essential Water and Intium
Depreciation	14,486,191	Amount allocated to Unregulated services, Essential Water and Intium
Debt Raising Costs	7,195,667	Reclassification from Finance Charges
Loss from disposal of Fixed Assets	33,240	Amount allocated to unregulated services through application of CAM to audited trial balance
Finance Charges	(7,195,667)	Reclassification to Debt Raising Costs
Impairment Losses	(9,189,388)	Impairment of Water assets
Recoverable Works	(2,186,956)	Reallocation of costs from recoverable works to emergency response.
Other	(25,550,156)	Amount allocated to unregulated services (Water)
TOTAL EXPENDITURE ADJUSTMENTS	(70,768,526)	

Table 8.4.1: Operating & Maintenance Expenditure – By Purpose

Debt Raising Expenditure	7,195,667	Reclassification from Finance Charges
Routine (Preventative) Maintenance	(1,812,757)	Transfer of dedicated streetlight pole maintenance from Standard Control (Routine Maintenance) to Public Lighting (Other Network Costs) and correction of project costs allocated to incorrect regulatory segments in management accounts
Non-Routine (Corrective) Maintenance	(97,278,197)	Transfer from Corrective Maintenance to Emergency Response
Vegetation Management	(5,152,100)	Recalculation of overheads costs allocated to Vegetation Management due to shifts in direct costs between regulatory segments.
Emergency Response	100,439,461	Transfer from Corrective Maintenance to Emergency Response
Other Network Costs	(66,607,027)	Amount allocated to unregulated services
TOTAL OPEX ADJUSTMENTS	(63,214,953)	

The Regulatory Accounting Statements reconcile back to the Audited Statutory Accounts.

The Financial templates are populated in accordance with the Cost Allocation Methodology (CAM) approved by the AER. The financial information consists of:





- The data from audited statutory financial statements of Essential Energy for the year ended 30 June 2025.
- The data from the customer billing system of Essential Energy audited by the Auditor-General.

The CAM is applied to the audited trial balance with combinations of general ledger fields groups to complete the various line items of the Regulatory Information Order template. The CAM calculates the percentage of financial transactions attributable to the Standard Control and Alternative Control Services of Essential Energy's distribution business.

"Adjustments" in the Financial Information Templates consist chiefly of items allocated to the unregulated segment of the business which is made up of the Water business and other unregulated activities.

Appendix 2 – RIT-D Projects

RIT-D Project Name	Date of RIT-D Process Conclusion	Augmentation Expenditure or Replacement Expenditure	Total Cumulative Expenditure (Nominal \$)
Master Subtractive Metering Rectification	April 2022	Augex	\$20.89M
Lake Cathie Supply Area	April 2023	Augex	\$0.66M
Sovereign Hills Supply Area	July 2024	Augex	\$1.56M
Addressing Bushfire Risk Reclassification	October 2024	Augex	\$1.98M
Risk Based Proactive Pole Replacement Program	May 2025	Repex	\$0.04M

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