



Quoted Services Methodology

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Background.

The economic regulation of distribution services provided by Aurora for the period 1 July 2012 to 30 June 2017 is to be overseen by the Australian Energy Regulator (AER) pursuant to the National Electricity Law (NEL) and the National Electricity Rules (NER).

The NER provides the AER with the power to classify distribution services provided by Aurora and to group those services to allow different forms and mechanisms to be applied as appropriate.

The AER described its likely approach to the classification of Aurora's distribution services and the form of control mechanisms to be applied in their document *Final Framework and Approach Paper Aurora Energy Pty Ltd Regulatory Control Period commencing 1 July 2012* (Framework and Approach paper).

In the Framework and Approach paper, the AER proposed that services that vary according to customer-specific needs such that a fixed rate or fee cannot be determined in advance, be grouped together as "quoted services" and classified as "direct control services" with the sub-classification of "alternative control services". Further, the AER has indicated that their preferred form of regulation for Aurora's quoted services is a price cap on individual input costs (page 83 of the Framework and Approach paper).

As result of the classification by the AER, the onus is upon Aurora to propose to the AER in Aurora's regulatory proposal the methodology to arrive at the input prices and the application of those input costs.

This document describes the methodology of application of the input costs (methodology).

Please note, that in this document, reference to Aurora should be read as a reference to Aurora in its capacity as a provider of electricity distribution services as licensed by the jurisdictional Regulator under the Electricity Supply Industry Act 1995.

Scope.

This methodology applies to works performed by Aurora that are of such diversity that “do and charge” is the only reasonable approach to recovering costs. Aurora carries out a number of activities in which it is required to provide a quoted service.

Examples of quoted services provided by the Aurora are:

- Provision of new supply;
- Provision of Public Lighting schemes;
- Provision of overhead and underground subdivisions for developers; and
- Relocation of assets at the request of a third party.

Methodology of Quoted Services Model.

In order to provide accurate costs for quoted services, Aurora utilises the Estimation Module in WASP. The estimations are built by Distribution Designers to fit the requirements of the customer. Considerations include:

- Expected load;
- Aurora Standards;
- AS/NZ Standards;
- Type of connection; and
- Customer requirements;

The Distribution Designer will generally run two to three different scenarios in the estimation module, before the most cost effective estimation is selected as the charge for the activity.

Quoted Services are built using the Estimation Module in WASP and are done so by using fixed input costs.

As detailed in [NW-#30162872-Quoted Services Estimation Module](#), The fixed inputs are detailed in the following worksheets:

- WASP “u_payclass” Table - Details the labour rates for each skill set;
- WASP “asset_rates” Table – Details the rate for each type of vehicle or plant equipment;
- WASP “u_strmtr” Table – Details the cost of each component held or ordered by Aurora’s warehouse;
- WASP “u_voucher” Table (Cont.) – Details the unit rates/ fixed costs for the services provided by external contractor, specifically BBS;
- WASP “u_voucher” Table (Other) - Details the unit rates/ fixed costs for the services provided by external contractors, specifically Clarke Purdon, Digga Excavations, Gradco and Jasons Contracting;
- WASP “unit_assy” Table – Details the unit assemblies that can be used to build a quoted service. Each unit assembly combines all costs to construct a component of the network;
- WASP “oncost” Table – Details the percentage of oncost for component type;
- WASP “ttypes” Table – Details the codes for labour, contracts, materials, income, other, plant, oncosts and accruals; and
- WASP “comp_types” Table – Details the coding used to describe the different types of components used.

The quoted service that is being provided by Aurora comprise of the following components which, when totalled give the final price:

- Labour;
- Plant;
- Materials; and
- Other costs.

The oncost is calculated by building in the total employment costs into the labour rate.

Examples of Quoted Services Methodology.

As detailed in [NW-#30162872-Quoted Services Estimation Module](#), extracts from the Estimation Module in WASP are provided for the following projects:

- WASP Project 153453 Est 39 – Example Proj 1 – UG Subdivision with Pad Mount Substation (ex WASP 136654);
- WASP Project 153452 Est 119 –Example Proj 2 - OH Line Relocation (ex WASP 140688);
- WASP Project 153453 Est 41 - Example Proj 3 - UG Public Lighting Scheme (ex WASP 145313); and
- WASP Project 153452 Est 120 - Example Proj 4 - OH Supply for Irrigation (ex WASP 156471).

Each Project example shows how the fixed inputs are combined to derive the final quoted service and provides a summary of Labour, Plant, Materials, Contracts and Other.