AUSTRALIAN ENERGY REGULATOR

Standardised Ancillary Network Services Model Handbook

March 2022

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Overview of the Standardised Ancillary Network Services Model

Context and methodology overview

The Standardised Ancillary Network Services (ANS) Model is organised into three main types of worksheets:

Output sheets

- 'Output|Fee Based'
  - Sets out the proposed price for each fee-based service for the first year of the forecast regulatory control period.
  - Proposed prices are sourced from the 'Calc|Fee Based' sheet.
- 'Output|Quoted'
  - Sets out the proposed labour rates to be applied to quoted services in the first year of the forecast regulatory control period.
  - Proposed prices are sourced from the 'Calc|Labour rates' sheet.

Input sheets

- Sets out the information required to calculate proposed prices for fee-based and quoted services.
  - This document provides guidance on populating the 'Input' sheets in the 'General notes and instructions' and 'Input sheet notes and instructions' sections.

Calc sheets

- 'Calc|Fee Based'
  - Calculates the proposed price for each fee-based service for the first year of the forecast regulatory control period using information from the 'Input' sheets.
  - Proposed prices are sourced from the 'Calc|Fee Based' sheet.
- 'Calc|Quoted'
  - Calculates the proposed labour rates to be applied to quoted services in the first year of the forecast regulatory control period using information from the 'Input' sheets.
  - This sheet also produces labour rates (without overheads, vehicles and other costs) that are inputs into the calculation of fee-based services.

General notes and guidance

General notes and steps overview

General

- Note colour coding of cells, specifically
  - Input cells (light green)
    - This document provides guidance on how to input into cells.
  - Formula cells (light grey)
    - These cells contain internally linked calculations and are locked to prevent alteration.
- Regulatory years of a regulatory control period are entered as YYYY-YY and represent financial years
  - For example, 2022-23 means the financial year beginning 1 July 2022 and ending 30 June 2023.
- Model allows flexibility for $ input basis and $ output basis, and flexibility for 'base year'
- Security and validation
  - The following sheets are protected:
    - 'Index'
    - 'Output|…'
    - 'Calc|…'
    - 'Model Validation'
  - To mark information in the 'Calc' sheets as confidential, simply 'Unprotect Sheet'.
  - Validation checks are indicated by a green or red dot.
    - A red dot denotes an issue requiring investigation.
  - Inputs confirm overall validation.

General (continued)

- The Input and Calc sheets include a macro to highlight confidential information.
  - Select cells with confidential information and press "Mark selection CONFIDENTIAL".
  - To reverse, select highlighted cells and press "Return selection to NON-CONIDENTIAL".

Note on populating input cells

- Input cells (general)
  - Input cells are intended to collect information we consider are pertinent to assessing ANS proposals.
  - Inputs can be either:
    - Hard-coded
    - Formulas
- Dollar values in the input sheets are to be in base-year dollar terms.
- Ideally, formulas in input cells:
  - Would demonstrate the relationship and linkages between different inputs provided in the model.
  - Are as simple and intuitive as possible.
- Input cells utilise dropdown lists:
  - These are indicated by column headings with "(List)".
  - The tables in the 'Input|Setup' sheet are the sources of input cells that utilise dropdown lists.

Input sheets notes and guidance

Input|Setup

Table 3.1 Years setup

- Choose the first year of the forecast regulatory control period and the base year for inputs.
  - Tables 3.2 and 3.3 set out the regulatory years for the current and forecast regulatory control periods, respectively.

Table 3.5 Conversions

- List conversions for use in formulas.
  - The value “60” is hardcoded for use in converting minutes to hours, and vice versa.

Table 3.6 Hours

- List the types of hours in which fee-based and quoted services are performed.
  - “Business hours” and “After hours” are entered as the default.
  - Distributors may amend these, if appropriate.

Table 3.7 Labour types

- List the types of labour that perform fee-based and quoted services.

Table 3.8 Service categories

- List the general service categories for fee-based services.

Tables 3.9 and 3.10 [label]

- List further distributor-specific categories for fee-based services, if required.
  - These provide drop-down lists in the mapping categories in table 7.1 in the ‘Input|Fee Based’ sheet.
  - These additional categories may:
    - Provide further information to stakeholders regarding specific fee-based services.
    - Assist distributors in populating other sections of the ‘Input|Fee Based’ sheet – for example, through Lookup functions in Excel.
- Distributors are not required to use these tables and they are not included in the model validation checks.

Input|Escalations

Table 4.1 Escalation setup

- Sets the first year of the forecast regulatory control period and the base year for inputs.
  - No action required.

Table 4.2 Inflation

- Enter ABS data up to the latest available date.
- For forecast inflation indexes, enter the source in the cell(s) immediately below.
- Cell I18 (named CPI_Escalator_to_Y1) is used in the 'Calc' sheets to convert base year inputs into dollar terms of the first regulatory year of the regulatory control period.

Table 4.3 Real price escalation

- Row 27 calculates the X-factor (real wage price escalation) using data inputted into table 4.3.1.
- Rows 28 to 31 include the real escalation factors for non-labour inputs.
  - These have been set to equal the X-factors as the default.
  - Distributors may amend these, if appropriate.

Table 4.3.1 Real wage price escalation

- Input actual and forecast real wage price escalation, including sources.
  - If using multiple sources, enter the weight attached to each source.
- Cell I39 (named RealLabour_Escalator_to_Y1) is used in the 'Calc' sheets for real escalation of labour inputs.

Table 4.3.2 Real price escalation (non-wage)

- Sets out real price escalators for non-wage inputs using data from table 4.3.
  - No action required.
- Cell I59 (named RealMaterials_Escalator_to_Y1) is used in the 'Calc' sheets for real escalation of materials inputs.
- Cell I64 (named RealContracts_Escalator_to_Y1) is used in the 'Calc' sheets for real escalation of contracts inputs.
- Cell I69 (named RealVehicles_Escalator_to_Y1) is used in the 'Calc' sheets for real escalation of vehicles inputs.
- Cell I74 (named RealOther_Escalator_to_Y1) is used in the 'Calc' sheets for real escalation of other inputs.

Input|Indirect Cost Rates

General

- Input sheet for indirect cost rates.
- Distributors can and should refer to values in this sheet when inputting indirect cost information in the ‘Input|Labour Rates’ and ‘Input|Fee Based’ sheets.
  - In turn, these input into the calculations in the ‘Calc’ sheets.

Table 5.1 On costs

- List the different on cost rates used by the distributor.
- For each on cost rate, list the individual drivers or components (such as leave, payroll tax and so on) and the associated rates.
- Calculate the on cost rate by entering a formula that refers to these drivers in row 19 (‘Compounded on cost factor’).

Table 5.2 Overhead

- List the different types of overhead rates used by the distributor.

Table 5.3 Margins

- List the different types of margin rates used by the distributor.

Table 5.4 Tax recovery rate

- List the different types of tax recovery rates used by the distributor.
- These rates recover the timing difference of tax expenses from fee-based services that are capex in nature.

Input|Labour Rates

General

- Input sheet for labour rates.
- Information in this sheet feeds into the calculation of labour rates for both fee-based services and quoted services.

Table 6.1 Labour rates

- This is the input table for the build up of labour rates.
- For cells E10:E39 (Base labour rate), input the base labour rates for each labour type and hour type – excluding on costs, overhead, vehicle and other costs.
- Cells D10:D39 is a Yes/No drop down list to indicate whether the distributor uses a particular labour type to provide quoted services.
  - If “No”, table 2.2 in the ‘Output|Quoted’ sheet will display “NA” for the hourly rate of that labour type.
- For cells F10:F39 (On cost rate (%)) and G10:G39 (Overhead rate (%)), distributors can use formulas to refer to tables 5.1 and 5.2, respectively in the ‘Input|Indirect Cost Rates’ sheet.
  - These feed into the calculation of total labour rates in the ‘Calc|Labour Rates’ sheet.

Table 6.2 Notes and sources for “Other costs”

- Provide a description of other costs that contribute to labour rates used to provide quoted services.
- Provide references of sources for these other costs, such as documents or other models.

Table 6.3 List of quoted services

- List the quoted services the distributor will offer in the forecast regulatory control period.

Input|Fee Based

General

- Input sheet for fee-based services.
- Information in this sheet feeds into the calculation of fee-based services.

Table 7.1 Fee based services

- Provide description of each service such as service code, service name, applicable hours and general service category.

Table 7.2 Direct costs

- For table 7.2.1, input the requested information for all types of non-field labour used to provide each fee-based service.
  - The hours for the labour types do not have to correspond with the hours for the service.
  - For example, a connection service may be for “after hours”. However, the administration labour type for that service may be for “business hours”.
- For table 7.2.2, input the requested information for all types of field-based labour used to provide each fee-based service.
  - The hours for the labour types do not have to correspond with the hours for the service, if appropriate.
- For table 7.2.3, input the dollar values of non-labour inputs.

Table 7.3 Indirect costs

- Input the indirect cost rates (%) for the build up of fee-based service prices.
  - Distributors can use formulas to refer to the relevant tables in the ‘Input|Indirect Cost Rates’ sheet.

Table 7.4 Notes and sources for “Other costs”

- Provide a description of other costs that contribute to the provision of fee-based services.
- Provide references of sources for these other costs, such as documents or other models.

Input|Fee Based Mapping

General

- Input sheet for fee-based services and prices in the current and forecast regulatory control periods.
- This sheet maps each fee-based service across the regulatory control period and shows:
  - fee-based services that will continue to apply in the forecast regulatory period
  - changes to each fee-based service (such as discontinuation, amalgamation with other fee-based services or division into multiple fee-based services)
  - The price path of fee-based services across regulatory control period

Table 8.1 Fee based services

- Provide description of each service such as service code, service name, applicable hours and general service category.
  - Input the price we approved for each service during the annual pricing proposal process.
- To the greatest extent possible, align the services inputted into this table with those inputted into table 8.2.
  - For example, fee-based services that apply in both the current regulatory control period and the forecast regulatory period should be in the same row across tables 8.1 and 8.2.

8.2 Forecast regulatory control period

- This table summarises the fee-based services and associated prices proposed for the forecast period.
- Proposed first year prices from the ‘Calc|Fee Based’ sheet feed directly into this table.
- No action necessary.

Calc sheets notes and guidance

Calc sheets notes and guidance

Calc|Labour Rates

- This sheet calculates total labour rates by:
  - Escalating base labour rates by CPI and the X-factor.
  - Adding on costs to derive the “Standard labour rate”
    - These are the labour rates used in the cost build-up of fee-based services in the ‘Calc|Fee Based’ sheet.
  - Adding overheads.
  - Adding vehicle and other costs.
- The total labour rates are in first-year dollar terms (of the forecast regulatory control period).
- The total labour rates feed into the ‘Output|Quoted’ sheet.
  - The total labour rates are shown as “NA” in the ‘Output|Quoted’ sheet where the distributor has indicated the rates are not used to provide quoted services.

Calc|Fee Based

- This sheet calculates fee-based prices by:
  - Calculating the total labour costs using the “Standard labour rates” (escalated by CPI and the X factor), FTE and time information.
  - Escalating direct non-labour costs (materials, contracts, vehicles and other costs) by CPI and the corresponding real escalation factors.
  - Summing the above costs to derive the “Total direct costs”
  - Applying the appropriate rates to the “Total direct costs” to derive indirect costs (network and corporate overhead, margin, tax recovery)
  - Summing the “Total direct costs” and indirect costs.
- The fee-based services prices are in first-year dollar terms (of the forecast regulatory control period).
- The fee-based services prices feed into the ‘Output|Fee Based’ and ‘Input|Fee Based Mapping’ sheets.