**Australian Gas Networks**

**(South Australia Network)**

**Annual Regulatory Information Notice**

**Basis of Preparation**

November 2020

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# **Overview**

The Australian Energy Regulator (AER) released the Annual Regulatory Information Notice (RIN) for Australian Gas Networks (AGN) South Australian (SA) gas distribution networks on 2 March 2020 under Section 46 of National Gas Law (NGL), which requires AGN SA to provide the information and prepare and maintain the information in the manner and form specified in the RIN.

The Variation to the RIN issued by the AER on 25 June 2020 requires AGN SA to submit the information to the AER on or before 5 pm Australian Eastern Standard Time on the following dates:

* 30 November 2020 - Workbook 2 – Annual Performance Data (for regulatory year 2019/20).

Basis of Preparation

In accordance with the requirements of Section 1.2 of Schedule 2 of the RIN, AGN is required to prepare a Basis of Preparation, which must for all information:

* demonstrate how the information provided is consistent with the requirements of the RIN;
* explain the source from which AGN used to provide the information;
* explain the methodology AGN has applied to provide the required information, including any assumptions AGN has made;
* explain where actual information could not be provided and explain why the estimate was required and the basis for the estimate; and
* explain, in circumstances where the pipeline service provider provides a ‘Null’ response as an input for a variable, why AGN believes the variable is not applicable.

To satisfy the requirements of the RIN, AGN has prepared a Basis of Preparation (this document) which is structured to reflect the same section headings used in the relevant workbooks with a table to include the following details to support the information provided:

* data source of the information provided;
* methodology and assumptions adopted to prepare the information;
* classification as actual or estimated information, including appropriate justification if estimated; and
* any additional comments to assist users of the information to understand the Basis of Preparation.

# **E1. Expenditure Summary**

## E1.1 – Capex

E1.1.1 – Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to Appendices A and C for a description of the systems and processes that support AGN Limited’s cost capture and reporting of Capex and Overheads expenditure as presented below. These systems and processes provide the necessary level of detail required for AGN Limited to report against the categories and sub-categories of Capex and Overheads shown in the RIN templates.* *However as required by the RIN notice, total Capex amounts have been derived from a trial balance prepared for AGN (SA). The amounts of Capex reported in this table E1.1 – Capex have been fully reconciled to the related general ledger accounts that form the AGN (SA) trial balance, along with the supporting fixed assets register for the AGN (SA) assets. These reconciliations have been provided to AGN Limited’s external auditors as part of the assurance process. Refer to Appendix G for further information about the trial balance for AGN (SA) and the actual financial information contained therein which has been audited.* *Refer to the Regulatory Accounting Principles and Policies and Cost Allocation Methodology documents for guidance on certain expenditure categories that may be included or excluded from capex for regulatory purposes, and in relation to AGN Limited’s policies and processes for cost allocation.* |
| Connections  | Capex reported as Connections relates to expenditure on connections established or to be established, in accordance with Part 12A of the NGR and applicable energy laws, where there is no existing connection. Connection means a physical link between the gas distribution network and a retail customer's premises to allow the flow of natural gas.Any activities that relate to extending the network to connect a new customer, has been treated as Connections and not as Augmentation.Augmentation expenditure has been identified as activities related to increasing the size or capacity of the pipeline.Supply Mains projects have been treated as Connections expenditure because they are not increasing the size or capacity of the pipeline upstream of the new connection.Capex reported for Connections has been identified with reference to the expenditure captured in APA’s Oracle finance system against relevant “Development” task and activity codes. Task codes include General Mains, Inlets, Meters Domestic, Meters I&C and I&C>10TJ, Large Consumers, Growth New Areas and Growth Infill, and Activity Codes with descriptions that include new mains, new or fabricated meters and new services. This would cover all connection types including Electricity to Gas, New Homes, New Medium Density High Rise and I&C Tariff and Contract. In addition to major projects that relate to supply mains and growth infill areas.Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Marketing Rebates” for expenditure consistently treated as Opex for regulatory purposes and Capex for statutory accounting purposes, from 1 January 2016.
 | Actual |  |  |
| Mains Replacement  | Capex has been reported for Proactive and Reactive Mains Replacement projects.Proactive Mains Replacement projects includes programmed renewal of specific areas of mains, specified at a projectlevel.Reactive Mains Replacement projects includes unplanned capital expenditure associated with mains replacement which is required where repairs are not possible and urgent replacement of mains is required to manage gas escape.Capex for Mains Replacement projects has been identified with reference to the expenditure captured in APA’s Oracle finance system against relevant “Development” and “Stay in Business” task and activity codes. Task codes include Mains Renewal – No pressure change and Pressure Increase, and Activity codes with descriptions that include mains renewal and service renewal.Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment type:* “Piecemeal Mains Replacement” where certain expenditure has consistently been treated as Opex for regulatory purposes.

Due to the above mentioned regulatory accounting policy, all expenditure originally recorded against activities designated as “Piece” or “Piecemeal” has been transferred to operating expenditure. Therefore there is nil amount of capital expenditure to report for this activity against Mains Replacement. | Actual |  |  |
| Mains Augmentation  | Mains Augmentation projects includes capital expenditure incurred on the AGN (SA) pipeline due to a change in the capacity requirements of mains and services in the gas distribution network to meet the demands of existing and future customers.Capex for Mains Augmentation projects has been identified with reference to the expenditure captured in APA’s Oracle finance system against relevant mains augmentation major projects and activity codes for new mains to improve supply.  | Actual |  |  |
| Telemetry  | Telemetry projects includes capital expenditure incurred in the replacement of SCADA (Supervisory control and data acquisition) equipment operating in the network due to the condition of the assets. Expenditure reported for Telemetry Capex projects has been identified with reference to the expenditure captured in APA’s Oracle finance system against the activity codes with Telemetry in the description. | Actual |  |  |
| Meter Replacement  | Capex reported in this category relates to the cost of new and refurbished meters installed into the AGN (SA) network for operation.Replacing domestic gas meters involves: * procuring any new or refurbished meters required, including quality control;
* planning and scheduling of meters to be changed over;
* organising resources (combination of direct and contractor) to carry out the meter change, which includes testing of outlet service and relighting appliances, and if required, re-attending premises after hours if the customer requires assistance;
* testing meters brought in from the field;
* life extension; and
* refurbishing meters as required.

A meter is an instrument that measures the quantity of gas passing through it and includes associated equipment attached to the instrument to filter, control or regulate the flow of gas.Capex for refurbished meters relates to meters that were operating within the AGN (SA) network which were temporarily taken out of operation and that were able to be restored to full function through a process of being refurbished.Capex reported for Meter Replacement projects has been identified with reference to the expenditure captured in APA’s Oracle finance system against specific “Stay in Business” task and activity codes. Task codes include PMC – Domestic and PMC I&C, and activity codes with descriptions including meter change.  | Actual |  |  |
| ICT  | ICT expenditure includes capital expenditure associated with ICT assets (e.g. physical hardware and software and the associated development and implementation costs that are capitalised in accordance with relevant accounting standards and policies). Expenditure reported for ICT capex projects has been identified with reference to specific project names in APA’s Oracle finance system that are known to be ICT projects (e.g. relevant ICT activity descriptions are included in the project names). AGN Limited also incurs internal ICT capital expenditure (Head Office Additions) for AGN (SA) which is added to the expenditure information provided by APA.Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Head Office Additions and Other Adjustments” for Other Capex directly incurred by AGN Limited.
 | Actual |  |  |
| Capitalised network overheads  | Refer to Appendix C for an explanation of relevant processes and methodologies that apply to Overhead expenditure.Network overheads allocated by APA to Capex reported in this RIN table represents the network overheads recorded in APA’s Oracle finance system at the time expenditure was incurred. Network overheads are allocated by APA on the basis of direct expenditure, as explained in the AGN Limited Cost Allocation Methodology.APA’s network overheads include an allocation of the NMF paid by AGN Limited, which for statutory accounting purposes remains in capitalised network overheads. As per the Regulatory Accounting Principles and Policies document, for regulatory purposes, all of the NMF is reported as operating expenditure. | Actual |  |  |
| Capitalised corporate overheads  | AGN Limited, including AGN (SA) has no Capitalised corporate overheads to report, in accordance with the Regulatory Accounting Principles and Policies and Capitalisation Policy documents.Thus we provide a ‘Null’ response in the reporting template.  |
| Other Capex  | Expenditure reported for Other capex projects has been identified with reference to specific “Development” and “Stay in Business” tasks and activities in APA’s Oracle finance system that are known to be miscellaneous projects that are not otherwise related to the other categories in this table. AGN Limited also incurs internal Other capital expenditure for AGN (SA) (Head Office Additions) which is added to the expenditure information provided by APA.Tasks and activity codes include Mains Alterations, Regulators, Corrosion, Other Non-Reticulation Capital, Other Network Stopple Equipment and specific Mains Alterations major projects. Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Heat Shrinking Sleeves” related to the activity Corrosion where certain expenditure has consistently been treated as Opex for regulatory purposes; and
* “Head Office Additions and Other Adjustments” for Other Capex directly incurred by AGN Limited for AGN (SA).
 | Actual |  |  |

| **Variable**  | **Source Template**  |
| --- | --- |
| Capital contributions included in the above  | F2. Capex F2.5.1 – Actual – As Incurred |

|  |  |
| --- | --- |
| Variances | ***Variance Basis of Preparation Requirement***Schedule 1 – 1.5 (b)Please see below table for 2019/20 Capex actually incurred vs that approved in the Post-tax revenue model (PTRM).The mains replacement and ICT continued to be a key driver of underspend. Mains replacement underspend was on account of lower unit rates in some categories along with lower reactive and MUS replacements. The underspending on ICT results from the deferral of major projects such as GIS, Mobility Integration and Business Intelligence. |

E1.1.2 – Non-reference Services

AGN SA had no capex for non-reference services in 2019/20. For this reason, a ‘Null’ response is provided in this reporting template.

## E1.2 – Opex

E1.2.1 – Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to Appendix B for a description of the systems and processes that support AGN Limited’s cost capture and reporting of Opex as presented below.**Refer to the Regulatory Accounting Principles and Policies and Cost Allocation Methodology documents for guidance on certain expenditure categories that may be included or excluded from Opex for regulatory purposes, and in relation to AGN Limited’s policies and processes for cost allocation.* |
| Repairs and maintenance  | The information in this RIN Table has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G and the Ring Fenced Accounts (RFAs) prepared by AGN Limited and APA each half year. The processes and systems that facilitate the production of the RFAs is outlined in Appendix B.Expenditure reported in this category is the expenditure incurred by AGN (SA) in relation to the repair and maintenance activities for the SA pipeline which provides Reference Services.The repair and maintenance of AGN Limited’s SA pipeline has been contracted to APA under the OMA. It is noted that APA incurs other Opex costs in providing these services to AGN Limited (e.g. general and administrative costs), however all such costs, with the exception of Marketing and Retail Incentives, are effectively bundled into the monthly charges from APA. For this reason all expenditure incurred under the OMA with APA that is not Capex or Marketing and Retail Incentives expenditure, is classified as Repairs and Maintenance expenditure. Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Piecemeal Mains Replacement” where certain expenditure has consistently been treated as Opex (Repairs and Maintenance) for regulatory purposes; and
* “Heat Shrinking Sleeves” where certain expenditure is treated as Opex (Repairs and Maintenance) for regulatory purposes since 1 July 2016.

In addition, an adjustment has been made to remove Repairs and maintenance expenditure associated with unregulated Other revenue which has also been removed from the final revenue amount reported for the AGN (SA) Distribution Business for 2019/20.APA’s network overheads include an allocation of the Network Management Fee (NMF) paid by AGN Limited including for AGN (SA), which for statutory accounting purposes remains in capitalised network overheads. As per the Regulatory Accounting Principles and Policies document, for regulatory purposes, all of the NMF is reported as operating expenditure and appears in this category of Repairs and Maintenance. | Actual  |  |  |
| Marketing and retail incentives  | The information in this RIN Table has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G and the Ring Fenced Accounts (RFAs) prepared by AGN Limited and APA each half year. The processes and systems that facilitate the production of the RFAs is outlined in Appendices A and B. Marketing and Retail Incentives expenditure is also undertaken internally within AGN Limited including for AGN (SA) (separately to activities provided by APA) and information about this expenditure is sourced from the SAP General Ledger (GL) This internal expenditure includes AGN (SA) internal labour.Expenditure reported as Marketing and Retail Incentives includes various marketing activities undertaken for AGN (SA) to retain and increase customer numbers. This program incorporates advertising (for example), on platforms such as television, radio, digital and press. AGN Limited also provides marketing rebates to certain customers including in SA, in the form of a cash payment, as an incentive to have gas connected and take up gas appliances (i.e. gas hot water, gas central heating etc.) in place of their equivalent electric appliances, the costs of which are reported in this category of expenditure. As outlined above for the Repairs and Maintenance category, there is also some Marketing and Retail Incentives expenditure incurred through payments to APA under the OMA, for activities undertaken on behalf of AGN (SA).Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Marketing Rebates” for expenditure treated consistently as Opex for regulatory purposes and Capex for statutory accounting purposes, from 1 January 2016.
 | Actual  |  |  |
| Debt raising  | The information in this RIN Table has been sourced from AGN Limited’s SAP GL and working papers maintained within the Treasury function of AGN Limited which record related expenditure. Expenditure reported for debt raising costs comprise the following fees and charges paid in relation to raising debt financing for AGN Limited:* Agents fees
* Registrar Fees
* Rating Agent fees
* Establishment/extension fees
* Legal fees
* Roadshow and associated travelling costs

AGN Limited manages its debt finance facilities for the group as a whole. These costs are allocated to each jurisdiction for regulatory reporting, on the basis of total assets in each state and in this case AGN (SA)’s assets as a percentage of AGN Limited’s total assets. This includes an allocation to the unregulated assets in AGN (SA). This allocation of Debt raising costs to each AA is not made in AGN Limited’s general ledger for statutory reporting purposes. Accordingly, there is not an equivalent amount for Debt raising costs in the AGN (SA) trial balance which has been developed to meet the AER’s requirements under the RIN notice. Rather, the amount has been allocated to the AGN (SA) Distribution Business, as explained above and added to the RIN template via an adjustment to the AGN (SA) trial balance amounts.  | Actual  |  |  |
| Equity raising  | AGN Limited does not currently incur equity raising costs under its existing ownership structure and has not incurred equity raising costs in 2019/20.Thus we provide a ‘Null’ response in the reporting template.  |
| Unaccounted for gas  | The information in this RIN Table has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G and the Ring Fenced Accounts (RFAs) prepared by AGN Limited and APA each half year. The processes and systems that facilitate the production of the RFAs is outlined in Appendices A and B.Expenditure reported for Unaccounted for Gas (UAFG) is the cost for AGN (SA) in relation to the volume of gas calculated by AEMO under clause 8.6.15 of the Retail Market Procedures (South Australia). The costs are derived by multiplying the quantity by the agreed contract rate for gas. Initially costs are based on estimated UAFG volumes then adjusted accordingly after the final actual volumes are published by AEMO and the wash-up amount has been agreed to by the contract UAFG supplier. | Actual  |  |  |
| Jurisdictional charges | The information in this RIN Table has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G and from AGN Limited’s SAP GL. Expenditure reported for Jurisdictional charges comprises license fees paid to the SA regulatory body Essential Services Commission of South Australia (ESCOSA). | Actual  |  |  |
| GSL payments  | AGN Limited has not incurred any expenditure in relation to GSL payments for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template.  |
| Other Opex  | The information in this RIN Table has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G and from AGN Limited’s SAP GL. Expenditure reported for Other Opex represents the other internal costs associated with the business and include items such as employee costs, consulting and legal expenses, IT support costs, insurance and costs not related to another category in this RIN table. | Actual  |  |  |

|  |  |
| --- | --- |
| Variances | ***Variance Basis of Preparation Requirement***Schedule 1 – 1.5 (a)Please see below table for 2019/20 Opex actually incurred vs that approved in the Post-tax revenue model (PTRM).The key driver has been UAFG volumes coming in lower than forecast, but savings on consultant fees, employee payroll and legal fees have also contributed.  Additional drivers include lower spending on operations administration and management, regional operations, network maintenance, and planning, technical assurance and information technology. |

E1.2.2 – Non-reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to Appendix B for a description of the systems and processes that support AGN Limited’s cost capture and reporting of Opex as presented below. Refer to the Regulatory Accounting Principles and Policies and Cost Allocation Methodology documents for guidance on certain expenditure categories that may be included or excluded from Opex for regulatory purposes, and in relation to AGN Limited’s policies and processes for cost allocation.* |
| Repairs and maintenance  | From 2014/15 AGN Limited has modified its processes used to prepare the RFAs, which is a key source of information for regulatory reporting and accordingly can provide revenue information for Non-reference services since that time, including for 2019/20.However, AGN Limited and APA’s business systems are not configured to capture expenditure information at the level of detail required to report expenditure for Non-reference services.In order to report these expenditure figures, AGN Limited has used the Revenue earned from Non-reference services and assumed a 20% margin. AGN Limited considers this to be the best method for deriving these expenditure figures given the information that is currently available.The services that are included in Non-reference services are:* Out of hours special read
* Meter Alter Position
* Same Day Premium Service
* Relocate/Remove Service Pipe
* No Access/Incomplete Meter Fix; and
* Other Negotiated Services

Given delivery of Non-reference services has been contracted to APA through the OMA, all relevant Opex incurred is recorded as Repairs and maintenance. | Actual  |  |  |
| Marketing and retail incentives  | AGN Limited has incurred no Marketing and Retail Incentives expenditure in relation to the provision of Non-reference services for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Debt raising  | AGN Limited has incurred no Debt Raising expenditure related to the provision of Non-reference Services for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Equity raising  | AGN Limited does not currently incur Equity Raising costs under its existing ownership structure and has not incurred equity raising costs in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Unaccounted for gas  | AGN Limited has incurred no UAFG expenditure related to the provision of Non-reference Services for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Jurisdictional charges | AGN Limited has incurred no Jurisdictional charges expenditure related to the provision of Non-reference Services for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| GSL payments  | AGN Limited has not incurred any expenditure in relation to GSL payments for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Other Opex  | AGN Limited has incurred no Other Opex expenditure in relation to the provision of Non-reference services for AGN (SA) in 2019/20, noting as mentioned above, delivery of Non-reference services has been contracted to APA and all related expenditure incurred under the OMA is recorded as Repairs and maintenance expenditure.Thus we provide a ‘Null’ response in the reporting template. |

## E1.3 – Capcons

E1.3.1 – Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to the Regulatory Accounting Principles and Policies document for guidance on the treatment of Capital Contributions for regulatory purposes.**As required by the RIN notice, total Capital Contributions amounts have been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. The amounts of Capital Contributions reported in this table E1.3 – Capcons have been fully reconciled to the related general ledger accounts that form the AGN (SA) trial balance. These reconciliations have been provided to AGN Limited’s external auditors as part of the assurance process. Refer to Appendix G for further information about the trial balance for AGN (SA).*  |
| Connections  | AGN Limited received no Capital Contributions for AGN (SA) in relation to the Electricity to gas connection type in 2019/20.The amount of Capital Contributions reported for New Homes (domestic customers) has been derived from invoiced revenue. This revenue mostly funds the economic shortfall for Mains. The calculation of this revenue includes allowance for a 20% margin. AGN Limited received no Capital Contributions for AGN (SA) in relation to the New medium density / high rise connection type in 2019/20.AGN Limited received no Capital Contributions for AGN (SA) in relation to the Industrial & Commercial Tariff connection type in 2019/20.The amount of Capital Contributions reported for Industrial & Commercial Contract customers, is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF). Related capex that is used to derive Capital contributions from Industrial & Commercial Contract Customers has been identified with reference to the expenditure captured in APA’s Oracle finance system against specific “Development” task and activity codes (i.e. Task code Large Consumers with Activity Codes New Service and New Main >10TJ). | Actual |  |  |
| Mains Replacement  | AGN Limited received no Capital contributions for AGN (SA) in relation to Proactive or Reactive Mains Replacement Capex in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Mains Augmentation  | AGN Limited received no Capital contributions for AGN (SA) in relation to Mains Augmentation Capex in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Telemetry  | AGN Limited received no Capital Contributions for AGN (SA) in relation to Telemetry Capex in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Meter Replacement  | AGN Limited received no Capital contributions for AGN (SA) in relation to Meter Replacement Capex in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| ICT  | AGN Limited has received no Capital Contributions for AGN (SA) in relation to ICT Capex in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Capitalised network overheads  | The amount of Capitalised network overheads reported has been sourced from the Capex Data Model information provided by APA (with an adjustment to remove the allocated NMF), which identifies the Capitalised network overheads related to the Capital Contributions in each of the categories of Capex shown in this RIN table. | Actual |  |  |
| Capitalised corporate overheads  | AGN Limited has no Capitalised corporate overheads to report including for AGN (SA), in accordance with the Regulatory Accounting Principles and Policies and Capitalisation Policy documents.Thus we provide a ‘Null’ response in the reporting template. |
| Other Capex  | The amount of Capital contributions reported for Other Capex is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF) and can be identified with reference to expenditure captured in APA’s Oracle finance system against a specific Mains Alterations task and activity code or a specific Major Project code. These Capital contributions relate to funded mains alteration projects. The nature of these projects is to undertake work at customers’ request which they fund, for example to relocate assets due to major infrastructure projects. | Actual |  |  |

E1.3.2 – Non-reference Services

AGN (SA) had no customer contributions for non-reference services in 2019/20. For this reason, a ‘Null’ response is provided in this reporting template.

## E1.4 - Capitalised Overheads

E1.4.1 – Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to Appendix C for a description of the systems and processes that support AGN Limited’s cost capture and reporting of Overheads expenditure as presented below. These systems and processes provide the necessary level of detail required for AGN Limited to report against the categories and sub-categories of Capex and Overheads shown in the RIN templates.* *However as required by the RIN notice, total Capitalised Overheads amounts have been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. The amounts of Capitalised Overheads reported in this table E1.4 – Capitalised Overheads have been fully reconciled to the related general ledger accounts that form the AGN (SA) trial balance. These reconciliations have been provided to AGN Limited’s external auditors as part of the assurance process. Refer to Appendix G for further information about the trial balance for AGN (SA).* *AGN Limited does not capitalise any of its internal costs other than direct internal Capex (i.e. expenditure specifically linked to a capital activity such as a corporate IT project) and does not treat its internal costs as Corporate Overheads, as outlined in the Capitalisation Policy and Regulatory Accounting Principles and Policy document. In 2019/20 AGN Limited has identified specific personnel that are working on internal IT projects and an appropriate amount of their salary costs has been capitalised, as set out in the supplementary information provided in Appendix H of this Basis of Preparation document. This expenditure appears as direct Capex and In-house Labour in the Annual RIN templates.* |
| Connections  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Connections Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| Mains Replacement  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Mains Replacement Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| Mains Augmentation  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Mains Augmentation Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| Telemetry  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Telemetry Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| Meter Replacement  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Meter Replacement Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| ICT  | From 2015-16 AGN Limited ceased allocating Network Overheads to major ICT projects, as outlined in Appendix C and in the CAM.Thus we provide a ‘Null’ response in the reporting template. |
| Other Capex  | The Capitalised Network Overheads reported in this table represents the Network Overheads that have been allocated to Other Capex, as reported in Table E1.1.1 above. Network Overheads are allocated to direct Capex based on the level of spend, as outlined in the CAM.  | Actual |  |  |
| Capital contributions included in the above  | The Capitalised Network Overheads that form part of Capital Contributions as reported in this table have been linked from the amounts reported above in Table E1.3.1 – Reference Services. | Actual |  |  |

E1.4.2 – Non-reference Services

AGN (SA) had no capitalised network overheads for non-reference services in 2019/20. For this reason, a ‘Null’ response is provided in this reporting template.

# **E11. Labour**

## E11.3 Labour/Non-Labour Expenditure Split

E11.3.1 – Opex

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| In house labour expenditure  | In house labour expenditure is sourced from AGN Limited’s General Ledger and associated working papers. These working papers in the form of Excel spreadsheets, incorporate cost allocation of AGN Limited employee related expenses (including on-costs) to each of its regulated and unregulated pipelines, as set out in the CAM. | Estimate | Due to the process of allocating AGN Limited’s total in-house labour which requires relevant personnel who are employed at the group level, to estimate the time spent on each state and between regulated and unregulated businesses, the resulting amounts reported are considered estimated information by AGN Limited. |  |
| Labour expenditure outsourced to related parties  | AGN Limited has no labour expenditure for AGN (SA) or any other company within the group that was outsourced to related parties in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Labour expenditure outsourced to unrelated parties | After 29 August 2014 (when APA ceased to be a related party), all labour expenditure incurred through the outsourcing arrangement with APA is being reported as labour expenditure outsourced to unrelated parties.The breakdown of labour and non-labour expenditure incurred through the OMA with APA is determined with analysis provided by APA from its Oracle finance systems. This information enables expenditure to be split between labour and non-labour based on analysis of cost categories. These cost categories identify expenditure split for example between Payroll, Contractors/Consultancy, Materials, etc. in total and for each Activity in APA’s Oracle finance system. Labour and Non-labour split of Regulatory Accounting AdjustmentsCost allocation processes undertaken in preparing the Ring Fenced Accounts include adjustments required due to the regulatory accounting policies that are set out in the AGN Limited Regulatory Accounting Principles and Policies document, Capitalisation Policy and Appendix E of this Basis of Preparation document. These adjustments are for relevant expenditure incurred through the OMA with APA which is treated as Opex for regulatory accounting purposes but Capex in the Statutory Accounts (e.g. Piecemeal Mains Replacement, Heat Shrinking Sleeves, Marketing Rebates and NMF). Expenditure related to these adjustments (other than for NMF which is all Non-labour) is split between labour and non-labour based on the analysis of Capex cost categories provided by APA as already explained. The Activities in APA’s Oracle finance system that align to these regulatory accounting adjustments are set out in Appendix E.The expenditure related to cost categories that are for APA’s internal payroll and contractor/consultants is reported as Labour expenditure outsourced to unrelated parties. | Estimate | Analysis of cost categories provided by APA, prepared using information from its Oracle finance system, has been used to allocate expenditure incurred by AGN Limited for AGN (SA) under the OMA as between labour and non-labour.AGN Limited considers this the most accurate representation possible of the breakdown of labour and non-labour expenditure using the information available. However, given the amounts are based on analysis provided by APA and not directly taken from their Oracle finance system and further, because some categories of expenditure could not be split (e.g. shared services and recovery of network overheads), the reported amounts are considered estimated information by AGN Limited. |  |
| Non-labour expenditure  | Information on non-labour expenditure has been sourced from analysis provided by APA from its Oracle business system, AGN Limited’s General Ledger and working papers that underpin preparation of the Ring Fenced Accounts. These working papers in the form of Excel spreadsheets, incorporate cost allocation of AGN Limited non-labour expenses to each of its regulated and unregulated pipelines, as set out in the CAM.Labour and Non-labour split of Regulatory Accounting AdjustmentsCost allocation processes undertaken in preparing the Ring Fenced Accounts include adjustments required due to the regulatory accounting policies that are set out in the AGN Limited Regulatory Accounting Principles and Policies document, Capitalisation Policy and Appendix E of this Basis of Preparation document. These include adjustments for relevant expenditure incurred through the OMA with APA which is treated as Opex for regulatory accounting purposes but Capex in the Statutory Accounts (e.g. Piecemeal Mains Replacement, Heat Shrinking Sleeves, Marketing Rebates and NMF). Expenditure related to these adjustments (other than for NMF which is all non-labour) is split between labour and non-labour based on the analysis of capex cost categories as already explained. The Activities in APA’s Oracle finance system that align to these regulatory accounting adjustments are set out in Appendix E.The expenditure related to all cost categories that are not for APA’s internal payroll and contractor/consultants are grouped and reported as non-labour expenditure. This includes the regulatory accounting adjustment for NMF which is all non-labour expenditure.AGN Limited’s internal non-labour expenditure for AGN (SA) is identified through analysis of balances in General Ledger account codes and the underlying nature of the Opex transactions recorded in the General Ledger. | Estimate | As explained above, the analysis of cost categories provided by APA has been used to allocate expenditure incurred by AGN Limited for AGN (SA) under the OMA as between labour and non-labour.AGN Limited considers this the most accurate representation possible of the breakdown of labour and non-labour expenditure using the information available. However, given the amounts are based on analysis provided by APA and not directly taken from their Oracle finance system and further, because some categories of expenditure could not be split (e.g. shared services and recovery of network overheads), the reported amounts are considered estimated information by AGN Limited. |  |

E11.3.2- Capex

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  |  |  |  |  |
| In house labour expenditure  | In house labour expenditure reported in this table relates to specific internal ICT projects. Other than for these ICT projects, AGN Limited does not typically incur internal labour expenditure in relation to delivery of its general Capex program. In house labour expenditure for AGN (SA) reported in this table has been derived from AGN Limited’s general ledger and working papers in the form of Excel spreadsheets that are used to allocate AGN Limited’s internal costs (including labour) between its regulated and unregulated pipelines. Refer to the supplementary information provided in Appendix H of this Basis of Preparation document, related to the Cost Allocation Methodology, which sets out AGN Limited’s processes for capitalising In house labour for internal ICT projects.With the exception of these internal ICT projects, delivery of AGN Limited’s Capex program, including for AGN (SA), is performed by APA Asset Management (APA) under an Operating and Management Agreement (OMA). Accordingly this expenditure is reported in other categories as shown below. | Actual |  |  |
| Labour expenditure outsourced to related parties  | AGN Limited has no labour expenditure for AGN (SA) or any other company within the group that was outsourced to related parties in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Labour expenditure outsourced to unrelated parties | After 29 August 2014 (when APA ceased to be a related party), all labour expenditure incurred through the outsourcing arrangement with APA is being reported as labour expenditure outsourced to unrelated parties.The breakdown of labour and non-labour expenditure incurred through the OMA with APA is determined with analysis provided by APA from its Oracle finance systems. This information enables expenditure to be split between labour and non-labour based on analysis of cost categories. These cost categories identify expenditure split for example between Payroll, Contractors/Consultancy, Materials, etc. in total and for each Activity in APA’s Oracle finance system.*Labour and Non-labour split of Regulatory Accounting Adjustments related to Regulatory Accounting Policies*Cost allocation processes undertaken in preparing the Ring Fenced Accounts which are a key source of regulatory accounting information (as explained in Appendices A and B) include adjustments required due to the regulatory accounting policies that are set out in the AGN Limited Regulatory Accounting Principles and Policies and Capitalisation Policy documents. The application of these policies to the information reported in the Annual RIN has also been detailed in Appendix E of this Basis of Preparation document. These adjustments are for relevant expenditure incurred through the OMA with APA which is treated as Opex for regulatory accounting purposes but Capex in the Statutory Accounts (e.g. Piecemeal Mains Replacement, Heat Shrinking Sleeves, Marketing Rebates and NMF). Expenditure related to these adjustments (other than for NMF which is all Non-labour) is split between labour and non-labour based on the analysis of cost categories as already explained. The Activities in APA’s Oracle finance system that align to these regulatory accounting adjustments are set out in Appendix E.The expenditure related to General Ledger cost categories that are for APA’s internal payroll and contractor/consultants is reported as Labour expenditure outsourced to unrelated parties. | Estimate | Analysis of cost categories provided by APA, prepared using information from its Oracle finance system, has been used to allocate expenditure incurred by AGN Limited under the OMA as between labour and non-labour.AGN Limited considers this the most accurate representation possible of the breakdown of labour and non-labour expenditure using the information available. However, given they are based on analysis provided by APA and not directly taken from their Oracle finance system and because some categories of expenditure could not be split (e.g. shared services and recovery of network overheads), the reported amounts are considered estimated information by AGN Limited. |  |
| Non-labour expenditure  | Non-labour expenditure includes expenditure incurred through the OMA with APA and AGN Limited’s own internal non-labour expenditure for AGN (SA). AGN Limited’s internal non-labour expenditure for AGN (SA) has been sourced from its General Ledger and the working papers that underpin preparation of the Ring Fenced Accounts. These working papers in the form of Excel spreadsheets, incorporate cost allocation of AGN Limited non-labour expenditure to each of its regulated and unregulated pipelines, as set out in the CAM.*Labour and Non-labour split of Regulatory Accounting Adjustments related to Regulatory Accounting Policies*Cost allocation processes undertaken in preparing the Ring Fenced Accounts which are a key source of regulatory accounting information (as explained in Appendices A and B) include adjustments required due to the regulatory accounting policies that are set out in the AGN Limited Regulatory Accounting Principles and Policies and Capitalisation Policy documents. The application of these policies to the information reported in the Annual RIN has also been detailed in Appendix E of this Basis of Preparation document. These include adjustments for relevant expenditure incurred through the OMA with APA which is treated as Opex for regulatory accounting purposes but Capex in the Statutory Accounts (e.g. Piecemeal Mains Replacement, Heat Shrinking Sleeves, Marketing Rebates and the Network Management Fee (NMF)). Expenditure related to these adjustments (other than for NMF which is all non-labour) is split between labour and non-labour based on the analysis of cost categories as explained above. The Activities in APA’s Oracle finance system that align to these regulatory accounting adjustments are set out in Appendix E. | Estimate | As explained above, the analysis of cost categories provided by APA has been used to allocate expenditure incurred by AGN Limited under the OMA as between labour and non-labour.AGN Limited considers this the most accurate representation possible of the breakdown of labour and non-labour expenditure for these years using the information now available. However, given they are based on analysis provided by APA and not directly taken from their Oracle finance system and because some categories of expenditure could not be split (e.g. shared services and recovery of network overheads), the reported amounts are considered estimated information by AGN Limited. |  |

# **E21. Ancillary Reference Services (ARS)**

## E21.1 – Volumes

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Disconnection  | APA have been contracted by AGN Limited under the OMA to provide these services. ARS volumes reported for Disconnections relates to undertaking the following services:* Disconnections – attach locks or plugs to meter for debt

The volume of Disconnection services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs (see Appendix B for more information about the RFAs). | Actual |  |  |
| Reconnection | APA have been contracted by AGN Limited under the OMA to provide these services. ARS volumes reported for Reconnections relates to undertaking the following services:* Reconnections – meter turn on after debt (includes removal of locks or plugs)

The volume of Reconnection services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs.  | Actual |  |  |
| Special Meter Read | ARS volumes reported for Special Meter Read relates to undertaking the following services:* Special final read
* Special monthly transfer
* Special reference read
* Special transfer read

The volume of Special Meter Read services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs.  | Actual |  |  |
| Meter Removal | ARS volumes reported for Meter Removal relates to undertaking the following services:* Meter removal – remove gas meter for non-payment of arrears

The volume of Meter Removal services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs.  | Actual |  |  |
| Meter Reinstallation | ARS volumes reported for Meter Reinstallation relates to undertaking the following services:* Meter reinstallation – energise gas supply to a site that has been disconnected
* Refix gas meter following non-payment of arrears

The volume of Meter Reinstallation services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs.  | Actual |  |  |
| Meter Gas and Installation test | ARS volumes reported for Meter Gas and Installation test relates to undertaking the following services:* Meter retake and test
* High account investigation

The volume of Meter Gas and Installation test services as reported has been determined from a count using data supplied by APA. The transaction data is extracted from APA’s billing system (Customer Care and Billing) which provides information to retailers and is also used internally to produce the revenue figures in the RFAs.  | Actual |  |  |

## E21.2 – Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Disconnection  | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table. AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |
| Reconnection | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table.AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |
| Special Meter Read | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table.AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |
| Meter Removal | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table.AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |
| Meter Reinstallation | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table.AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |
| Meter Gas and Installation test | Due to specific expenditure data not being available for ARS, it has been assumed that expenditure is equal to revenue earned from providing the services. Hence AGN Limited has replicated the figures reported for ARS revenue for AGN (SA) as representing expenditure for each category in this table.AGN Limited considers this to be a reasonable estimate and the best method from which to determine these figures given the information available. | Estimate | AGN Limited and APA’s business systems are not configured to capture information at the level of detail required to determine the expenditure associated with providing the services categorised as ARS. Therefore these figures have been estimated using the method explained in this table. |  |

# **N1. Demand**

## N1.1 – Demand – by Customer Type

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Residential  | Demand data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the proposed distribution tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.In respect of the Industrial tariffs, Maximum Daily Quantity (MDQ) is required to update the Gas Tariff Model template as part of the annual tariff update. The N1 Demand tab, containing tables N1.1 and N1.2, requires volumes in GJ rather than MDQ. The data file which contains the MDQ required for the annual tariff submission also contains Annual Consumed Quantity (ACQ) which expresses the consumption in GJ and by tariff, which is what N1 tab requires.Table N1.1 aggregates the demand by tariff class contained in table N1.2.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in tables N1.1 and N1.2 which were used for annual tariff adjustments.Basis of Preparation RequirementSchedule 1 – 1.5 (c)In 2019/20, Residential volumes exceeded the volumes approved in the PTRM by more than 10%. This was a result of higher consumption and stronger connections growth than forecast. 2019/20 was also colder than the five-year average (i.e. there were 1,084 Effective Degree Days compared with the average of 1,009) which increases space heating consumption.The table below shows a comparison of demand in 2019/20 and the volumes approved in the final decision PTRM for the relevant year:  | Actual |  |  |
| Commercial  | Demand data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the proposed distribution tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.In respect of the Industrial tariffs, MDQ is required to update the Gas Tariff Model template as part of the annual tariff update. The N1 Demand tab, containing tables N1.1 and N1.2, requires volumes in GJ rather than MDQ. The data file which contains the MDQ required for the annual tariff submission also contains Annual Consumed Quantity (ACQ) which expresses the consumption in GJ and by tariff, which is what N1 tab requires.Table N1.1 aggregates the demand by tariff class contained in table N1.2.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in tables N1.1 and N1.2 which were used for annual tariff adjustments.Basis of Preparation RequirementSchedule 1 – 1.5 (c)In 2019/20, Commercial volumes exceeded the volumes approved in the PTRM by more than 10%. This was a result of higher consumption and stronger connections growth than forecast. 2019/20 was also colder than the five-year average (i.e. there were 1,084 Effective Degree Days compared with the average of 1,009) which increases space heating consumption.The table shows a comparison of demand in 2019/20 and the volumes approved in the final decision PTRM for the relevant year:  | Actual |  |  |
| Industrial  | Demand data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the proposed distribution tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.In respect of the Industrial tariffs, MDQ is required to update the Gas Tariff Model template as part of the annual tariff update. The N1 Demand tab, containing tables N1.1 and N1.2, requires volumes in GJ rather than MDQ. The data file which contains the MDQ required for the annual tariff submission also contains Annual Consumed Quantity (ACQ) which expresses the consumption in GJ and by tariff, which is what N1 tab requires.Table N1.1 aggregates the demand by tariff class contained in table N1.2.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in tables N1.1 and N1.2 which were used for annual tariff adjustments. | Actual |  |  |

## N1.2 – Demand – by Tariff

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
|  | Demand data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the proposed distribution tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.In respect of the Industrial tariffs, MDQ is required to update the Gas Tariff Model template as part of the annual tariff update. The N1 Demand tab, containing tables N1.1 and N1.2, requires volumes in GJ rather than MDQ. The data file which contains the MDQ required for the annual tariff submission also contains Annual Consumed Quantity (ACQ) which expresses the consumption in GJ and by tariff, which is what N1 tab requires.Table N1.1 aggregates the demand by tariff class contained in table N1.2.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in tables N1.1 and N1.2 which were used for annual tariff adjustments. | Actual |  |  |

# **N2. Network Characteristics**

## N2.1 – Network Length – by Pressure and Asset Type

N2.1.1 / N2.1.2 /N2.1.3/N2.1.4 – Network Length – by Pressure and Asset Type – Low Pressure / Medium Pressure / High Pressure / Transmission

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Low Pressure / Medium Pressure / High Pressure  | Historic data is compiled based on historic snapshots captured from GIS system, with snapshots taken at financial year-end dates.All Existing and In Service Pipes only. Abandoned pipe or casing is not included.It is assumed high-pressure HDPE250 and HDPE575 is actually HDPE100. It is assumed all high-pressure steel mains are coated steel (protected steel). All other steel mains are considered unprotected.It includes all pipes that are registered under AGN’s Gas Distribution Licence. | Actual |  |  |
| Transmission  | Transmission data has been extracted from GIS system and the lengths of mains calculated. Transmission data refers to the Adelaide Metro Transmission Pipeline, and any Transmission Pressure pipelines downstream of City Gate Stations in regional networks. All transmission pipelines are coated steel.  | Actual  |  |  |

## N2.2 – City Gates/Regulators

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| City Gate  | City Gates are considered Gate Regulating Station (GRS), which perform the function of pressure reduction of primary network feed from the upstream TP network. There are no regulated AGN owned City Gates. | Actual |  |  |
| Field Regulator  | Field Regulators are considered District Regulator Stations (DRS), which perform the function of controlling the delivery of gas into the High Pressure (HP), Medium Pressure (MP), Low Pressure (LP) distribution networks within the allowable operating pressure of the downstream network. The RIN definition of ‘Field Regulators’ overlaps with the definition of ‘District Regulators’. To avoid double counting, AGN will report all as Field Regulators. | Actual |  |  |
| District Regulator  | Due to overlap in the definition, these have all been reported as Field Regulators. Thus we provide a ‘Null’ response in the reporting template for the District Regulator.  |

# **S1. Customer Numbers**

## S1.1 – Customer Numbers – by Customer Type

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| **A. Residential**  |  |  |  |  |
| Customer numbers as at 1 July  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Customer numbers as at 30 June | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer connections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer disconnections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| **B. Commercial**  |  |  |  |  |
| Customer numbers as at 1 July  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Customer numbers as at 30 June | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer connections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer disconnections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| **C. Industrial**  |  |  |  |  |
| Customer numbers as at 1 July  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Customer numbers as at 30 June | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer connections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Total customer disconnections  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |

## S1.2 - Customer Numbers – by Tariff

S1.2.1 – Customer number as at 1 July / S1.2.2 – Customer number as at 30 June

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Tariff R - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff R - Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff C - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff C - Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff D  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |

S1.2.3 – Total customer connections

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Tariff R - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff R - Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff C - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff C - Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff D  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |

S1.2.4 – Total customer disconnections

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Tariff R - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.   | Actual |  |  |
| Tariff R - Tanunda | The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff C - excluding Tanunda | Customer numbers were sourced from APA’s NASA system which contains demand data.   | Actual |  |  |
| Tariff C - Tanunda | The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |
| Tariff D  | Customer numbers were sourced from APA’s NASA system which contains demand data.  The Tanunda customer numbers are from the reporting database which is populated from APA’s Customer Care and Billing (CC&B) Oracle System data. | Actual |  |  |

# **S10. Network Quality**

## S10.1 – Pressure Faults

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Poor Pressure events – mains  | AGN is unable to populate this field as we do not measure poor pressure events on mains and have no basis to make an estimate. Thus we provide a ‘Null’ response in the reporting template. |
| Poor Pressure events – services /Poor Pressure events – meters  | We do not distinguish poor pressure events at service or meter. All poor pressure events are considered at the Meter.Data is sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance.In order to capture Poor Pressure events, all Supply Investigations were captured where:* Work Order Status and Outcome is Complete,
* Investigation Result excludes Downstream Customer Problem, No Fault Found, and Planned Network Activity, and
* There was no Supply Loss

Work Orders for the same location on the same day were considered duplicates and removed. Work Orders are grouped by interruption start day and location to categorise as an event.  | Actual |  |  |
| Pressure events impacting 5+ customers  | This variable was calculated using the same data set used to calculate poor pressure events for Meters. As part of grouping Work Orders as events, a count of customers was captured. This variable counts the number of events where the count of customers was 5 or more. | Actual |  |  |
| Pressure events with > 12 hours restoration  | This variable was calculated using the same data set used to calculate poor pressure events for Meters. Duration is considered from Work Order Report Date to Actual Finish Date. | Actual |  |  |

# **S11. Network Reliability**

## S11.1 – Network Outages

S11.1.1 – Planned

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |
| Count of outage events  | During the planning phase of Mains Renewal, GIS system is used to identify all impacted services for the location targeted for Mains Renewal Programs (MRP). These services are listed in a manual tracking spreadsheet. Individual customer addresses are identified as an inlet may service multiple customers. As the planned work is executed, the specific service and date the customer was impacted is captured. This information is later added to the manual tracking spreadsheet.A single service impacted by Mains Renewal work is considered a single event.  | Actual |  |  |
| Outages affecting 5+ customers  | A single service impacted by Mains Renewal work is considered a single event. As such, there are no 5+ customer outages reported.  |
| Outages with > 12 hours supply interruption  | Each planned outage is assumed 6 hours in duration. As such, there are no outages > 12 hours supply interruption reported.  |

S11.1.2 – Unplanned

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Count of outage events  | Data is comprised of a combination of single service customer raised Gas Supply Investigation Work Orders, Syphon Maintenance Work Orders, and manually tracked Incidents affecting 5 or more customers. Work Orders were sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance.All Supply Investigation and Syphon Maintenance Work Orders were captured where there was a Loss of Supply. Cancelled Jobs were excluded, and duplicates were removed. Interruptions that occurred within the same locale and on the same day were grouped as events.Data was combined with Regulatory Incident tracking. Interruptions on the same day and location were considered part of the same event. | Actual |  |  |
| Outages affecting 5+ customers  | This variable was calculated using the same data set used to calculate Count of Outage events. Events with 5 or more customers were identified. | Actual |  |  |
| Outages with > 12 hours supply interruption  | This variable was calculated using the same data set used to calculate Count of Outage events. Interruption duration is calculated from the Actual Start of the Supply Investigation to the Actual Finish of the Primary or Follow-up Work Order. | Actual |  |  |

## S11.2 – Leaks – by Asset Type and Cause of Leak

S11.2.1 / S11.2.2 / S11.2.3 – Low Pressure / Medium Pressure / High Pressure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Number per KM | Data is sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance.All Internally Reported, Public Reported, and Survey Reported Work Orders resulting in a Leak Repair were considered. Data is limited to the Leak Asset Classes of Main and Service. Failure Classes for Service Leaks are limited to Service (SRV), and exclude Upstand (UPSD), and Service Tee (SRTE). Data is limited to Main and Service leaks as these map directly to the Material Types provided in the template. Meter Leaks are excluded, as they do not directly map to the provided Material Types. It is considered that including Meter Leaks may cause an incorrect, or otherwise skewed measure of material fault rates.Material Type is a manually populated field. The relevant options are Cast Iron (CI), Uncoated Steel Pipe (USP), Coated Steel Pipe (CSP), Polyethylene yellow pipe (PE\_YELLOW), and Polyethylene black pipe with yellow stripes (PE\_TIGER).Pressure is derived by the following:* Where the leak location is Gas Supply Point (GSP) the nominal pressure from GIS is used
* Where the leak location is a Street the GIS pressure is used if there is a single pressure noted for the Street
* For remaining work orders the pressure manually specified on the work order is used

The data is cleansed using the following logic:* When the specified Material/Pressure combination exists within GIS for the street location, it is used
* When the specified Material could reflect multiple different materials (for example, PE\_YELLOW could refer to HDPE250, HDPE575, or MDPE) the most prevalent similar coloured material for the street location is selected
* When the specified Material does not exist within GIS for the street location, the most prevalent Material/Pressure combination for the street is used.

Low Pressure/Medium Pressure:* The network does not contain any PVC or Polyamide so these two categories have been populated with a ‘Null’ response.

High Pressure:* The High Pressure Network does not contain any PVC, Polyamide, Cast Iron or Unprotected Steel, thus these categories have been populated with a “Null’ response.
 | Estimate | Material Type and Pressure were derived based on the mentioned assumptions. |  |

## S11.3 – Unaccounted for Gas – Transmission and Distribution

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  |  |  |  |  |
| Total | UAFG data for 2019/20 was calculated by AEMO under clause 8.6.15 of the Retail Market Procedures (South Australia). Data was based on the AEMO preliminary August 2020 data. Note the UAFG is estimated because it is still subject to review and amendment for up to 425 days. | Estimate | 2019/20 was based on the AEMO preliminary August 2020 data. Note the UAFG is estimated because it is subject to review and amendment for up to 425 days. |  |

# **S14. Network Integrity**

## S14.1 – Loss of Containment

S14.1.1 – Mains/ S14.1.2 – Services / S14.1.3 – Meters

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |
| Number of leaks – publicly reported (#) | Data sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance. Work Order Classification of Leak Investigation, and Status Complete. Cancelled Jobs and No Leak Found were excluded.Please note we have only reported publicly reported leaks where a leak was identified by a member of the public and a gas escape was confirmed by personnel attending site. | Actual |  |  |
| Number of leaks – found through survey (#) | Data is sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance. All Survey Reported Leak Work Orders are captured, excluding No Leak Found and Third Party Damage. Failure Classes of Main, Service, and Meter were used. | Actual  |  |  |
| Repaired leaks (#) | Total repaired leaks = repaired public reported leaks + repaired leaks found through survey. | Actual  |  |  |
| Length of network subject to survey (km) | Leak Survey Areas for have an attribute of the total number of km travelled as part of the Survey. These km are totalled for all completed Leak Survey Work Orders.Leak Survey Work Orders were sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance. Leak Survey Work Orders were identified as Work Order Classification of LEAKSURV and Work Order Status of COMP | Actual |  |  |
| Number of services surveyed/Number of meters surveyed  | As we only survey mains, there is no data in the spreadsheet for the number of services/meters surveyed.Thus we provide a ‘Null’ response in the reporting template.  |

## S14.2 – Instances of Damage

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Mains (#) Services (#) | Work Orders were sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance. Leak Job Status as Complete, Leak Job Cause as External Influence – 3rd Party Damage, and Leak Job Asset Class of Main or Service. | Actual |  |  |
| Meters (#) | Data is sourced from a SSAS tabular data model utilising data sourced from the current Maximo instance. All completed Leak Repair Work Orders with Failure Class of Meter, and Cause of Third Party Damage. | Actual  |  |  |

# **F1. Income**

## F1.1 – Audited Statutory Accounts

F1.1.1 – Revenue

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *AGN Limited, which owns regulated and unregulated gas pipelines in multiple jurisdictions, does not prepare audited statutory accounts for AGN (SA) which forms part of the consolidated group of companies. However, as required by the AER for this Annual RIN, a trial balance for AGN (SA) has been prepared for 2019/20 which forms the basis of the financial information reported in this table F1.1. The methodology used to prepare the trial balance for AGN (SA) and the audit of this information is set out in Appendix G of this basis of preparation.**The adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance and the relevant amounts for the AGN (SA) distribution business which are reported in table F1.3 below. A full reconciliation of the adjustments are provided in Appendix F. The adjustments include a combination of removing unregulated SA income statement/expenditure items, allocating AGN Limited balances to AGN (SA) where appropriate, removing non-SA expenditure items from the trial balance and to reflect SA AA regulatory adjustments.**AGN Limited operates on a calendar-year reporting cycle with audited statutory accounts prepared for the consolidated group each 12 month period ending 31 December.**Amounts being reported in this table for 2019/20, have been derived by compiling appropriate half-year figures for AGN (SA) and AGN Limited, to produce amounts for the 12 month regulatory year ending on 30 June 2020.* |
| Distribution revenue  | Distribution revenue reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. This figure represents the Haulage/Tariff revenue, Ancillary Reference Services and Non-Reference Services revenue, as recorded in the relevant SAP general ledger accounts and corresponding state codes for AGN (SA) for the year ended 30 June 2020. Revenue is recorded against certain categories in AGN Limited’s SAP general ledger, which meets its needs for internal and statutory reporting. This does not always align directly with categories of revenue shown in the RIN templates, which is explained further below.AGN Limited has contracted with APA for the delivery of non-haulage services (i.e. Ancillary Reference Services and Non-Reference Services) to its customers, under the OMA. These non-haulage revenue transactions are recorded with service codes in APA’s billing system. Detailed reporting from APA’s billing system is provided to AGN Limited which breaks down this revenue, thereby facilitating its mapping and alignment into the RIN categories shown in this template.Reports from APA breaking down other categories of distribution revenue are reconciled with AGN Limited’s SAP general ledger and the balances recorded in general ledger accounts and state codes which are included in the AGN (SA) trial balance. | Actual |  |  |
| Capital contribution  | Capital contributions revenue reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. This figure represents the Capital contributions received from customers that request work to be undertaken and has been delivered during the year ended 30 June 2020 (i.e. the amount reported includes movements in deferred revenue from capital contributions received in advance of work being undertaken).  | Actual |  |  |
| Profit from sales of fixed assets  | There was no profit from sale of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of revenue. | Actual |  |  |
| Other revenue  | Other revenue reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G and the general ledger account codes used to record Other revenue. Other revenue includes recoveries from third party damages, recoveries for the cost of site watching (i.e. observing work by others in proximity to AGN (SA) assets), sale of surplus materials and other miscellaneous recoveries. Information about this Other revenue is provided by APA as part of the Ring Fenced Accounts and is further supported by additional breakdown reports provided by APA.  | Actual |  |  |

F1.1.2 – Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Operating expenditure  | Operating expenditure reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. Appendix G sets out the methodology used to produce the trial balance for AGN (SA).The process included selecting certain account balances from the consolidated AGN Limited SAP general ledger, where given general ledger accounts and specified state codes, have been used to form the base trial balance amounts for AGN (SA). The amounts reported for Operating expenditure represent total network opex which is out-sourced to APA under the OMA and AGN Limited’s internal opex, minus any categories of opex that are required to be separately reported in this RIN table. | Actual |  |  |
| Depreciation  | The amount of depreciation reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. The statutory depreciation related to AGN (SA) has been determined in accordance with the relevant accounting standards.AGN Limited maintains a separate general ledger in SAP which is used to record Capex for AGN (SA) and which is also integrated with a Fixed Assets Register (FAR) specifically for the AGN (SA) assets. Depreciation for these assets is posted to a specific general ledger account code, which enables it to be identified and included in the AGN (SA) trial balance.  | Actual |  |  |
| Net finance expenses  | The amount of Net finance expenses reported in this table has been derived from the trial balance for AGN (SA) which has been audited as set out in Appendix G. Financing within AGN Limited is provided and managed centrally by a group Treasury function. Therefore, in developing a trial balance for AGN (SA), an amount of AGN Limited’s total statutory net finance expenses has been allocated to AGN (SA). This allocation has been done on the basis of AGN (SA)’s assets as a percentage of AGN Limited’s total assets. This includes an allocation to the unregulated assets in AGN (SA). The “total assets” basis of allocating Net finance expenses has been chosen as the most appropriate method for the AGN (SA) trial balance, given it is considered to have the closest relationship to the amount of debt finance used by the business, which is the key driver of Net finance expenses.Prior to calculating the relevant allocation of Net finance expenses to AGN (SA), the amount as shown in AGN Limited’s audited statutory accounts, is adjusted to remove any finance related costs that are separately reported in the RIN table (e.g. Debt Raising Costs, Rent payments for leased business premises and Motor Vehicle Lease payments) (refer to the Regulatory Accounting Principles and Policies document and the supplementary information provided in Appendix H of this Basis of Preparation document for the implications of AGN Limited adopting accounting standard AASB 16 *Leases* from 1 January 2019).Given the allocation of Net finance expenses to AGN (SA) has been done using an appropriate cost allocator and is consistent with the allocation of other relevant costs (e.g. Debt Raising Costs), as set out in the Cost Allocation Methodology document (and supplementary information provided in Appendix H of this Basis of Preparation document), AGN Limited considers this amount to be actual information.  | Actual |  |  |
| Loss from sales of fixed assets | There was no loss from sales of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of expenditure. | Actual |  |  |
| Impairment losses  | There was no impairment losses for AGN (SA) in 2019/20, therefore there is no amount to report for this category of expenditure. | Actual |  |  |
| Other expenses  | There is no other expenditure to be reported in this category of Other expenses for AGN (SA). All of the expenditure in the trial balance for AGN (SA) is shown in the other categories of this RIN table above. | Actual |  |  |

F1.1.3 – Profit

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Income tax expenses / benefits  | The amount of income tax expense reported in this table has been derived from the trial balance for AGN (SA). As noted here, this is estimated financial information and therefore was reviewed by AGN Limited’s external auditors.AGN Limited and its subsidiaries are treated as a group for corporate income tax purposes and as already explained, has operated on a calendar-year cycle for tax purposes since acquisition by the current owners on 29 August 2014. As a result, in developing a trial balance for AGN (SA), a simplified approach was taken in relation to calculating income tax expenses. The income tax expense for AGN (SA) has been calculated by multiplying the profit before tax, as determined in the AGN (SA) trial balance (and reported in this table), by the corporate income tax rate of 30%. | Estimate | Given the actual income tax expenses for AGN Limited is determined for the consolidated group and not specifically for the SA distribution business, the approach has been to calculate income tax expenses for the purpose of the AGN (SA) trial balance, by applying the standard corporate tax rate of 30% to the Profit (before tax) figure as reported in this table. For this reason, AGN Limited considers the Income tax expense amount being reported in this table, to be estimated information. As such, this information has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |

## F1.2 – Adjustments

F1.2.1 – Revenue

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Distribution revenue  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Actual |  |  |
| Capital contribution  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Actual |  |  |
| Profit from sales of fixed assets  | There was no profit from sale of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of revenue. | Actual |  |  |
| Other revenue  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Actual |  |  |

F1.2.2 – Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Operating expenditure  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Depreciation  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Estimate | The regulatory depreciation amount reported below in table F1.3.2 has been sourced from the Roll Forward Model (RFM) submitted and reviewed by the AER as part of AGN’s Final Plan for the 2021/22 – 2025/26 period.As explained below in table F1.3.2, given regulatory depreciation information is not statutory accounting information it has been classified as an estimate for the purposes of Workbook 2. Therefore, the adjustment amount between statutory and regulatory depreciation as reported in this table F1.2.2 is also classified as estimated information.  |  |
| Net finance expenses  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Loss from sales of fixed assets | There was no loss from sales of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of expenditure. | Actual |  |  |
| Impairment losses  | There was no impairment losses for AGN (SA) in 2019/20, therefore there is no amount to report for this category of expenditure. | Actual |  |  |
| Other expenses  | As noted above, there is no expenditure to be reported in this category of Other expenses for AGN (SA) in 2019/20.  | Actual |  |  |

F1.2.3 – Profit

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Income tax expenses / benefits  | Adjustments shown in table F1.2 represent the differences between the AGN (SA) trial balance amounts and the relevant amounts for the AGN (SA) Distribution business, which are reported in table F1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F1.3 below for the SA Distribution Business.  | Estimate | As explained above in table F1.1.3 and below in table F1.3.3, the amounts of Income tax expense reported for AGN (SA) is considered by AGN Limited to be estimated information. The amount of the adjustment reported in this table, being the difference between table F1.1.3 and F1.3.3, is therefore also estimated information. As such, this information has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |

## F1.3 – Distribution Business

F1.3.1 – Revenue

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *AGN Limited, which owns regulated and unregulated gas pipelines in multiple jurisdictions, does not prepare audited statutory accounts for AGN (SA) which forms part of the consolidated group of companies. However, as required by the AER for this Annual RIN, a trial balance for AGN (SA) has been prepared for 2019/20 which forms the basis of the financial information reported in this table F1.3. The methodology used to prepare the trial balance for AGN (SA) and the actual financial information contained therein which has been audited is set out in Appendix G of this basis of preparation.**Amounts reported for the AGN (SA) Distribution Business have been adjusted, as set out in Appendix F. These adjustments include a combination of removing unregulated SA income statement/expenditure items, allocating AGN Limited balances to AGN (SA) where appropriate, removing non-SA expenditure items from the trial balance and to reflect SA AA regulatory adjustments.* |
| Distribution revenue  | Distribution revenue figures reported in this table have been linked to the total revenue reported in table F3.5 – Total Revenue. Therefore these amounts include revenue for Haulage Services, Ancillary Reference Services and Non-Reference Services. Refer to the sections of this Basis of Preparation document related to tab F3.  | Actual |  |  |
| Capital contribution  | In accordance with the Regulatory Accounting Principles and Policies document, the amount of Capital contributions received from customers is not treated as operating income but rather deducted from the related Capex incurred by AGN (SA), such that the net cost is reflected in the RAB. Hence there is no Capital contributions revenue to report in this table. | Actual |  |  |
| Profit from sales of fixed assets  | There was no profit from sales of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of revenue. | Actual |  |  |
| Other revenue  | There is no Other revenue to report for the AGN (SA) Distribution Business because all Other revenue reported in the trial balance represents revenue from unregulated activities.  | Actual |  |  |

F1.3.2 – Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Operating expenditure  | The amount reported in this table for Operating expenditure has been linked to the Opex amount reported in table F4.1.3 of the RIN template, with an adjustment to separately report Jurisdictional charges as required in this table (noting there is no Loss from sales of fixed assets in 2019/20, which otherwise would also have been separately reported). That is, the sum of amounts reported in this table (F1.3.2) for Operating expenditure and Jurisdictional charges, agrees with the total expenditure reported in table F4.1.3 for 2019/20. | Actual  |  |  |
| Depreciation  | The amount reported in this table for Depreciation reflects the regulatory allowance for nominal straight-line depreciation as per the AER’s determination for the SA AA. This information is recorded in, amongst other sources, the RFM for AGN (SA) for the current AA period. The regulatory allowance for nominal straight-line depreciation is reflective of regulatory asset lives and the policies outlined in AGN Limited’s Regulatory Accounting Principles and Policies document. Therefore, this is considered the appropriate basis of reporting Depreciation expenditure, as compared with the amounts reported in the audited statutory accounts. | Estimate | The regulatory depreciation amount reported in this table has been sourced from the RFM submitted and reviewed by the AER as part of AGN’s Final Plan for the 2021/22 – 2025/26 period.Consistent with the use of data from the RFM in Table F10.1 – Capital Base Values, given the regulatory depreciation information is not statutory accounting information it has been classified as an estimate for the purposes of Workbook 2. |  |
| Net finance expenses  | The amount reported in this table for Net finance expenses, represents an allocation to AGN (SA) of the AGN Limited consolidated group Net finance expenses, as reported in its audited statutory accounts, with an adjustment for the Debt raising costs and interest costs associated with financial leases on business premises and leases on motor vehicles, which are separately reported in this table (included in Operating expenditure) and in table F4.1.3 (Opex).Finance lease costs for business premises occupied by AGN Limited are reported as Rent expenses for regulatory accounting purposes, as set out in the Regulatory Accounting Principles and Policies document. Motor vehicle lease costs are reported as Motor vehicle expenses for regulatory accounting purposes, as set out in the supplementary information (related to the Regulatory Accounting Principles and Policies document) provided in Appendix H of this Basis of Preparation document.As already mentioned in table F1.1.2, AGN Limited manages its debt finance facilities for the group as a whole, not for each individual AA. An allocation of the Net finance expenses for AGN Limited has been made to the SA Distribution Business based on the SA RAB as a proportion of AGN Limited’s total asset base, including a separate allocation for unregulated assets. This is consistent with the Regulatory Accounting Principles and Policies document and Cost Allocation Methodology. It is also consistent with the recently submitted Annual RIN information for prior years, which was provided to the AER on 30 September 2020. | Actual  |  |  |
| Loss from sales of fixed assets | There was no loss from sales of fixed assets for AGN (SA) in 2019/20, therefore there is no amount to report for this category of expenditure. | Actual |  |  |
| Impairment losses  | AGN Limited has no Impairment losses expenditure to report for the SA AA in 2019/20. | Actual |  |  |
| Other expenses  | AGN Limited has no Other expenses to report for the SA AA in 2019/20. All expenditure related to the SA AA for 2019/20 has been reported in other categories of expenditure in this RIN table. | Actual |  |  |

F1.3.3 – Profit

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Income tax expenses / benefits  | The amounts reported for Income tax expenses in this table represent 30% of the Profit before tax as shown in this table and is based on the Australian corporate tax rate. | Estimate | Given the actual income tax expenses for AGN Limited is determined for the consolidated group and not specifically for the SA distribution business, the approach has been to calculate income tax expenses for the purpose of this Annual RIN, by applying the standard corporate tax rate of 30% to the Profit (before tax) figures as reported in this table. For this reason, AGN Limited considers the Income tax expense amount being reported in this table, to be estimated information. As such, information being reported for 2019/20 has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |

# **F2. Capex**

## F2.4 – Capex by Asset Class

F2.4.2 – Actual – As Incurred

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *Refer to Appendices A and C for a description of the systems and processes that support AGN Limited’s cost capture and reporting of Capex including Overheads expenditure as presented below. These systems and processes provide the necessary level of detail required for AGN Limited to report against the categories and sub-categories of Capex and Overheads shown in the RIN templates.* *However as required by the RIN notice, total Capex amounts have been derived from the trial balance for AGN (SA)* *which has been audited as set out in Appendix G. The amounts of Capex and Capital Contributions reported in this table F2. – Capex have been fully reconciled to the related general ledger accounts that form the AGN (SA) trial balance, along with the supporting fixed assets register for the AGN (SA) assets. These reconciliations have been provided to AGN Limited’s external auditors as part of the assurance process. Refer to Appendix G for further information about the trial balance for AGN (SA).*  |
| Mains  | Expenditure on Mains relates to a low pressure, medium pressure, or high pressure pipe in the AGN (SA) gas distribution network, other than a service pipe.Capex, as also reported in table E.1.1.1 Reference Services representing Capex by “Purpose”, includes projects related to:* Mains Replacement
* Mains Augmentation;
* Mains related to any new connections for all connection types (inclusive of any growth infill projects); and
* Projects in Other Capex, for example Mains Alteration, Corrosion and any other related major projects

Capex reported for Mains has been identified with reference to the expenditure captured in APA’s Oracle finance system against activities that include mains and corrosion protection in the activity description. Major projects that are known to be related to mains and major projects in growth infill areas have also been included. | Actual |  |  |
| Inlets | Inlets are the service pipes that run from the mains which is typically in the street and a customer’s meter on their property.Capex reported includes Inlets related to any new connections for all connection types.Capex reported for Inlets has been identified with reference to the expenditure captured in APA’s Oracle finance system against activities that include new service and service renewal for domestic and commercial (small and large) customers in the description. Capex for large commercial customers is offset by Capital Contributions as reported in Table 2.5.1 below.Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment type:* “Marketing Rebates” for expenditure consistently treated as Opex for regulatory purposes and Capex for statutory accounting purposes, from 1 January 2016.
 | Actual |  |  |
| Meters | A meter is an instrument that measures the quantity of gas passing through it and includes associated equipment attached to the instrument to filter, control or regulate the flow of gas.Expenditure reported in this category includes the cost of new and refurbished meters installed into the AGN (SA) network for operation.Capex reported includes Meters related to meter replacement and any new connections for all connection types (inclusive of any growth infill projects).Capex reported for Meter projects has been identified with reference to the expenditure captured in APA’s Oracle finance system against activities with meter in the description. | Actual |  |  |
| Telemetry | Telemetry projects includes capital expenditure incurred in the replacement of SCADA (Supervisory control and data acquisition) equipment operating in the network due to the condition of the assets. Expenditure reported for Telemetry Capex projects has been identified with reference to the expenditure captured in APA’s Oracle finance system with Telemetry included in the activity name. | Actual |  |  |
| IT systems  | IT systems expenditure includes capital expenditure associated with ICT assets (e.g. physical hardware and software and the associated development and implementation costs that are capitalised in accordance with relevant accounting standards and policies). Expenditure reported for IT systems capex projects has been identified with reference to specific project names in APA’s Oracle finance system that are known to be ICT projects (e.g. relevant ICT activity descriptions are included in the project names). AGN Limited also incurs internal ICT capital expenditure (Head Office Additions) for AGN (SA) which is added to the expenditure information provided by APA. AGN Limited’s internal IT systems expenditure is recorded in specific general ledger account codes which makes it identifiable for reporting in this table. Further, once IT projects are completed, the total expenditure is also recorded in AGN Limited’s Fixed Assets Register.Refer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment types:* “Head Office Additions and Other Adjustments” for Other Capex directly incurred by AGN Limited.
 | Actual |  |  |
| Other distribution equipment  | Expenditure reported for Other distribution equipment capex has been identified with reference to specific project names in APA’s Oracle finance system that are known to be other distribution equipment projects that are not otherwise relevant to the other RIN template tables. Tasks and activity codes include Regulators and Other Network Stopple Equipment. This Capex forms part of the Other Capex reported in table E.1.1.1. | Actual |  |  |
| Other non-distribution equipment | Expenditure reported for Other non-distribution capex projects has been identified with reference to specific project names in APA’s Oracle finance system that are known to be miscellaneous other non-distribution equipment projects that are not otherwise related to the other RIN template categories in this table. AGN Limited also incurs internal Other capital expenditure (Head Office Additions) which is added to the expenditure information provided by APA. This Capex also forms part of Other Capex reported in table E1.1.1. As explained above for IT systems Capex, AGN Limited’s internal Other non-distribution equipment Capex for AGN (SA) is recorded in specific general ledger account codes and in the Fixed Assets Register, which makes it identifiable for reporting in this tableRefer to Appendix E for a description of the adjustments made due to regulatory accounting policies. Specifically see adjustment type:* “Head Office Additions and Other Adjustments” for Other Capex directly incurred by AGN Limited.
 | Actual |  |  |

F2.4.3 – Movement in Provisions Allocated to As-Incurred Capex

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Mains  | AGN Limited has no movement in provisions allocated to As-Incurred Capex for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the RIN template. |

## F2.5 - Capital Contributions by Asset Class

F2.5.1 – Actual – As Incurred

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Mains  | The amount of Capital contributions reported for New Homes (domestic customers) has been derived from invoiced revenue. This revenue mostly funds the economic shortfall for Mains.The amount of Capital Contributions reported for Industrial & Commercial Contract customers, is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF with the activity New Mains – I&C >10TJ). The Capex Activities in APA’s Oracle finance system related to this category of Capex and Capital Contributions are activities that include mains for large commercial customers in the description and chargeable mains alteration projects.The amounts of Capital Contributions reported for mains alteration works is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF) with the activity Mains Alterations – Chargeable.  | Actual |  | Capital contributions for works undertaken at Industrial & Commercial Contract customers’ request are typically received up-front or in milestone payments that do not necessarily match the timing of related expenditure incurred by AGN Limited.Accordingly, in order to match Capital contributions received with related Capex incurred, the amounts reported for Capital contributions related to Mains has been derived from the amounts of Capex incurred on these projects.Rather than deriving these amounts from payments received, this approach is considered by AGN Limited to be a better representation of the Capital contributions relating to the activity undertaken in each year. |
| Inlets | The amount of Capital Contributions reported for Industrial & Commercial Contract customers (for the Inlets category of Capex), is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF) with the activity New Service - I&C >10TJ.  | Actual |  | Capital contributions for works undertaken at customers’ request are typically received up-front or in milestone payments that do not necessarily match the timing of related expenditure incurred by AGN Limited.Accordingly, in order to match Capital contributions received with related Capex incurred, the amounts reported for Capital contributions related to Inlets has been derived from the amounts of Capex incurred on these projects.Rather than deriving these amounts from payments received, this approach is considered by AGN Limited to be a better representation of the Capital contributions relating to the activity undertaken in each year. |
| Meters | The amount of Capital Contributions reported for Industrial & Commercial Contract customers (for the Meters category of Capex), is derived from the amounts of related capex incurred, as reported by APA in the Capex Data Model (with an adjustment to remove the allocated NMF) with the following activities:* Meter – Fabrication > 10TJ
* Meter – Installation > 10TJ
* Meter – Growth – I&C > 10TJ
 | Actual |  | Capital contributions for works undertaken at customers’ request are typically received up-front or in milestone payments that do not necessarily match the timing of related expenditure incurred by AGN Limited.Accordingly, in order to match Capital contributions received with related Capex incurred, the amounts reported for Capital contributions related to Meters has been derived from the amounts of Capex incurred on these projects.Rather than deriving these amounts from payments received, this approach is considered by AGN Limited to be a better representation of the Capital contributions relating to the activity undertaken in each year. |
| Telemetry | There were no Capital contributions received by AGN Limited in relation to Telemetry Capex for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template.  |
| IT systems  | There were no Capital contributions received by AGN Limited in relation to IT systems Capex for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Other distribution equipment  | There were no Capital contributions received by AGN Limited in relation Other distribution equipment Capex for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |
| Other  | There were no Capital contributions received by AGN Limited in relation to Other Capex for AGN (SA) in 2019/20.Thus we provide a ‘Null’ response in the reporting template. |

## F2.6 – Disposals by Asset Class

F2.6.2 – Actual

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Mains/Inlets/Meters/Telemetry/IT system/Other Distribution equipment/Other non-distribution equipment | There were no disposals by AGN Limited for AGN (SA) in relation to these Asset Classes. Thus we provide a ‘Null’ response in the reporting template. |

## F2.7 – Immediate Expensing Capex

F2.7.1 - Actual – As Incurred

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
|  | The information reported for Immediately Expensing Capex has been derived from the working papers that underpin preparation of AGN Limited’s Income Tax Returns.The amounts reported in this table represent the same amounts of Immediately Expensing Capex that is (or will be) shown in AGN Limited’s income tax return (noting AGN Limited’s Income Tax Returns are prepared on a calendar year basis).Immediately Expensing Capex comprises expenditure to repair parts of the network (i.e. mains and inlets) to remedy defects that arise from wear and tear, deterioration or damage. The expenditure reported includes direct costs and associated network overheads that are allocated based on the level of expenditure as set out in the CAM.Further, due to the RIN requesting the same amounts of Immediately Expensing Capex as shown in AGN Limited’s income tax return, the reported expenditure does not reflect the regulatory accounting adjustments that have been applied to other relevant Capex in this RIN template. For example, the amount reported is inclusive of NMF and piecemeal mains replacement expenditure which for regulatory accounting purposes are treated as Opex and reported as such in other tables of the RIN template.AGN Limited maintains a tax book asset register to record each asset by location (i.e. state) which enables AGN Limited to separately identify the amount of Immediately Expensing Capex for AGN (SA). Further, the tax book asset register also records assets by category, which enables AGN Limited to identify the relevant amount of Immediately Expensing Capex by Asset Class for AGN (SA), as required for this table.AGN Limited has prepared its audited statutory accounts and lodges its income tax returns on a calendar year basis since acquisition by the current owners on 29 August 2014. Therefore, AGN Limited has identified Immediately Expensing Capex for each relevant six month period (i.e. January to June and July to December), in order to compile the total amounts reported for the regulatory year.AGN Limited has not changed its tax policy with respect to Immediately Expensing Capex during 2019/20 and currently has no intention to change this policy.  | Estimate  | The amount reported in this table is estimated information because the Income Tax Return (ITR) for the year ended 31 December 2020 (which includes the six months to 30 June 2020) has not yet been prepared by AGN Limited.However, the amount reported in this table is based on working papers prepared up to 30 June 2020 which will underpin preparation of AGN Limited’s ITR for the year ended 31 December 2020. |  |

# **F3. Revenue**

## F3.1 – Reference Services

F3.1.1 – Revenue – by Tariff

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Tariff R - excluding Tanunda | Revenue data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in table F3.1.1 which were used for annual tariff adjustments. | Actual |  |  |
| Tariff R - Tanunda | Revenue data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in table F3.1.1 which were used for annual tariff adjustments. | Actual |  |  |
| Tariff C - excluding Tanunda | Revenue data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in table F3.1.1 which were used for annual tariff adjustments. | Actual |  |  |
| Tariff C - Tanunda | Revenue data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in table F3.1.1 which were used for annual tariff adjustments. | Actual |  |  |
| Tariff D  | Revenue data are sourced from the data files which are used to populate the Gas Tariff Models submitted to the AER each year as part of the annual tariff submissions for South Australia. Since the tariffs for 2021/22 have not yet been submitted, the files have been prepared for the purposes of the RIN and will also be used for the 2021/22 tariff submission.Tariff R and Tariff C are split into a tariff excluding Tanunda (South Australia excluding Tanunda) and then the Tanunda tariff. The first natural gas was delivered to the Tanunda township in 2015/16.2019/20 has been sourced from the same systems, and the underlying report is in the same form, as the reports produced for the purposes of annual tariff adjustments, and is therefore equivalent to the files used to populate the other years in table F3.1.1 which were used for annual tariff adjustments. | Actual |  |  |

## F3.2 – Ancillary Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Disconnection | ARS revenue reported for Disconnections relates to undertaking the following services:* Disconnections – attach locks or plugs to meter for debt

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy. | Actual |  |  |
| Reconnection | ARS revenue reported for Reconnections relates to undertaking the following services:* Reconnections – meter turn on after debt (includes removal of locks or plugs)

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy.  | Actual |  |  |
| Special Meter Read | ARS revenue reported for Special Meter Read relates to undertaking the following services:* Special final read
* Special monthly transfer
* Special reference read
* Special transfer read

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy.  | Actual |  |  |
| Meter Removal | ARS revenue reported for Meter Removal which became an ARS in 2016/17 in accordance with AGN Limited’s AA proposal relates to undertaking the following services:* Meter removal – remove gas meter for non-payment of arrears

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy.  | Actual |  |  |
| Meter Reinstallation | ARS revenue reported for Meter Reinstallation which became an ARS in 2016/17 in accordance with AGN Limited’s AA proposal relates to undertaking the following services:* Meter reinstallation – energise gas supply to a site that has been disconnected
* Refix gas meter following non-payment of arrears

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy.  | Actual |  |  |
| Meter Gas and Installation test | ARS revenue reported for Meter Gas and Installation test which became an ARS in 2016/17 in accordance with AGN Limited’s AA proposal relates to undertaking the following services:* Meter retake and test
* High account investigation

AGN Limited has contracted APA to provide the services categorised as ARS. The information to report ARS revenue against the categories shown in this RIN table has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for ARS services, amongst other types of services (e.g. Non-reference services). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy.  | Actual |  |  |

F3.3 – Rebateable Services

AGN has not provided any Rebateable Services in 2019/20. Thus we provide a ‘Null’ response in the reporting template.

## F3.4 – Non-Reference Services

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  |  |  |  |  |
|  | From 2014/15 onward, the information to report Non-Reference Services revenue has been sourced initially from data provided by APA via its billing system (Customer Care and Billing) which is used to provide data to retailers and internally to produce the revenue reported in the RFAs each half year. This data provided by APA lists revenue against service types that enables AGN Limited to identify revenue for Non-Reference Services (and ARS). APA reconciles the revenue figures provided to AGN Limited to its own General Ledger to ensure its accuracy. It is noted that a number of services previously reported as Non-Reference Services became ARS in 2016-17 (e.g. Meter Removal, Meter Reinstallation and Meter Gas and Installation Test).The Non-Reference Services listed in the RIN table are those that are shown on AGN Limited’s tariff schedules and which have been provided to customers in 2019/20. | Actual  |  |  |

## F3.5 – Total Revenue

F3.5 is formula driven table calculated based on the tables in F3.1.1, F3.2, F3.3 and F3.4.

## F3.6 – Rewards and Penalties from Incentive Schemes

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
|  | The rewards and penalties from the Efficiency Benefit Sharing Scheme (EBSS) for this period is as per the AER’s Final Decision for the 2016/17 to 2020/21 AA period, contained in the Post Tax Revenue Model (PTRM). As Table F3.6 requires the rewards and penalties in nominal dollars, the conversion has been completed using the AER’s inflation assumptions contained in the Final Decision PTRM for each relevant year. | Actual |  |  |

# **F4. Opex**

## F4.1 – Opex - by Purpose

F4.1.1 – Audited Statutory Accounts

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *AGN Limited, which owns regulated and unregulated gas pipelines in multiple jurisdictions, does not prepare audited statutory accounts for AGN (SA) which forms part of the consolidated group of companies. However, as required by the AER for this Annual RIN, a trial balance for AGN (SA) has been prepared for 2019/20 which forms the basis of the financial information reported in this table F4.1. The methodology used to prepare the trial balance for AGN (SA) and the audit of actual financial information contained therein is set out in Appendix G of this basis of preparation.**Amounts reported in this table represents the Opex derived from the AGN (SA) trial balance (for the categories of Opex listed) with the adjustments shown in table F4.1.2 representing the differences between table F4.1.1 and the Opex amounts for the AGN (SA) distribution business which are reported in table F4.1.3 below. A full reconciliation of the adjustments are provided in Appendix F. These adjustments include a combination of removing unregulated SA expenditure items, allocating AGN Limited balances to AGN (SA) where appropriate, removing non-SA expenditure items from the trial balance and to reflect SA AA regulatory adjustments.**AGN Limited operates on a calendar-year reporting cycle with audited statutory accounts prepared for the consolidated group each 12 month period ending 31 December.**Amounts being reported in this table for 2019/20, have been derived by compiling appropriate half-year figures for AGN (SA) and AGN Limited, to produce amounts for the 12 month regulatory year ending on 30 June 2020.* |
| Repairs and maintenance  | Amounts reported for Repairs and Maintenance and each other category of expenditure in this table (F4.1.1) have been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G. Expenditure recorded against relevant account codes in the general ledger that form part of the AGN (SA) trial balance has been mapped to the expenditure categories shown in the RIN template.  | Actual |  |  |
| Marketing and retail incentives  | Amounts reported for Marketing and Retail Incentives and each other category of expenditure in this table (F4.1.1) have been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G. Expenditure recorded against relevant account codes in the general ledger that form part of the AGN (SA) trial balance has been mapped to the expenditure categories shown in the RIN template.  | Actual |  |  |
| Debt raising  | As set out in the Basis of Preparation for table F1. Income (i.e. in table F1.1.2 – Expenditure), AGN Limited’s Debt raising costs, including amounts for AGN (SA), form part of the Net finance expenses reported in its Audited Statutory Accounts. Therefore there is no equivalent amount specifically for Debt raising costs in the AGN (SA) trial balance. The amount of Debt raising costs which has been allocated to the AGN (SA) Distribution Business, is added as an adjustment in table F4.1.2 and is reported in table F4.1.3 below.As such a ‘Null’ response is provided for this category of expenditure in this table F4.1.1. |
| Equity raising  | AGN Limited has not incurred any expenditure related to Equity Raising costs for AGN (SA) in 2019/20 and under its current ownership does not incur Equity Raising costs.As such a ‘Null’ response is provided for this category of expenditure. |
| Unaccounted for gas  | Amounts reported for Unaccounted for Gas and each other category of expenditure in this table (F4.1.1) have been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G. Expenditure recorded against relevant account codes in the general ledger that form part of the AGN (SA) trial balance has been mapped to the expenditure categories shown in the RIN template.  | Actual |  |  |
| Jurisdictional charges | Amounts reported for Jurisdictional Charges and each other category of expenditure in this table (F4.1.1) have been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G. Expenditure recorded against relevant account codes in the general ledger that form part of the AGN (SA) trial balance has been mapped to the expenditure categories shown in the RIN template.  | Actual |  |  |
| GSL payments  | AGN Limited has not incurred any expenditure related to GSL payments for AGN (SA) in 2019/20 and has historically never incurred GSL payments.As such a ‘Null’ response is provided for this category of expenditure. |
| Other Opex  | Amounts reported for Other Opex and each other category of expenditure in this table (F4.1.1) have been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G. Expenditure recorded against relevant account codes in the general ledger that form part of the AGN (SA) trial balance has been mapped to the expenditure categories shown in the RIN template.  | Actual |  |  |

F4.1.2 – Adjustments

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |  |  |  |
| Repairs and maintenance  | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Marketing and retail incentives  | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Debt raising  | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Equity raising  | AGN Limited has not incurred any expenditure related to Equity Raising costs for AGN (SA) in 2019/20 and under its current ownership does not incur Equity Raising costs.As such a ‘Null’ response is provided for this category of expenditure. |
| Unaccounted for gas  | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |
| Jurisdictional charges | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |
| GSL payments  | AGN Limited has not incurred any expenditure related to GSL payments for AGN (SA) in 2019/20 and has historically never incurred GSL payments.As such a ‘Null’ response is provided for this category of expenditure. |
| Other Opex  | The adjustments shown in this table represent the differences between the AGN (SA) trial balance and the relevant Opex amounts for the AGN (SA) Distribution Business which are reported in table F4.1.3 below.Refer to the reconciliation schedule provided in Appendix F for an explanation of the adjustments made to determine the amounts reported in table F4.1.3 below for the SA Distribution Business.  | Actual  |  |  |

F4.1.3 – Distribution Business

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  | *The amounts reported in this table have been derived from the AGN (SA) trial balance* *which has been audited as set out in Appendix G, with adjustments made which include a combination of removing unregulated SA expenditure items, allocating AGN Limited balances to AGN (SA) where appropriate, removing non-SA expenditure items and to reflect SA AA regulatory adjustments. The expenditure reported in this table represents the expenditure for AGN (SA) in the categories shown in this RIN table, after applying the policies set out in the Regulatory Accounting Principles and Policies and Capitalisation Policy documents and the supplementary information provided (related to these documents) in Appendix H of this Basis of Preparation document.* |
| Repairs and maintenance  | As set out in Appendix B to this Basis of Preparation document, all Repairs and Maintenance expenditure is incurred through an out-sourcing arrangement with APA (the OMA). Detailed information about this expenditure is sourced from APA and it is also recorded at a summary level in AGN Limited’s own SAP General Ledger. Regulatory reporting for each pipeline, including for AGN (SA) is underpinned by preparation of the Ring Fenced Accounts, as explained in Appendix B. Expenditure information for AGN (SA) as shown in the Ring Fenced Accounts has been reconciled to the AGN (SA) trial balance.Expenditure for 2019/20 has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G, with appropriate adjustments as reflected in the Ring Fenced Accounts and any other applicable adjustments as outlined in this basis of preparation document. In preparing the Ring Fenced Accounts, there are cost allocations made in accordance with the CAM and regulatory accounting adjustments, as required by the Regulatory Accounting Principles and Policies document which are set out in more detail in Appendix E of this Basis of Preparation. This includes adjustments for relevant expenditure which is capitalised for statutory accounting purposes but is treated as Opex for regulatory reporting. These differences are in accordance with the policies previously provided in recent RIN responses and consistent with relevant historical decisions by the AER. The nature of expenditure reported as Repairs and Maintenance has been explained above in relation to table E1.2 – Opex (under E1. Expenditure Summary). | Actual  |  |  |
| Marketing and retail incentives  | Expenditure for 2019/20 has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G, with appropriate adjustments as reflected in the Ring Fenced Accounts and any other adjustments as outlined in this basis of preparation document, including with reference to the Regulatory Accounting Principles and Policies document. Marketing and Retail Incentives expenditure is also undertaken internally within AGN Limited (separately to activities provided by APA) and information about this expenditure is sourced from the SAP general ledger.The nature of expenditure reported as Marketing and Retail Incentives has been explained above in relation to table E1.2 – Opex (under tab E1. Expenditure Summary). | Actual  |  |  |
| Debt raising  | As set out above in table F4.1.1, Debt raising costs forms part of Net finance expenses in AGN Limited’s Audited Statutory Accounts. In order to report Debt raising costs expenditure figures for 2019/20, reference was made to SAP general ledger transaction reports and working papers maintained within the Treasury function of AGN Limited which record related expenditure.AGN Limited manages its debt finance facilities for the group as a whole. As noted in Table E1.2.1 above, these costs are allocated on the basis of AGN (SA)’s assets as a percentage of AGN Limited’s total assets. This includes an allocation to the unregulated assets in AGN (SA).The nature of expenditure reported as Debt Raising Costs has been explained above in relation to table E1.2 – Opex (under tab E1. Expenditure Summary). | Actual  |  |  |
| Equity raising  | AGN Limited has not incurred any expenditure related to Equity Raising costs for AGN (SA) in 2019/20 and under its current ownership does not incur Equity Raising costs.As such a ‘Null’ response is provided for this category of expenditure. |
| Unaccounted for gas  | Expenditure for 2019/20 has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G, with appropriate adjustments as reflected in the Ring Fenced Accounts. The nature of expenditure reported as Unaccounted for Gas has been explained above in relation to table E1.2 – Opex (under tab E1. Expenditure Summary). | Actual  |  |  |
| Jurisdictional charges | Expenditure for 2019/20 has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G, with appropriate adjustments as reflected in the Ring Fenced Accounts (i.e. to deduct an allocation of costs to AGN (SA) unregulated businesses). The nature of expenditure recorded as Jurisdictional Charges has been explained above in relation to table E1.2 – Opex (under tab E1. Expenditure Summary). | Actual  |  |  |
| GSL payments  | AGN Limited has not incurred any expenditure related to GSL payments for AGN (SA) in 2019/20 and has historically never incurred GSL payments.As such a ‘Null’ response is provided for this category of expenditure. |
| Other Opex  | Expenditure for 2019/20 has been derived from the AGN (SA) trial balance which has been audited as set out in Appendix G, AGN Limited’s SAP general ledger and the cost allocation processes set out in the CAM which are in place to allocate shared AGN Limited costs to AGN (SA). This includes separately allocating costs to AGN (SA)’s regulated and unregulated businesses. Other Opex comprises AGN (SA)’s internal expenditure that is not otherwise included in one of the other expenditure categories included in this table (i.e. Marketing and Retail Incentives, Unaccounted for Gas and Jurisdictional Charges). | Actual  |  |  |

# **F6. Related Party Transactions**

## F6.1 – Payments Greater than $1,000,000 made to Related Party

F6.1.1 – Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 resulting from the current owners’ acquisition of the business.*  |
|  | AGN Limited has made no related party payments for AGN (SA) after 29 August 2014 when the current owners acquired the business. As such a ‘Null’ response is provided for this category of expenditure. |

F6.1.2 – Corresponding Expenses incurred by Related Party

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
|  | AGN Limited has made no related party payments for AGN (SA) after 29 August 2014 when the current owners acquired the business.As such a ‘Null’ response is provided for this category of expenditure. |

## F6.2 – Payments Greater than $1,000,000 received from Related Party

F6.2.1 – Revenue

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 resulting from the current owners’ acquisition of the business.*  |
|  | There were no payments greater than $1.0m received for AGN (SA) from a Related Party during 2019/20.As such a ‘Null’ response is provided for this category of expenditure. |

F6.2.2 – Corresponding Expenses incurred by its own

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
|  | There were no payments greater than $1.0m received from a Related Party for AGN (SA) during 2019/20, hence there were also no corresponding expenses incurred by AGN Limited for AGN (SA).As such a ‘Null’ response is provided for this category of expenditure. |

## F6.3 – Related Party Margin Expenditure – by Category

F6.3.1 – Capex

| **Variable**  | **Data source, Methodology and Assumptions** | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 resulting from the current owners’ acquisition of the business.*  |
|  | AGN Limited made no related party Capex payments for AGN (SA) after 29 August 2014 when the current owners acquired the business and therefore has no related party margin Capex expenditure for 2019/20.Thus we provide a ‘Null’ response in the reporting template.  |

F6.3.2 – Opex

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 upon the current owners’ acquisition of the business.* |
|  | AGN Limited had no related party Opex payments for AGN (SA) after 29 August 2014 when the current owners acquired the business and therefore has no related party margin Opex expenditure for 2019/20.Thus we provide a ‘Null’ response in the reporting template. |

## F6.4 – Percentage of Capex Outsourced to Related Party

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 resulting from the current owners’ acquisition of the business.*  |
|  | From 2015-16 onward, AGN Limited has no capex outsourced to a related party, including for AGN (SA). Thus we provide a ‘Null’ response in the reporting template.  |

## F6.5 – Percentage of Opex Outsourced to Related Party

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  | *As set out in Appendix D, APA ceased to be a related party from 29 August 2014 resulting from the current owners’ acquisition of the business.*  |
|  | From 2015-16 onward, AGN Limited has no Opex outsourced to a related party, including for AGN (SA).Thus we provide a ‘Null’ response in the reporting template.  |

# **F7. Provisions**

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  | *Refer to the Cost Allocation Methodology document for guidance in relation to AGN Limited’s policies and processes for cost allocation.* |
| Employee Benefits Current | Reported amount for Employee Benefits Current has been derived initially from the AGN Limited group consolidated accounts, with the amount allocated to AGN (SA) incorporated in the AGN (SA) trial balance. As noted here, this is estimated financial information and therefore was reviewed by AGN Limited’s external auditors.The opening balance, movement in provisions and closing balance reported for AGN (SA) has been calculated as an allocation of the group consolidated accounts, based on the increase in SA customers as a percentage of the increase in all customers nationally each year.Due to the amount of the allocator changing each year (i.e. the increase in SA customers relative to the increase in all customers varies from one year to the next) it is also necessary to adjust for the opening balance carried forward which was calculated from the prior year’s relevant allocator amount. This is done each year by multiplying the group consolidated accounts opening balance by the change in the SA allocator amount (e.g. if the SA allocator was 27.7% in 2018/19 and 24.2% in 2019/20, the opening balance allocated to SA needs to be reduced by 3.5% in 2019/20). This adjustment is reported in the RIN template using the “change in discount rate” row in Table F7. Provisions. This allocation basis (increase in SA customers) is consistent with the allocation of other Payroll and related costs, as set out in the CAM. | Estimate  | The amount reported for 2019/20 has been determined as an allocation from the AGN Limited Group employee entitlement figures. Notwithstanding that the allocator used (i.e. increase in customers) is the most practical and best method given the information available, AGN Limited considers the provision amounts reported for SA as estimated information.As such, information being reported for 2019/20 has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |
| Employee Benefits Non-Current (Long Service Leave) | Reported amount for Employee Benefits Non-Current (Long Service Leave) has been derived initially from the AGN Limited group consolidated accounts, with the amount allocated to AGN (SA) incorporated in the AGN (SA) trial balance. As noted here, this is estimated financial information and therefore was reviewed by AGN Limited’s external auditors.The opening balance, movement in provisions and closing balance reported for AGN (SA) has been calculated as an allocation of the group consolidated accounts, based on the increase in SA customers as a percentage of the increase in all customers nationally each year.Due to the amount of the allocator changing each year (i.e. the increase in SA customers relative to the increase in all customers varies from one year to the next) it is also necessary to adjust for the opening balance carried forward which was calculated from the prior year’s relevant allocator amount. This is done each year by multiplying the group consolidated accounts opening balance by the change in the SA allocator amount (e.g. if the SA allocator was 27.7% in 2018/19 and 24.2% in2019/20, the opening balance allocated to SA needs to be reduced by 3.5% in 2019/20). This adjustment is reported in the RIN template using the “change in discount rate” row in Table F7. Provisions. This allocation basis (increase in SA customers) is consistent with the allocation of other Payroll and related costs, as set out in the CAM. | Estimate  | The amount reported for 2019/20 has been determined as an allocation from the AGN Limited Group employee entitlement figures. Notwithstanding that the allocator used (i.e. increase in customers) is the most practical and best method given the information available, AGN Limited considers the provision amounts reported for SA as estimated information.As such, information being reported for 2019/20 has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |
| Asbestos Claims | The reported amount for Asbestos Claims has been derived initially from the AGN Limited group consolidated accounts, with the amount allocated to AGN (SA) incorporated in the AGN (SA) trial balance. As noted here, this is estimated financial information and therefore was reviewed by AGN Limited’s external auditors.The opening balance, movement in provisions and closing balance reported for AGN (SA) has been calculated as an allocation of the group consolidated accounts, based on the increase in SA customers as a percentage of the increase in all customers nationally each year.This allocation basis (increase in SA customers) is consistent with the allocation of Corporate Costs and Professional Costs, as set out in the CAM, and is considered by AGN Limited to be the most appropriate method for allocating this provision.The provision for Asbestos Claims was created in 2018-19 and therefore it has been necessary to adjust the opening balance for the annual change in the allocator amount (i.e. as required for employee related provisions explained above). | Estimate  | The opening balance, movements in provisions and closing balance reported for AGN (SA) has been calculated as an allocation of the group consolidated accounts, based on the increase in SA customers as a percentage of the increase in all customers nationally each year. Notwithstanding that the allocator used (i.e. increase in customers) is the most practical and best method given the information available, AGN Limited considers the provision amounts reported for SA as estimated information.As such, information being reported for 2019/20 has been reviewed by AGN Limited’s external auditor in accordance with the requirements of Appendix C of the Annual RIN. |  |

# **F9. Pass Through**

## F9.1 - Pass Through Event Expenditure

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20  |  |  |  |  |
|  | There was no pass through expenditure approved for AGN (SA) in 2019/20.We report a ‘Null’ response in the template.  |

# **F10. Assets**

## F10.1 – Capital Base Values

| **Variable**  | **Data source, Methodology and Assumptions**  | **Actual / Estimate** | **Justification (if estimated)** | **Additional Comments**  |
| --- | --- | --- | --- | --- |
| 2019/20 |  |
| Capital Base Values | The Capital Base Values entered into Table F10.1 for the year 2019/20 are as per the Roll Forward Model submitted with AGN’s Final Plan for the 2021/22 – 2025/26 period.  | Estimate | The information in F10.1 reflects the capital base as per the Roll Forward Model (RFM) submitted and reviewed by the AER as part of AGN’s Final Plan for the 2021/22 – 2025/26 period. There are adjustments to capital expenditure in the RFM, for instance the adjustment for the difference between actual and forecast net capex in the final year of the Access Arrangement period, which mean that the Actual Additions (recognised in RAB) line is not easily reconciled to the capex reported in F10. As the information in F10 is not statutory accounting information it has been classified as an estimate for the purposes of Workbook 2. | As described in the Written Response, there was an error in the contributions in our submitted Final Plan RFM (2016/17 was recorded in 2017/18 and vice versa). This can be seen in Attachment 12 – Reconciliation required by Written Response which is attached to the Written Response. Disposals have been entered as per our Final Plan RFM but differ from disposals in tab F2 as the number has been adjusted (from $87,545 to $95,053). This can also be found in Attachment 12. |

**Appendix A: Cost Collection and Reporting Process - Capex**

*The following description of AGN Limited’s cost collection process for capital expenditure applies to the information previously reported to the AER (e.g. the recently submitted AA RIN (for the next AA period) and the recently submitted Annual RIN) and to the financial information now being reported for 2019/20.*

**Source of financial data**

As in previous years, financial data for this Annual RIN was sourced from AGN Limited’s finance system (SAP Business One) and from other information provided by AGN Limited’s principal capital delivery contractor, APA Asset Management (APA). AGN Limited utilises Excel spreadsheets to consolidate detailed financial information provided by APA with information from its own finance system and to undertake cost allocation processes, for the purpose of producing the data required to complete the AER regulatory templates. This information and the associated processes are explained further below.

**AGN Limited’s capital delivery contractor (APA)**

When AGN Limited was known as Envestra Limited (Envestra), the delivery of its distribution network capex program was out-sourced to APA under an operating and management agreement. This arrangement (the ‘OMA’) commenced on 2 July 2007 and has continued since that time, including through Envestra’s change of ownership and rebranding as “Australian Gas Networks” in October 2014.

APA charges AGN Limited for these services on a ‘cost pass-through’ basis each month, plus the agreed Network Management Fee (NMF). The NMF represents APA’s margin under the agreement.

APA’s business support and overhead costs are allocated to capital expenditure in accordance with the processes outlined in the AGN Limited Cost Allocation Methodology (CAM) provided with the recently submitted Annual RIN (Historical Performance Data). For regulatory accounting purposes, AGN Limited does not capitalise any of the NMF paid to APA, in accordance with AGN Limited’s Regulatory Accounting Principles and Policies document.

Prior to the current owner of AGN Limited acquiring the business on 29 August 2014, the APA Group of which APA Asset Management is a subsidiary, was a significant shareholder in Envestra, owning 33% of the company, which therefore made APA a related party. Accordingly, payments to APA up to and including 29 August 2014 under the OMA were recognised as related party transactions.

In addition, the NMF paid to APA for that period was recognised as related party margin expenditure, noting however that none of the NMF paid to APA is capitalised for regulatory accounting and reporting purposes, as mentioned above. Hence 100% of the NMF is reported as operating expenditure by AGN Limited.

Further information about Related Party Transactions and Related Party Margins reported up to and including 29 August 2014 is provided in Appendix D of this document.

**Source of financial data provided by APA**

APA uses an enterprise resource planning system (Oracle) and an asset management system (Maximo) to capture costs which are assigned to master data identifiers including tasks, activities and expense types. In addition, with the use of additional master data identifiers (i.e. project codes and cost centres) APA records its expenditure against specific regulated and unregulated gas pipelines operated by AGN Limited in each state and to relevant regions within each state (also referred to as business zones).

APA provides detailed information about capital expenditure on AGN Limited’s regulated and unregulated pipelines directly from Oracle and via its business intelligence (BI) tool ‘Cognos’. The output created from this is known as the Ring Fenced Accounts (RFA). The RFA is prepared by APA each half year and reports on all expenditure (operating and capital), including the capitalisation of support and shared business costs and allocations into each of AGN Limited’s regulated and unregulated business zones. The RFAs have been, and continue to be a key source of data for regulatory reporting purposes. Amongst other things, capital expenditure information from the RFAs is used to reconcile to the additions to the fixed assets register for the South Australian network.

From 2020, APA has been able to provide a greater level of detail that underpins the SA regulated capital in Excel spreadsheet format for the years since 2014/15 (referred to as the Capex Data Model).

AGN Limited fully reconciles all sources of capital expenditure reporting provided by APA with its own SAP general ledger, separate billing data received from APA and with reporting provided in the AER regulatory templates.

**AGN Limited business systems and cost capture**

AGN Limited utilises SAP Business One (SAP) to capture costs at the general ledger account code, department and state level where applicable. Given the arrangements with APA, AGN Limited does not operate a full enterprise resource planning (ERP) system. Within SAP, AGN Limited utilises the general ledger, accounts payable module and fixed asset registers.

Monthly charges invoiced from APA are recorded in AGN Limited’s general ledger via journal entries which assign costs to general ledger account codes, departments and state codes. These entries provide control totals against which separate reporting provided by APA, including Monthly Management and Operating Reports, is able to be reconciled.

The detailed view of network capital expenditure delivered by APA is provided via separate reporting outside of AGN Limited’s core finance systems, as described above (e.g. the Ring Fenced Accounts, via Cognos BI reporting tools and the Capex Data Model in Microsoft Excel format). This information is used to complete the AER regulatory templates.

Adjustments are made by AGN Limited to the network capital expenditure reported by APA which are recorded in the Excel spreadsheets that form the working papers which support the data reported in the regulatory templates. These adjustments are in accordance with AGN Limited’s Regulatory Accounting Principles and Policies document and the Capitalisation Policy.

AGN Limited’s internal non-network capital expenditure, primarily relating to corporate ICT systems and office furniture and fittings, is captured in the SAP general ledger by account code, which enables reporting against categories defined in the AER regulatory templates.

AGN Limited does not capitalise any of its general corporate management and administration costs for regulatory accounting purposes, unless it can be specifically linked to a capital activity (e.g. a corporate IT project). This is in accordance with the Regulatory Accounting Principles and Policies document and the Capitalisation Policy. As set out in the supplementary information provided in Appendix H of this Basis of Preparation document (related to the Regulatory Accounting Principles and Policies document), from 2019/20 AGN Limited has identified specific personnel working on corporate IT projects and has commenced capitalising the labour costs for those personnel as explained in the supplementary material.

**Reconciliation of data and information reported to the AER**

As already mentioned above, AGN Limited fully reconciles all sources of capital expenditure reporting provided by APA, back to control totals in its own SAP general ledger, additions to the fixed assets register for South Australia and separate invoices received from APA which are entered into the general ledger. Further, all information provided to the AER in the regulatory templates is also reconciled back to AGN Limited’s SAP general ledger.

**Appendix B: Cost Collection and Reporting Process - Opex**

*The following description of AGN Limited’s cost collection process for operating expenditure applies to the information previously reported to the AER (e.g. in the recently submitted Annual RIN) and to the financial information now being reported for 2019/20.*

**Source of financial data**

As in previous years, financial data for this Annual RIN was sourced from AGN Limited’s finance system (SAP Business One) and from other information provided by AGN Limited’s principal operating and management contractor, APA Asset Management (APA). AGN Limited utilises Excel spreadsheets to consolidate detailed financial information provided by APA with information from its own finance system and to undertake cost allocation processes, for the purpose of producing the data required to complete the AER regulatory templates. This information and the associated processes are explained further below.

**AGN Limited’s operating and management sub-contractor (APA)**

When AGN Limited was known as Envestra Limited (Envestra), the operation and management of its distribution network was out-sourced to APA under an operating and management agreement. This arrangement (the ‘OMA’) commenced on 2 July 2007 and has continued since that time, including through Envestra’s change of ownership and rebranding as “Australian Gas Networks” in October 2014.

APA charges AGN Limited for these services on a ‘cost pass-through’ basis each month, plus the agreed Network Management Fee (NMF). The NMF represents APA’s margin under the agreement.

APA’s business support and overhead costs are allocated and charged in accordance with the processes outlined in the AGN Limited Cost Allocation Methodology (CAM) provided with the recently submitted Annual RIN (Historical Performance Data). For regulatory accounting and reporting purposes, AGN Limited treats 100% of the NMF paid to APA as operating expenditure, in accordance with AGN Limited’s Regulatory Accounting Principles and Policies and Capitalisation policy documents.

Prior to the current owner of AGN Limited acquiring the business on 29 August 2014, the APA Group, of which APA Asset Management is a subsidiary, was a significant shareholder in Envestra, owning 33% of the company, which therefore made APA a related party. Accordingly, payments to APA for the period 2010/11 to 29 August 2014 under the OMA were recognised as related party transactions in the information previously reported within the Annual RIN templates. In addition, the NMF paid to APA for that period was recognised as related party margin expenditure.

Further information about Related Party Transactions and Related Party Margins reported up to and including 29 August 2014 is provided in Appendix D.

**Source of financial data provided by APA**

APA uses an enterprise resource planning system (Oracle) and an asset management system (Maximo) to capture costs which are assigned to master data identifiers including tasks, activities and expense types. In addition, with the use of additional master data identifiers (i.e. project codes and cost centres), APA records its expenditure against specific regulated and unregulated gas pipelines operated by AGN Limited in each state and to relevant regions within each state (also referred to as business zones).

APA provides detailed information about operating expenditure on AGN Limited’s regulated and unregulated pipelines via its business intelligence (BI) tool ‘Cognos’. This information enables AGN Limited to map expenditure into the categories that are defined in the AER regulatory templates (e.g. Repairs and Maintenance, Marketing and Retail Incentives, Other Opex etc.).

Operating expenditure information from APA is produced using its Cognos BI tool which extracts data from Oracle. This information is provided as part of the ‘Ring Fenced Accounts’ prepared by APA each half year. The Ring Fenced Accounts (RFAs) report on all expenditure (operating and capital), including the allocation of support and shared business costs into each of AGN Limited’s regulated and unregulated business zones. The RFAs have been, and continue to be a key source of data for regulatory reporting purposes.

AGN Limited fully reconciles the operating expenditure reporting provided by APA in the RFAs with its own SAP general ledger, separate billing data received from APA and with reporting provided in the AER regulatory templates.

**AGN Limited business systems and cost capture**

AGN Limited utilises SAP Business One (SAP) to capture costs at the general ledger account code, department and state level, where applicable. Given the arrangements with APA, AGN Limited does not operate a full enterprise resource planning (ERP) system. Within SAP, AGN Limited utilises the general ledger, accounts payable module and fixed asset registers.

Monthly charges invoiced from APA are recorded in AGN Limited’s general ledger via journal entries which assign costs to general ledger account codes, departments and states. These entries provide control totals against which separate reporting provided by APA is able to be reconciled.

The detailed view of network operation and management expenditure undertaken by APA is provided via separate reporting outside of AGN Limited’s core finance systems, as described above (e.g. the Ring Fenced Accounts). This information is used to complete the AER regulatory templates.

AGN Limited’s internal operating expenditure for its corporate management and administration costs, is captured in the SAP general ledger by account code, department and state where applicable, which enables reporting against categories defined by the AER regulatory templates.

AGN Limited does not capitalise any of its general corporate management and administration costs for the purpose of regulatory accounting and reporting, unless it can be specifically linked to a capital activity (e.g. a corporate IT project). This is in accordance with the Regulatory Accounting Principles and Policies document and the Capitalisation Policy. As set out in the supplementary information provided in Appendix H of this Basis of Preparation document (related to the Regulatory Accounting Principles and Policies document), from 2019/20 AGN Limited has identified specific personnel working on corporate IT projects and has commenced capitalising the labour costs for those personnel as explained in the supplementary material.

A reporting tool outside of SAP (Qlikview) is used by AGN Limited to extract operating expenditure data from SAP and to produce reports for regulatory and other financial management purposes.

These reports are exported into Excel spreadsheets which are used for the purpose of consolidating financial data (APA sourced and AGN Limited data) and to undertake cost allocation processes across AGN Limited’s regulated and unregulated business zones in accordance with the AGN Limited CAM. Consolidation processes include combining detailed operating expenditure information provided by APA with AGN Limited’s own internal operating expenditure information.

**Reconciliation of data and information reported to the AER**

As already mentioned above, AGN Limited fully reconciles operating expenditure reporting provided by APA, back to control totals in its own SAP general ledger and separate invoices received from APA which are entered into the general ledger. Further, all information provided to the AER in the regulatory templates is also reconciled back to AGN Limited’s SAP general ledger.

**Appendix C: Overhead Expenditure**

*The following description of AGN Limited’s network overhead expenditure as it relates to capital expenditure reporting in the regulatory templates, applies to the information previously reported to the AER (e.g. the recently submitted AA RIN (for the next AA period) and the recently submitted Annual RIN) and to financial information now being reported for 2019/20.*

**Background**

When AGN Limited was known as Envestra Limited (Envestra), the operation and management of its distribution network, including delivery of its capital program, was out-sourced to APA Asset Management (APA). This agreement (the ‘OMA’) commenced on 2 July 2007 and has continued since that time, including through Envestra’s change of ownership which led to its re-branding as “Australian Gas Networks” in October 2014. The OMA provides for APA to recover all of its costs in delivering services to AGN Limited including a share of its business support and network overheads.

**Network overheads allocated to capital expenditure**

Expenditure by AGN Limited under the above mentioned OMA, includes a proportion of APA’s business support and overhead costs which are identified through reporting mechanisms outlined below. A proportion of these network overhead costs are capitalised by AGN Limited consistent with the AGN Limited Cost Allocation Methodology (CAM) previously provided with the recently submitted Annual RIN (Historical Performance Data).

Other than the network overhead costs charged by APA as the principal capital delivery contractor, AGN Limited does not capitalise any of its internal expenditure in accordance with AGN Limited’s Regulatory Accounting Principles and Policies document and Capitalisation Policy, unless it can be specifically linked to a capital activity (e.g. a corporate IT project). In which case those costs are directly attributed to the relevant Capex project. As set out in the supplementary information provided in Appendix H of this Basis of Preparation document (related to the Regulatory Accounting Principles and Policies document), from 2019/20 AGN Limited has identified specific personnel working on corporate IT projects and has commenced capitalising the labour costs for those personnel as explained in the supplementary material.

The processes applied by APA in capturing, allocating and reporting its relevant network overhead costs, is outlined in detail within the AGN Limited CAM and in Appendix A of this Basis of Preparation document.

APA’s business systems and associated processes facilitate the allocation of network overheads to each of the separate regulated and unregulated gas pipelines owned by AGN Limited. Further, these network overheads are also able to be allocated to the various categories and sub-categories of capital expenditure, using functionality and master data identifiers within those business systems.

A key process in allocating APA’s network overheads is the production of the ‘Ring Fenced Accounts’ (RFAs) which are explained in Appendices A and B of this Basis of Preparation document. The RFAs provide the financial data to AGN Limited about APA’s relevant network overheads that have been allocated across each of the regulated and unregulated gas pipelines owned by AGN Limited. The RFAs report capital expenditure inclusive of allocated network overheads (e.g. embedded within each category of capex). AGN Limited is able to determine the amount of network overheads that have been capitalised in each business zone, given 35% of the total network overheads are reported as Opex in the separate operating expenditure reporting provided by APA as part of the RFAs (i.e. the balance of 65% is therefore capitalised by APA).

There are two levels of network overheads charged by APA that is capitalised by AGN Limited. Those being ‘state based’ network overheads and ‘national based’ network overheads. Each level of network overheads is identified and captured in separate ‘cost pools’.

The amount of APA’s network overheads that is capitalised is initially determined by dividing the total annual budgeted overhead cost pool (relating to capital delivery services provided to AGN Limited) into the total budgeted capital expenditure to be delivered on behalf of AGN Limited.

The portion of APA’s network overheads to be capitalised is allocated to the various categories and sub-categories of capital expenditure based on the level of spend in each category and applied as a percentage rate. There is a separate rate for each state, based on the level of ‘state based’ network overheads in each state. There is another common rate for applying ‘national based’ network overheads consistently across all states, based on the level of expenditure.

APA utilises suspense accounts to capture all actual overhead costs in its general ledger and the amount of network overheads capitalised during the year by applying the standard percentage rates. At any time the balance of the suspense account represents the difference between the actual overhead cost pool expenditure and the amounts applied to capital expenditure each month which are based on the budgeted percentage rates. Each year APA performs a ‘true-up’ process that reconciles actual overhead costs to the budgeted amounts and any necessary reconciliation adjustments are made in the year-end accounts.

The network overheads that are capitalised are allocated to AGN Limited’s regulatory business zones (states) in which the capital project or activity is assigned to. Capital projects and activities are generally only assigned to one regulatory business zone, with the exception of non-network related national IT projects which are allocated to each zone (state) based on customer numbers (excluding non-material small pipelines).

**Appendix D: Related Party Transactions and Margins**

**Background**

When AGN Limited was known as Envestra Limited (Envestra), the operation and management of its distribution network, including delivery of its capital program, was out-sourced to APA Asset Management (APA). This agreement (the ‘OMA’) commenced on 2 July 2007 and has continued since that time, including through Envestra’s change of ownership which led to its re-branding as “Australian Gas Networks” in October 2014.

The OMA is an arms-length arrangement, which provides for APA to recover its direct and indirect costs in delivering the services to AGN Limited, and for the payment of a Network Management Fee (NMF) which represents APA’s margin. The NMF is calculated using a formula that is based upon a percentage of AGN Limited’s revenue in each regulated and unregulated business zone.

Until the current owner of AGN Limited acquired the business on 29 August 2014, through the purchase of all the issued shares in Envestra Limited, the APA Group was a significant shareholder in Envestra, owning 33% of the company. This meant that until this date, APA Asset Management which is an entity within the APA Group, satisfied the definition of a related party.

Accordingly, payments by AGN Limited to APA for the period up to and including 29 August 2014 were recognised as related party transactions in the information previously provided within the AER regulatory templates. For simplicity, this was calculated on a pro-rata basis as two twelfths of the total payments to APA in 2014-15. Further, the NMF and Incentive Fee (when applicable) paid to APA over the same period, was recognised as related party margin expenditure in the information provided within the AER regulatory templates.

Since the above mentioned change in ownership on 29 August 2014, AGN Limited has no related party transactions and related party margin expenditure to report in the AER regulatory templates.

**Appendix E: Regulatory accounting policy and other adjustments**

The information set out below, describes the basis of preparation for expenditure reported in the AER regulatory templates, where adjustments were required in the working papers used to prepare the data, due to regulatory accounting principles and policies or any other reasons noted below.

| **Adjustment type** | **Purpose** | **Notes for Basis of Preparation** |
| --- | --- | --- |
| **Network Management Fee** | Regulatory accounting treatment is different to Statutory accounting | In accordance with the Regulatory Accounting Principles and Policies document, AGN Limited does not capitalise any of the Network Management Fee (NMF) paid to its capital delivery contractor, APA Asset Management (APA) under the network operations and management agreement (OMA).For Statutory Accounting purposes, 65% of the total NMF is capitalised and this amount is included in the gross Capex reporting received from APA (i.e. the Capex Data Model). The NMF amount is not separately identified in this Capex reporting but forms part of the reported Network Overheads that were capitalised by APA.The total NMF paid to APA each year is confirmed against invoices received and other management reporting provided to AGN Limited by APA. The other 35% of the NMF appears in AGN Limited’s operating expenditure and is separately shown in Opex management reporting received from APA (i.e. the Ring Fenced Accounts which are explained in the Cost Allocation Methodology and Appendices A and B to this Basis of Preparation document). To determine the adjustment required for regulatory Capex reporting, AGN Limited takes the Opex amount of NMF for each year and grosses it up, dividing the amount by 0.35 (e.g. $2.45m / 0.35 = $7m). The result represents 100% of the NMF for that year (e.g. $7m). This total is then multiplied by 0.65 to determine the amount that has been included in Capex reporting for that year as part of Network Overheads reported by APA (e.g. $7m x 0.65 = $4.55m).This total amount of NMF that has been capitalised for the year (e.g. $4.55m) is deducted from each Capex activity in proportion to the Network Overheads that were capitalised in each activity.That is, the amount of Network Overheads in each Capex activity, as a percentage of the total Network Overheads capitalised in that year, determines the share of the NMF adjustment that is made to each Capex activity each year.Mapping to the Annual RIN templatesAdjustments made to remove the NMF from Capex reporting impacts each Capex activity which has received an allocation of APA’s Network Overheads in each year (i.e. all network Capex Activities, excluding Capex on ICT projects from 2015-16) and the corresponding reallocation is to Opex as Repairs and Maintenance expenditure. All of the NMF is reported as Non-labour expenditure. |
| **Heat Shrinking Sleeves** | Regulatory accounting treatment is different to Statutory accounting | In accordance with the Regulatory Accounting Principles and Policies document, AGN Limited treats expenditure on Heat Shrinking Sleeves as Opex for regulatory accounting purposes.Expenditure on Heat Shrinking Sleeves is identified by APA in the detailed reporting analysis that it provides to AGN Limited as its capital delivery contractor under the OMA.In 2019/20 this expenditure is recorded against the following Capex Activity types in APA’s Oracle finance system:

|  |  |
| --- | --- |
| **Activity** | **Activity Level6 Desc\_MP** |
| 2106 CP – Corrosion Protection – Capex | Corrosion |
|  |  |

Accordingly, the amounts of expenditure identified as relating to Heat Shrinking Sleeves is deducted from the above Activities as part of the analysis prepared by AGN Limited to produce the RIN templates data and is reported as Opex – Repairs and Maintenance expenditure.Mapping to the Annual RIN templatesExpenditure and associated adjustments recorded against the activities listed above, are reported in the Annual RIN tables as follows:

|  |  |
| --- | --- |
| **Activity** | **Annual RIN tab / table / category type** |
| 2106 CP – Corrosion Protection – Capex | E1.1 – Capex / E1.1.1 Reference Services – Other CapexF2.4 – Capex by Asset Class / F2.4.2 Actual – As Incurred - Mains |
|  |  |
| Corresponding adjustments above are reported as:Repairs and Maintenance Operating Expenditure | E1.2 Opex / E1.2.1 Reference Services – Repairs and MaintenanceF4. Operating Expenditure / F4.1.3 Distribution Business – Repairs and MaintenanceF1.3 Distribution Business / F1.3.2 Expenditure – Operating Expenditure |

 |
| **Piecemeal Mains Replacement** | Regulatory accounting treatment is different to Statutory accounting | In accordance with the Regulatory Accounting Principles and Policies document, AGN Limited treats expenditure on Piecemeal Mains Replacement as Opex for regulatory accounting purposes.Expenditure on Piecemeal Mains Replacement is identified by APA in the detailed reporting analysis that it provides to AGN Limited as its capital delivery contractor under the OMA.In 2019/20 this expenditure is recorded against the following Capex Activity types in APA’s Oracle finance system:

|  |  |
| --- | --- |
| **Activity** | **Activity Level6 Desc\_MP** |
| 2351 Mains Renewal - Piece | Mains Renewal – No Pressure Change |
| 2363 Mains Renewal – HDPE Piece | Mains Renewal – No Pressure Change |

The final amounts of expenditure, identified as relating to Piecemeal Mains Replacement is deducted from the above listed Activities as part of the analysis prepared by AGN Limited to produce the RIN templates data and the corresponding reallocation is to Opex as Repairs and Maintenance expenditure.Mapping to the Annual RIN templatesExpenditure and associated adjustments recorded against the activities listed above, are reported in the Annual RIN tables as follows:

|  |  |
| --- | --- |
| **Activity** | **Annual RIN tab / table / category type** |
| 2351 Mains Renewal - Piece | E1.1 – Capex / E1.1.1 Reference Services – Mains ReplacementF2.4 – Capex by Asset Class / F2.4.2 Actual – As Incurred - Mains |
| 2363 Mains Renewal – HDPE Piece | E1.1 – Capex / E1.1.1 Reference Services – Mains ReplacementF2.4 – Capex by Asset Class / F2.4.2 Actual – As Incurred - Mains |
| Corresponding adjustments above are reported as:Repairs and Maintenance Operating Expenditure | E1.2 Opex / E1.2.1 Reference Services – Repairs and MaintenanceF4. Operating Expenditure / F4.1.3 Distribution Business – Repairs and MaintenanceF1.3 Distribution Business / F1.3.2 Expenditure – Operating Expenditure |

As a result of these adjustments, all of the expenditure originally recorded against the above activities is transferred to operating expenditure. Therefore there are no amounts of capital expenditure to report in this RIN table.  |
| **Marketing Rebates** | Regulatory accounting treatment is different to Statutory accounting | In accordance with the Regulatory Accounting Principles and Policies document, AGN Limited has consistently treated expenditure on Marketing Rebates as Opex for regulatory accounting purposes. Since 1 January 2016 AGN Limited has capitalised the rebates relating to existing customers for Statutory accounting purposes. From January 2016, the methodology applied to determine this adjustment for regulatory accounting purposes is as follows:Expenditure on Marketing Rebates is identified by AGN Limited in working papers provided by APA that calculate the rebates paid to existing customers for any additional (applicable) gas appliances they connect. This expenditure is represented by a standard cost multiplied by the number of rebates offered each month. These amounts are totalled for each year and recorded as an adjustment to the following Capex Activity which is the Activity to which the initial expenditure is mapped in APA’s Oracle finance system. The corresponding adjustments are reported as Opex – Marketing and Retail Incentives.

|  |  |
| --- | --- |
| **Activity** | **Activity Level6 Desc\_MP** |
| 2516 New Service – Existing Home | Inlets |

Mapping to the Annual RIN templatesExpenditure and associated adjustments recorded against the activities listed above, are reported in the Annual RIN tables as follows:

|  |  |
| --- | --- |
| **Activity** | **Annual RIN tab / table / category type** |
| 2516 New Service – Existing Home | E1.1 – Capex / E1.1.1 Reference Services / ConnectionsF2.4 – Capex by Asset Class / F2.4.2 Actual – As Incurred / Inlets |
| Corresponding adjustments above are reported as:Marketing and Retail Incentives Operating Expenditure | E1.2 Opex / E1.2.1 Reference Services – Marketing and Retail IncentivesF4. Operating Expenditure / F4.1.3 Distribution Business – Marketing and Retail IncentivesF1.3 Distribution Business / F1.3.2 Expenditure – Operating Expenditure |

 |
| **Head Office Additions and other adjustments** | AGN Limited internal expenditure not included in APA Ring Fenced Accounts data | AGN Limited records internal non-network Capex in its SAP Business One finance system. This expenditure primarily relates to corporate ICT systems and office furniture and fixtures.Non-network Capex is recorded in the General Ledger on an accruals basis against applicable General Ledger account codes which identifies its purpose and asset class. Further this expenditure is recorded in AGN Limited’s Fixed Assets Register (FAR) and included in periodic reconciliations of additions to the FAR.As explained elsewhere in this basis of preparation, the detailed analysis of AGN Limited’s network Capex program is provided by AGN Limited’s capital delivery contractor APA. This information, in the form of Microsoft Excel spreadsheets populated with data extracted from APA’s Oracle finance system (e.g. the Capex Data Model) forms the basis of working files prepared by AGN Limited to produce the data and present it in the categories and sub-categories required for AER reporting. AGN Limited’s internal non-network Capex is manually added to these working files. Total Capex reported to the AER, being the combination of Capex delivered by APA and AGN Limited’s internal Capex, is reconciled to AGN Limited’s General Ledger and Fixed Assets Register and these reconciliations are provided to auditors as part of the assurance process. ICT related Capex is reported in tab E1. Expenditure Summary (Table E1.1.1 – Capex – Reference Services - ICT) and tab F2. Capex (Table F2.4.2 - Capex by Asset Class – Actual – As Incurred – IT system) in the Annual RIN templates.Office furniture and fixtures related Capex is reported in tab E1. Expenditure Summary (Table E1.1.1 – Capex – Reference Service – Other Capex) and tab F2. Capex (Table F2.4.2 - Capex by Asset Class – Actual – As Incurred – Other non-distribution equipment) in the Annual RIN templates. AGN Limited also makes other adjustments to the Capex analysis provided by APA to remove any Capex related to unregulated pipelines, where this has not already been recorded by APA, which is the ordinary process.  |

# **Appendix F. Reconciliations for Adjustments between Audited Statutory Accounts and amounts reported for the SA Distribution Business**







# **Appendix G. Methodology for the preparation of the AGN (SA) trial balance**

**Background**

The gas distribution network in South Australia is owned and managed by Australian Gas Networks Limited (AGN Limited), which through its 100% owned group of subsidiaries, owns gas pipelines in multiple Australian states including in South Australia, Victoria, Queensland, New South Wales and the Northern Territory.

AGN Limited prepares its audited statutory accounts only at the consolidated group level and therefore, audited statutory accounts do not exist solely for the South Australian Access Arrangement (SA AA), the assets and operations of which is referred to as AGN (SA). Further, AGN Limited operates on a calendar year reporting cycle and its statutory accounts and income tax returns are prepared for each twelve month period ending 31 December. However, Access Arrangements and associated regulatory reporting cycles are for twelve month periods ending 30 June each year.

The AER provided AGN Limited with an exemption from producing audited statutory accounts for AGN (SA), for regulatory years up to and including 2018/19.

For regulatory year 2019/20 onwards, AGN Limited is now required to prepare and provide to the AER (in Annual Reporting RINs), an income statement for AGN (SA) that includes revenue and expenditure amounts which are drawn from audited statutory accounts (or trial balance) for AGN (SA). Further, this income statement table must show the adjustments to arrive at an income statement for the SA Distribution Business. In addition, Capex reporting for AGN (SA) must also be derived from the audited statutory accounts (or trial balance) for AGN (SA).

**Current configuration of SAP**

AGN Limited has a general ledger for AGN (SA) which is used for Capex related purposes only. This general ledger is also integrated with a dedicated Fixed Assets Register for the AGN (SA) assets. Opex related transactions for AGN (SA) are recorded in a common general ledger for AGN Limited, however are identifiable through the use of location codes in SAP, as explained further below. This approach is consistent with the AGN Limited operating model, in terms of centralised corporate management, contract management and administration services being provided to the group of gas pipeline businesses owned by AGN Limited.

With this in mind, in order to prepare a base trial balance for AGN (SA), it is necessary to draw from both the AGN (SA) “Capex” general ledger and the common AGN Limited general ledger. Balances from both of these ledgers underpin the consolidated audited statutory financial statements of AGN Limited. The methodology for producing the base trial balance for AGN (SA) is set out below.

AGN Limited’s configuration of SAP incorporates a hierarchy of general ledger account codes, department codes, cost centres and location codes, which amongst other things, enables financial transactions to be assigned to and reported by relevant business zones (regulated or unregulated) and the various states in which AGN Limited operates.

Location codes in the “500 range” are generally used to record transactions for South Australia (SA). However, due to historical internal reporting purposes, for a limited number of Balance Sheet accounts, this location code can also include amounts that relate to operations in Queensland, Mildura and Northern Territory. However, these amounts not related to SA are identifiable through analysis of transaction reports and working papers maintained by AGN Limited. Further, location code 500 has also been used to record certain Capex transactions which are for AGN Limited as a whole, for example in relation to non-network assets that are shared across the group. The initial Capex and ongoing Opex associated with these shared assets is directly attributed or allocated as appropriate to relevant states (and business zones), in accordance with the AGN Limited Cost Allocation Methodology.

**Interpretation of the Annual RIN tables**

AGN Limited has interpreted the intent of the income statement tables in the Annual RINs such that the base trial balance will represent, in as much as is practically possible, all of the activities of AGN (SA), as reported under the accounting standards and policies which apply to preparation of the audited statutory accounts for AGN Limited and including any unregulated business activities within SA.

The adjustments table in the RIN template will be used to arrive at a “regulatory” Income Statement for AGN (SA) which will represent the activities of the SA distribution business, as reported by applying the regulatory accounting principles and policies for AGN (SA). To be clear, the SA distribution business will exclude any unregulated business activities carried out within the operations of AGN (SA).

**Methodology**

The source of data to produce the trial balance for AGN (SA) will be the consolidated detailed trial balance for AGN Limited, to be extracted from the SAP general ledger. Due to the differences between statutory and regulatory reporting periods as mentioned above, the relevant trial balances will be the amounts that underpin the AGN Limited audited statutory accounts for the twelve months ending 31 December and the trial balances as at each six month period ending 30 June.

The AGN Limited trial balance amounts will be adjusted to deduct the first six month period from the prior regulatory year and add the second six month period for the current regulatory year. For example, to produce revenue and operating expenditure amounts for the regulatory year ending 30 June 2020, the AGN Limited trial balance amounts for the twelve months ending 31 December 2019 will be adjusted, to deduct the six month period January to June 2019 and to add the six month period January to June 2020.

Set out below is the standard approach for identifying relevant general ledger accounts to incorporate into the AGN (SA) trial balance.

Standard approach for identifying general ledger accounts to include in the AGN (SA) trial balance:

* Within the general ledger, accounts with location codes in the “500 range” mostly represent balances for SA.
* As a standard approach, these general ledger accounts and location codes will be used to populate the AGN (SA) base trial balance.
* For a limited number of Balance Sheet account balances that may include amounts for businesses in other states and for AGN Limited as a whole, these accounts will form part of the AGN (SA) trial balance, however non-SA amounts will be removed through the “Adjustments” table of the RIN template.
* Further adjustments will be made reflecting the Regulatory Accounting Principles and Policies and the cost allocation policies set out in the Cost Allocation Methodology document, in order to arrive at a “regulatory view” trial balance for AGN (SA).
* The “regulatory view” trial balance is used to derive the final amounts of Opex and Capex to be reported for the SA Distribution Business in the Annual and Access Arrangement RIN templates.
* The differences between the base trial balance and the “regulatory view” trial balance, in relation to the Income Statement and Opex tables in the Annual RIN templates will be set out in the Adjustments table of the RIN template and supported with further detail breaking down those adjustments in an appendix to the Annual RIN basis of preparation document.

The exceptions to this standard approach, will be amounts in the trial balance for Net Finance Expenses and Income Tax Expenses:

* Net Finance Expenses will be calculated by allocating an amount of the total Net Finance Expenses for AGN Limited as shown it its audited statutory accounts. This amount will be allocated based on the AGN (SA) asset values (including the SA regulatory asset base and other non-regulated assets) as a percentage of the total AGN Limited asset base.
* Income Tax Expenses will be calculated by multiplying the Profit (before tax) as determined in the AGN (SA) trial balance (also shown in table F1.1.3 – Profit of the RIN template), by the Corporate Income Tax Rate of 30%. This amount will also be recognised as a Provision for Income Tax in the Balance Sheet section of the AGN (SA) trial balance.

There will be a “balancing item” in the AGN (SA) trial balance, which essentially represents the inter-company balance between AGN (SA) and other companies in the AGN Limited group. Amongst other things, this inter-company balance will account for cash balances and corporate debt facilities that are provided for the group as a whole, not for each individual Access Arrangement.

Given the group corporate structure of AGN Limited, it is not practically possible to identify after tax retained earnings and payments of dividends to shareholders on a company by company basis. Therefore, these account balances in AGN Limited’s general ledger, which do not specifically relate to AGN (SA), will be excluded from the AGN (SA) trial balance.

Therefore, in respect to the Equity section of the AGN (SA) trial balance, the only account balances to be included will be the issued share capital of AGN (SA) Limited (which owns the SA gas pipeline assets) and the current year Profit (after tax).

**Audit of the AGN (SA) Trial Balance**

In accordance with the requirements of this Annual RIN, the relevant general ledger accounts and amounts shown in the AGN (SA) trial balance which underpin the actual financial information reported in the RIN schedules, have been subject to audit procedures undertaken by AGN Limited’s external auditor.

# **Appendix H. Supplementary information relating to the policy documents provided with the Annual RIN submitted on 30 September 2020**

**Update to the AGN Limited - Cost Allocation Methodology document (dated September 2020)**

Provided below are the cost allocation factors and their amounts for 2019/20, as provided for the historical years (2010/11 to 2018/19) in **Appendix A – Tables 4 and 5** of the **Cost Allocation Methodology** document.

Table 4: Allocation Factors and Amounts for 2019/20 – APA Asset Management

| Allocation Factor / Allocation Amounts | Dec2019 | Jun2020 |
| --- | --- | --- |
| **STATE ALLOCATORS (APA)** |  |  |
| Total Customer Numbers | 98% | 98% |
| Total Customers (excl. Small Pipelines) | 100% | 100% |
| Kilometres of Distribution Network | 92% | 92% |
| Total Consumption | 98% | 97% |
| Total Network Revenue | 98% | 98% |
| **NATIONAL ALLOCATORS (APA)** |  |  |
| Total Customer Numbers | 35% | 35% |
| Total Customers (excl. Small Pipelines) | 36% | 36% |
| Kilometres of Distribution Network | 31% | 31% |
| Total Consumption | 20% | 18% |
| Total Network Revenue | 38% | 36% |

Table 5: Allocation Factors and Amounts for 2019/20 – AGN Limited

| Allocation Factor / Allocation Amounts | Jun2020 |
| --- | --- |
| **AGN INTERNAL COST ALLOCATORS** |  |
| Total Customer Numbers | 35% |
| Total Customer Numbers (excl. Small Pipelines) | 36% |
| Increase in Customer Numbers | 27% |
| Total Revenue | 49% |
| Full Time Equivalent Employees (FTE) | 17% |
| Regulatory Asset Base (SA AA) as percentage of total asset base | 41% |

**Supplementary information for the AGN Limited - Cost Allocation Methodology document (dated September 2020)**

As set out in Section 6.1.2 of the Cost Allocation Methodology (CAM) document, AGN Limited incurs shared costs through being a company in the AGIG group. The following description of how national AGIG ICT Capex is allocated, supplements the CAM previously provided to the AER in recent Annual RIN (Historical Performance Data) submitted on 30 September 2020.

**Allocation of AGIG ICT Capex projects**

Internal ICT projects managed and delivered at the AGIG level, are allocated to the companies within the AGIG group based on either:

* Total Revenue; or
* Full Time Equivalents (FTE)

The “Total Revenue” allocator represents the revenue of each company within the AGIG group, as a percentage of the total AGIG revenue.

The “FTE” allocator represents the FTEs in each company, as a percentage of the total FTEs in AGIG.

The allocator used for AGIG ICT projects, is chosen for being the most appropriate driver of the project’s cost and/or the proportion of ultimate users or beneficiaries of the ICT asset across the AGIG companies.

The Capex associated with these AGIG ICT projects that is allocated to AGN Limited, is then further allocated to the separate businesses within AGN Limited using the allocator “Total Customers (excl. Small Pipelines)”.

**Allocation of other ICT Capex**

National AGN Limited ICT projects and infrastructure renewals, are allocated to the separate businesses within AGN Limited based on the allocator “Total Customers (excl. Small Pipelines)”. As mentioned above, this is consistent with the treatment of Capex for national AGIG ICT projects that has been allocated to AGN Limited.

**Capitalisation of Business Overheads**

As set out in the CAM and consistently throughout other supporting RIN documents, AGN Limited does not account for its internal corporate management and administration expenditure as business overheads. These are generally treated as Opex costs and reported against the relevant categories of expenditure in Annual RINs, as required by the format of the RIN templates (e.g. in tables F1. Income and F4. Opex). This expenditure appears in those tables, for example as Other Opex, Marketing and Retail Incentives, Debt Raising Costs and Jurisdictional Charges.

The overheads that are capitalised on a systematic basis across almost all of AGN Limited’s Capex projects, with the exception of ICT Capex, are the Network overheads incurred through the OMA with APA.

Section 6.2.3 of the CAM states that “Any AGN internal costs that relate to a capital project are directly allocated as incurred, including labour. Given the nature of its other corporate management and administration functions which support the company generally, AGN does not capitalise any other expenditure that is not already directly allocated.”

Historically, the AGN internal costs directly allocated to a capital project has not included internal labour costs. Rather, it has included Direct Contractor Expenditure and Other Internal Direct Expenditure which has been non-labour related (for example, ICT hardware and software, office furniture and fixtures etc.).

This remains broadly the case, however from 2019/20 AGN Limited has identified specific internal employees that are working on AGIG group ICT Capex projects, for whom a proportion of their salary (incl. on-costs) is being capitalised.

This is done via monthly journal entries in the SAP general ledger and calculated based on the percentage of time spent by those employees on each project, multiplied by their budgeted salary costs. Journal entries are posted to specific general ledger account codes established for each relevant ICT project. Therefore this expenditure is easily identifiable for reporting to the AER.

AGN Limited has also procured other resources for these AGIG group ICT projects via labour hire arrangements. The expenditure associated with these resources is being treated as internal labour and capitalised as it is incurred, with invoices being allocated to the relevant general ledger accounts for each ICT project, consistent with other internal employee costs.

The above information should also be noted in relation to the Capitalisation Policy and the Regulatory Accounting Principles and Policies documents previously provided to the AER, where the capitalisation of Overheads is addressed as follows:

* **Capitalisation Policy – Section 5. Capitalisation of Overheads (Section 5.1 – Policy)**

*Only internal overhead costs of AGN Limited that can be specifically linked to a capital activity (e.g. a corporate IT project) are to be capitalised. Otherwise, all other overhead costs of AGN Limited are to be treated as operating expenditure.*

* **Regulatory Accounting Principles and Policies – Section 8. Overhead Expenditure**

*In accordance with the Capitalisation Policy, only internal overhead costs of AGN Limited that can be specifically linked to a capital activity (e.g. a corporate IT project) are to be capitalised. Otherwise, all other overhead costs of AGN Limited are to be treated as operating expenditure.*

**Supplementary information for the AGN Limited – Regulatory Accounting Principles and Policies document (dated September 2020)**

The following information, supplements the Regulatory Accounting Principles and Policies document previously provided to the AER in the recent Annual RIN (Historical Performance Data) submitted on 30 September 2020.

**Section 5.8 - Other Opex**

As set out in Section 5.8.1 of the Regulatory Accounting Principles and Policies document, AGN Limited adopted Australian Accounting Standard AASB 16 *Leases*, from 1 January 2019.

Until the regulatory year ending 30 June 2019, the impact of adopting AASB 16 *Leases* in relation to financial reporting to the AER, was limited to Rent expenditure for leased business premises occupied by AGN Limited. The difference between statutory and regulatory accounting treatments for this Rent expenditure from 1 January 2019, is set out in Section 5.8.1 of the Regulatory Accounting Principles and Policies document.

From the 2019/20 regulatory year, AGN Limited now has Motor Vehicle Leasing expenditure that is also treated in accordance with standard AASB 16 *Leases* for statutory accounting purposes. That is for statutory purposes, the straight-line Motor Vehicle Lease expense is replaced with a depreciation charge and an interest expense and corresponding assets and liabilities are recognised on the Balance Sheet for future Motor Vehicle Leasing rights and obligations.

As occurs for Rent expenditure, the payment of straight-line Motor Vehicle Leasing expenditure is recognised as Opex for regulatory accounting purposes and is reported as Other Opex.