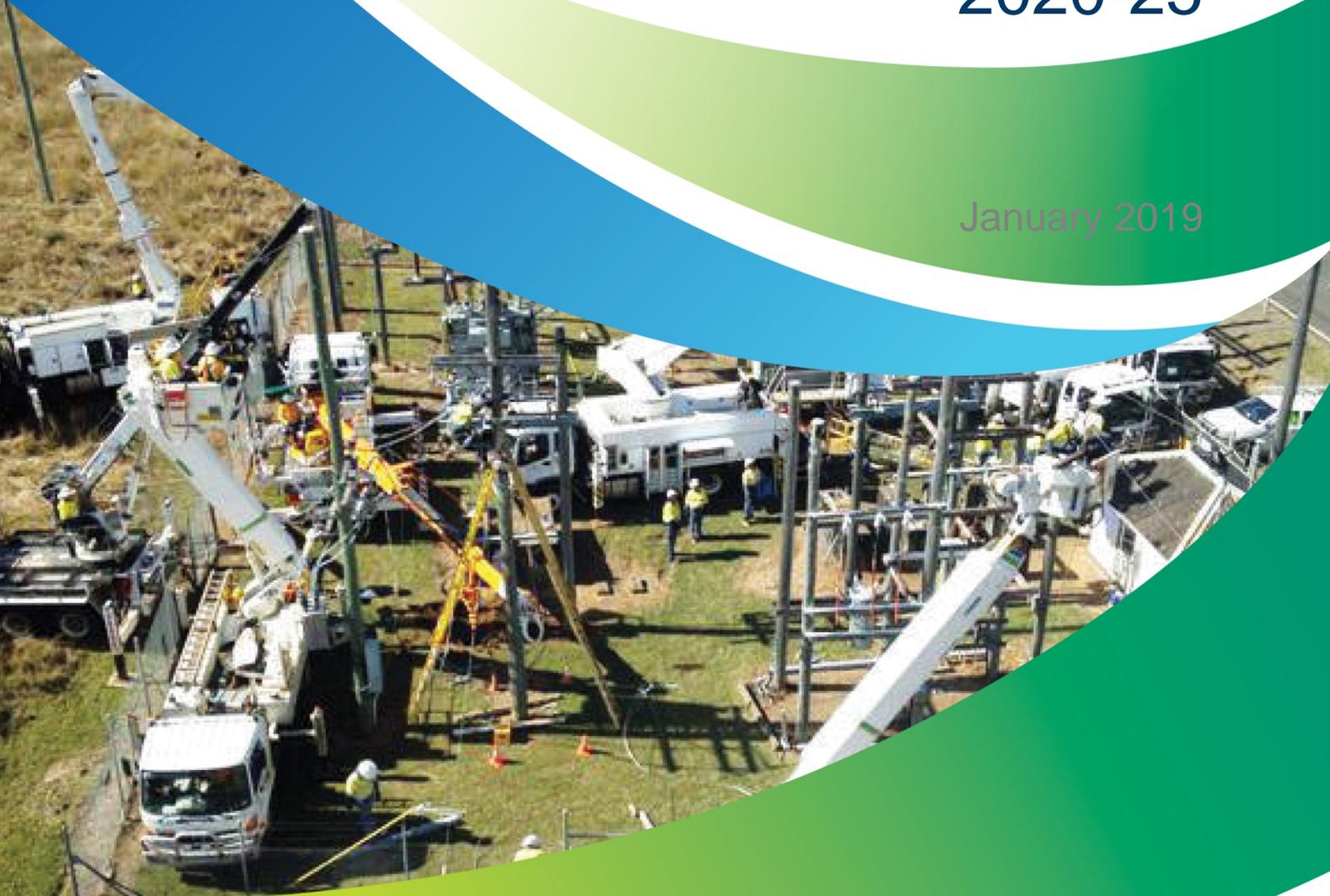


Addressing opex and capex objectives, criteria and factors in National Electricity Rules 2020-25

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Part of the Energy Queensland Group

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1. Purpose and structure

The National Electricity Rules (NER) provide a framework for the Australian Energy Regulator's (AER) assessment of Energex and Ergon Energy's forecast operating expenditure (opex) and capital expenditure (capex).

Clause 6.5.6 sets out the objectives, criteria and factors for our forecast opex for Standard Control Services (SCS) and clause 6.5.7 details equivalent matters for our forecast capex.

The purpose of this document is to show how the opex and capex forecasts in our Regulatory Proposals promote the objectives and criteria, having regard for the factors. We identify relevant attachments to our Regulatory Proposals that provide further support for how we address these requirements.

Unless otherwise stated, this paper applies equally to Energex and Ergon Energy's opex and capex forecasts.

We address opex in section 2 and capex in section 3.

2. Opex objectives, criteria and factors

In this section we explain why our forecast opex for SCS meets the objectives and criteria, having regard for the factors, in clause 6.5.6 of the NER.

2.1 The NER opex objectives

The opex objectives in clause 6.5.6(a) of the NER are:

1. *To meet or manage the expected demand for SCS over that period.*
2. *Comply with all applicable regulatory obligations or requirements associated with the provision of SCS.*
3. *To the extent that there is no applicable regulatory obligation or requirement in relation to:*
 - (i) *the quality, reliability or security of supply of SCS; or*
 - (ii) *the reliability or security of the distribution system through the supply of SCS, to the relevant extent;*
 - (iii) *maintain the quality, reliability and security of supply of SCS; and*
 - (iv) *maintain the reliability and security of the distribution system through the supply of SCS.*
4. *Maintain the safety of the distribution system through the supply of SCS.*

Section 6.3 of our Regulatory Proposals describes our six opex activities and their drivers – vegetation management, maintenance, emergency response, non-network, network overheads and corporate overheads. The following table details the role each opex activity has in promoting the opex objectives.

Table 1 – How our opex categories align to the opex objectives

Opex category	Alignment to opex objectives
Vegetation management	This includes maintaining safe clearances of our network infrastructure from vegetation through control and prevention measures. These activities contribute to the safety, quality, reliability and security of our network services through the avoidance of outages and safety incidents, and ensuring the full capacity of our network is available to meet the expected demand for SCS. These costs support all four opex objectives.
Maintenance	This includes the operational repair and maintenance of our network infrastructure so as to ensure it operates safely and contributes to the reliability, security and quality of electricity supply. These costs support all four opex objectives.
Emergency response	This includes our initial response to outages and other high-risk events that require the immediate dispatch of crews to restore power supply. Our restoration activities are vital to maintaining the safety, security, reliability and quality of the network. These costs support all four opex objectives.
Non-network	This includes expenditure associated with our non-network assets (e.g. motor vehicle assets, building and property assets and ICT and communications assets) in support of our network activity. Non-network expenditure supports all four opex objectives.
Network overheads	This includes the activities associated with the planning and management of our network infrastructure, such as the support of our service deliver, network engineering and major project development. These costs provide the necessary support to our network activities and therefore support all four objectives.
Corporate Overheads	This includes the allocated costs associated with corporate functions such as human resource management, corporate communications and our learning and development function. These costs provide the necessary support to our network activities and therefore support all four objectives.

We developed an opex forecasting method to forecast the level of opex that we need to achieve the opex objectives in the 2020-25 regulatory control period. This method is described in chapter 6 of our Regulatory Proposal and in our Expenditure Forecasting Methods that we provided to the AER in June 2018.

We have used a base-step-trend (BST) approach to forecast our opex, except for our debt raising costs. The BST is consistent with the approach that we proposed in our Expenditure Forecasting Methodology and is the AER’s preferred approach for forecasting opex, as detailed in its Expenditure Forecast Assessment Guideline and its recent Distribution Determinations.

We have used the financial year 2018-19 as our base year for our opex forecast. We explain and justify in our Regulatory Proposals and our Base Year Opex Overview (Attachment 6.003) why, subject to our proposed adjustments, 2018-19 is reasonably representative of our recurrent prudent and efficient future opex requirements. We note that:

- 2018-19 is the first year where our operations – and associated costs – largely reflect a harmonised approach following the establishment of Energy Queensland and the merger of Energex and Ergon Energy. Choosing a prior year would require significant adjustments to reflect the incomplete nature of the business merger savings
- We have achieved efficiencies over the 2015-20 regulatory control period through the merger savings achieved in Energy Queensland. Therefore, our 2018-19 opex base year estimate is

below, or in line with, the efficient opex forecast determined by the AER for the 2015-20 regulatory control period, and

- We have incorporated expected 2019-20 savings into our forecast to ensure that they are passed on to our customers.

Because we have used a BST approach, our starting point was to consider whether our base year opex reflected the efficient costs required to achieve the opex objectives. We considered:

- whether our base year opex achieved the required level of reliability, safety and security of supply. We have achieved reliability service levels that exceed our regulatory targets in the 2015-20 regulatory control period. We received customer feedback that supported maintaining current performance levels
- whether our base year opex allowed us to comply with our regulatory obligations, including having regard for the level of payments that we made under the Guaranteed Service Level scheme. We are largely achieving our obligations and are making only modest payments under this scheme
- demand for our electricity distribution services in the 2015-20 regulatory control period, which is discussed in chapter 5 of our Regulatory Proposals. Our base year opex is allowing allowed us to meet our demand for these services, and
- as noted, whether we could incorporate any cost reductions to our opex base year to achieve the opex objectives more efficiently, including arising from the merger of the two businesses. Based on our analysis, we have proposed a range of cost reductions to our 2018-19 opex to determine our efficient adjusted base year, which are discussed in section 2.2 below and in further detail in chapter 6 of our Regulatory Proposals.

As discussed in section 2.2 below, once we determined the efficient adjusted base year opex, we:

- Identified additional savings (net of implementation costs) to reduce overheads and improve our program delivery, and
- Made further adjustments based on drivers of change impacting our opex from the base year. These relate to price, outputs and productivity.

We separately estimated the debt raising costs using the method adopted by the AER in its recent determinations as set out in the AER's Post Tax Revenue Model.

We consider that our resultant opex forecast for the 2020-25 regulatory control period meets the opex objectives given that:

- The BST method that we used is consistent with the AER's preferred forecasting approach
- Our opex in our 2018-19 base year was sufficient to enable us to: meet our demand for our distribution services; comply with our regulatory obligations or requirements; and maintain the safety of our distribution system, and
- We are forecasting our demand to be relatively stable in the 2020-25 regulatory control period and are not expecting any major changes in our regulatory obligations or requirements.

2.2 The NER opex criteria

In making its opex decision, the AER must be satisfied that our forecast opex reasonably reflects:

1. *The efficient costs of achieving the opex objectives*
2. *The costs that a prudent operator would require to achieve the opex objectives, and*
3. *A realistic expectation of the demand forecast and cost inputs required to achieve the opex objectives.*

We consider our opex forecasting method and supporting inputs demonstrate that we have met the opex criteria. In particular, as discussed above and explained in chapter 6 of our Regulatory Proposals:

- We have adopted 2018-19 as our base year, given that it:
 - Will be the most recent full regulatory year of actual reported expenditure at the time the AER will make its final determination on our Regulatory Proposals
 - Is the first year where our operations – and associated costs – largely reflect a harmonised approach following the establishment of Energy Queensland and the joint management of Energex and Ergon Energy
 - Reflects the efficiencies that have been achieved in the current regulatory control period, noting that our actual opex is estimated to be below the AER’s allowance for the period
 - Is efficient when tested against the econometric models considered in the AER’s Draft 2018 Annual benchmarking report, and
 - Is consistent with applying the EBSS for the 2020-25 regulatory control period.
- We have adjusted our 2018-19 opex to:
 - Remove restructuring costs, continuous improvement costs (which we refer to as change fund costs) and expected post-merger savings for 2019-20
 - Reflect changes, as per our AER-approved Cost Allocation Method (CAM)
 - Reflect changes to capitalisation (specifically the capitalisation of property and fleet leases), and
 - Changes in the classification of our services.
- We have achieved cost reductions in our opex following the merger of the two businesses in 2016. In addition, both distribution network service providers (DNSP) achieved opex savings prior to the completion of the merger transaction. This provides a lower starting cost base for both DNSPs for the 2020-25 regulatory control period. We note that in the AER’s 2018 annual benchmarking report we maintained our relative benchmark performance for Energex and improved our ranking for Ergon Energy, as measured against other DNSPs. Both network businesses are in the middle group of efficient networks in terms of opex efficiency.
- We recognise that we can achieve further cost reductions. For Energex we are proposing a productivity saving of 9% over the regulatory control period, or 1.72% per annum, based on a top-down management initiative targeting a 10% saving in total indirect costs, and a 3% improvement in our program or works over the 2020-25 regulatory control period. For Ergon Energy our proposed productivity saving is 14% over the regulatory control period, or 2.58% per annum. For Energex, this equates to \$178 million of cost savings over the 2020-25 regulatory control period. For Ergon Energy it is \$73.6 million. For both businesses it means that our opex will continue to trend down in real terms over the 2020-25 regulatory control period.

2.3 The NER opex factors

Table 2 demonstrates how we have addressed each opex factor. We note that factors 1 to 3 are no longer part of the NER.

Table 2 – How we address the Opex Factors

Opex Factor	How we address the opex factor
<p>Opex Factor 4 - The most recent annual benchmarking report that has been published under rule 6.27 and the benchmark operating expenditure that would be incurred by an efficient Distribution Network Service Provider over the relevant regulatory control period.</p>	<p>As discussed in chapter 6 of our Regulatory Proposals, we have considered the most recent AER 2018 annual benchmarking report.</p> <p>Our opex forecast for the 2020-25 regulatory control period is markedly below what we would expect if we instead used the econometric models considered in the AER 2018 annual benchmarking report to set base year opex and then to trend this forward over the period. This is largely because our proposed base year opex for 2018-19 is lower than the efficient opex estimated by the models for our network, even before Operating Environment Factors (OEFs) are considered.</p>
<p>Opex Factor 5 - the actual and expected operating expenditure of the Distribution Network Service Provider during any preceding regulatory control periods;</p>	<p>As discussed in chapter 3 of our Regulatory Proposals:</p> <ul style="list-style-type: none"> • Energex is projecting to underspend the AER’s opex allowance for the 2015-20 regulatory control period by \$23 million in real 2019-20 terms, but significantly, will underspend the allowance by \$32.2 million during 2018-19 and 2019-20. • Ergon Energy is projecting to overspend the AER’s opex allowance for the 2015-20 regulatory control period by \$29.2 million in real 2019-20 terms, but significantly, will underspend the allowance by \$40.2 million during 2018-19 and 2019-20. <p>This means that our base year opex that we use to forecast our opex for the 2020-25 regulatory control period will be lower than it would have been if we spent up to the AER’s allowance. We propose using 2018-19 as our base year for the reasons discussed above, and explained further in chapter 6 of our Regulatory Proposals and our Base Year Opex Overview at Attachment 6.003.</p>
<p>Opex Factor 5A - The extent to which the operating expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the <i>Distribution Network Service Provider</i> in the course of its engagement with electricity consumers.</p>	<p>We engaged extensively with customers during the preparation of our Regulatory Proposals. This is detailed in our Customer Overview Document and in Chapter 2 of our Regulatory Proposals where we detail how customer concerns have shaped our opex forecasts.</p> <p>Our opex forecast has particular regard for the following:</p> <ul style="list-style-type: none"> • Customers recognise the value of investing in new technology and that it is important to have a modern network that enables customer technology solutions, and • Our future opex will include expenditure on demand management capabilities and collaboration with the market on new solutions seen to better manage the network into the future.
<p>Opex Factor 6 - The relative prices of operating and capital inputs.</p>	<p>The opex and capex forecasts for both Energex and Ergon Energy rely on historical data as a basis for forecasting expenditure, providing for a consistent approach to pricing opex and capex inputs.</p> <p>We have applied consistent values for real changes in input costs, taking the midpoint between the independent BIS Oxford and the forecast of the AER’s economic expert (as sourced from recent AER determinations). This is explained in Chapter 6 of our Regulatory Proposals.</p>
<p>Opex Factor 7 - The substitution possibilities between operating and capital expenditure.</p>	<p>There are several unique factors in both Energex’s and Ergon Energy’s networks that influenced how demand management solutions could be utilised to reduce capital and operating costs.</p> <p>The extent to which the provision for efficient non network alternatives has been considered in the development of the forecast capex and forecast opex proposal is explained in the Demand Management Regulatory Proposal 2020-2025 document (7.051)</p>
<p>Opex Factor 8 - Whether the operating expenditure forecast is consistent with any incentive scheme or schemes that apply to the <i>Distribution Network Service Provider</i> under clauses 6.5.8 or 6.6.2 to 6.6.4.</p>	<p>Our forecast opex has been prepared in a manner consistent with the AER’s Framework & Approach paper for the 2020-25 regulatory control period, in which the AER proposed the application of the following schemes:</p> <ul style="list-style-type: none"> • a service target performance incentive scheme (STPIS) • an efficiency benefit sharing scheme (EBSS) • a demand management incentive scheme (DMIS)

Opex Factor	How we address the opex factor
	<ul style="list-style-type: none"> • a demand management innovation allowance mechanism (DMIA), and • a capital expenditure sharing scheme (CESS). <p>More information on the incentive schemes is available in chapter 11 of our Regulatory Proposals.</p>
Opex Factor 9 - The extent the operating expenditure forecast is preferable to arrangements with a person other than the Distribution Network Service Provider that, in the opinion of the AER, do not reflect arm's length terms.	We have not identified opex that does not reflect arm's length terms.
Opex Factor 9A - Whether the operating expenditure forecast includes an amount relating to a project that should more appropriately be included as a contingent project under clause 6.6A.1(b).	Our proposed opex does not include an amount relating to a project that should be more appropriately included as a contingent project.
Opex Factor 10 - The extent the Distribution Network Service Provider has considered, and made provision for, efficient and prudent non-network options.	We include consideration of non-network solutions as a part of our routine planning processes in both Energex and Ergon Energy.
Opex Factor 11 - Any relevant final project assessment report (as defined in clause 5.10.2) published under clause 5.17.4(o), (p) or (s).	No final project assessment report has been published by either Energex or Ergon Energy under clause 5.17.4 of the NER.
Opex Factor 12 - Any other factor the AER considers relevant and which the AER has notified the Distribution Network Service Provider in writing, prior to the submission of its revised regulatory proposal under clause 6.10.3, is an operating expenditure factor.	The AER has not notified either Energex or Ergon Energy of any other factor.

3. Capex objectives, criteria and factors

In this section we explain why our forecast capex for SCS meets the objectives and criteria, having regard for the factors, in clause 6.5.7 of the NER.

3.1 The NER capex objectives

The capex objectives of the NER are the same as those for opex, detailed in section 2.1.

Section 9.2 of our Regulatory Proposals describe our six capex categories and their drivers – replacement expenditure (Repex), connections (Connex), augmentation expenditure (Augex), non-network, capitalised network overheads and capitalised corporate overheads.

Table 3 – How our capex categories align to the capex objectives

Capex category	Alignment to capex objectives
Repex	This includes investment in the replacement or refurbishment of network assets to maintain the reliability, security and safety of the distribution network. This expenditure supports objectives 2, 3 and 4.
Connex	This includes investment to provide a reliable and secure supply of energy to a new customer. Driven by individual customer expectations of the shape, quantum and timing of their expected load. This expenditure addresses objectives 1, 2 and 3.
Augex	This includes investment in network capacity increases to meet growth in localised area peak demand, while also ensuring compliance with power quality and performance requirements. This expenditure supports objectives 1, 2 and 3.
Non-network	This includes investment in non-network capacity and capability in buildings, fleet, tools and equipment and ICT. Non-network investment supports all four capex objectives.
Capitalised network overheads	This includes investment associated with the planning and management of our network infrastructure. This expenditure supports all four objectives.
Capitalised corporate overheads	This includes investment associated with corporate functions such as human resource management, corporate communications and our learning and development function. Investment in these functions provides necessary support to our network activities and therefore support all four objectives.

Our capex forecasting methodology that was detailed in our June 2018 Expenditure Forecasting Methodology was used to develop a capex program on a project by project basis that meets our network requirements, customer expectations and community needs. We assessed individual projects for non-network alternatives (NNA). Where we have identified efficient NNA project, network projects have been deferred, cancelled or reconsidered. We have reconciled our forecast against NER requirements and network risk profile tolerances to ensure prudent and efficient investment.

This approach is illustrated in Chapter 7 of our regulatory proposals and includes the following steps:

- **Needs Analysis** – establish network performance outcomes to deliver organisational targets, including in areas such as safety performance, responsibilities to the environment, financial outcomes and commitments to customers, as well as obligations to the community
- **Demand Analysis** – critically review key inputs such as asset condition information, network demand growth and new technology against established performance outcomes to determine area requiring intervention

- **Needs Solutions** – prepare capital projects and programs that address the identified needs. This step includes capex opex trade-offs and investigations of non-network solutions with the potential to defer the timing of major projects
- **Portfolio Optimisation** – reconcile projects and programs against top-down expenditure targets and optimise having regard for a tolerable network risk profile.

3.2 The NER capex criteria

In making its capex decision, the AER must be satisfied that our forecast capex reasonably reflects:

1. *The efficient costs of achieving the capex objectives*
2. *The costs that a prudent operator would require to achieve the capex objectives, and*
3. *A realistic expectation of the demand forecast and cost inputs required to achieve the capex objectives.*

The forecast network capex for the 2020-25 regulatory control period has been developed using Ergon Energy and Energex's common approach to investment planning to meet the capex criteria. The key elements of our approach are set out in our Unit Cost Methodology and Estimation Approach (Attachment 7.005) and Asset Management Overview, Risk and Optimisation Strategy (Attachment 7.026).

The Unit Cost Methodology and Estimation Approach sets out how the estimation system is used to develop project and program estimates based on specific material, labour and contract resources required to deliver a scope of work. The consistent use of the estimation system is essential in producing an efficient capex forecast by enabling:

- Option analysis to determine preferred solutions to network constraints
- Strategic forecasting of material, labour and contract resources to ensure deliverability
- Effective management of project costs throughout the program and project lifecycle, and
- Effective performance monitoring to ensure the program of work is being delivered effectively.

The unit costs that underpin our forecast have also been independently reviewed to ensure that they are efficient (Attachments 7.004 and 7.005).

The prudence of our capex forecast is demonstrated through the application of our common frameworks put in place to effectively manage investment, risk, optimisation and governance of the Network Program of Work. An overview of these frameworks is set out in our Asset Management Overview, Risk and Optimisation Strategy (Attachment 7.026).

Our peak demand forecasting methodology employs a bottom-up approach reconciled to a top-down evaluation, to develop the ten-year zone substation peak demand forecasts. Our forecasts use validated historical peak demands and expected load growth based on demographic and appliance information in small area grids. Demand reductions, delivered via load control tariffs, are included in these forecasts. This provides us with accurate forecasts on which to plan. Refer to Chapter 5 of our Regulatory Proposal for more information.

We consider the prudence of our forecast methods, the high-level checks we have undertaken, and our engagement with customers has resulted in forecast capex that meets the criteria. Chapter 7 of the Regulatory Proposal for each of Energex and Ergon Energy describes our asset and risk management approach to capital planning. This is supported by the attached asset management plans, justification documents and business cases for capital investments referenced in that chapter.

3.3 The NER capex factors

Table 3 demonstrates how we have addressed each capex factor. We note that factors 1 to 3 are no longer part of the NER.

Table 4 – How we address the Capex Factors

Capex Factor	How we address the capex factor
Capex Factor 4 - The most recent <i>annual benchmarking report</i> that has been <i>published</i> under rule 6.27 and the benchmark capital expenditure that would be incurred by an efficient <i>Distribution Network Service Provider</i> over the relevant <i>regulatory control period</i> .	<p>We have reviewed the AER's 2018 annual benchmarking report. Energex remain stable while Ergon Energy improved its rating in the middle band of DNSPs over the 2006-17 period.</p> <p>As EQL we have had a renewed drive to ensure our capex is prudent and efficient. We have achieved scale benefits, improved contract terms through re-negotiations with suppliers, and selected the best practice across the two entities. Chapter 7 of each Regulatory Proposal details the discipline we have applied across all capex categories.</p>
Capex Factor 5 - The actual and expected capital expenditure of the <i>Distribution Network Service Provider</i> during any preceding <i>regulatory control periods</i> .	<p>As discussed in section 7.1 of our Regulatory Proposals:</p> <ul style="list-style-type: none"> • Energex's capex for the 2015-20 regulatory control period will be 36.3% below that of the 2010-15 regulatory control period and 9.2% below the AER's allowance. We are forecasting further large reductions in our capex during the 2020-25 regulatory control period. • Ergon Energy's capex for the 2015-20 regulatory control period will be 27.0% below that of the 2010-15 regulatory control period and 13.0% below the AER's allowance. <p>Capex for the previous, current and forthcoming periods are presented in detail in Chapter 7 of our Regulatory Proposals.</p>
Capex Factor 5A - The extent to which the capital expenditure forecast includes expenditure to address the concerns of electricity consumers as identified by the <i>Distribution Network Service Provider</i> in the course of its engagement with electricity consumers.	<p>Section 7 of our Regulatory Proposals, and our Customer Engagement Summary (Attachment 2.001) explain how we have considered the views of our customers in preparing our capex forecasts. In particular, we have heard that we need to:</p> <ul style="list-style-type: none"> • Manage asset and community safety as an expectation of our role • Ensure investment is prudent to minimise increases to the Regulatory Asset Base particularly in an uncertain energy future • Prioritise collaboration with our customers, communities and other market participants in developing solutions • Continue to transform our network to enable new technologies and customer choice • Ensure that we manage a sustainable program to avoid boom and bust cycles and subsequent customer impacts, and • Continue to use new technology to deliver efficiencies. <p>Our proposed capex addresses these concerns by focusing on improving safety outcomes and the management of network risks to deliver the service performance outcomes that our customers expect.</p>
Capex Factor 6 - The relative prices of operating and capital inputs.	<p>Our opex and capex forecasts both rely mostly on historical data as a basis for forecasting expenditure, providing for a consistent approach to pricing opex and capex inputs.</p> <p>We also applied consistent values for real changes in input costs for both capex and opex forecasts.</p>
Capex Factor 7 - The substitution possibilities between operating and capital expenditure.	<p>There are several unique factors in both Energex's and Ergon Energy's networks that influenced substitution possibilities between capex and opex. Our June 2018 Expenditure Forecasting Methodology was used to develop a capex program on a project by project basis that meets our network requirements, customer expectations and community needs. We assessed individual projects for non-network alternatives (NNA). Where we have identified efficient NNA project, network projects have been deferred, cancelled or reconsidered, involving a trade-off between operating and capital expenditure. We have reconciled our forecast against NER requirements and network risk profile tolerances to ensure prudent and efficient investment. The extent to which the provision for efficient non network alternatives has been considered in the development of the forecast</p>

Capex Factor	How we address the capex factor
	capex and forecast opex proposal is explained in the Demand Management Regulatory Proposal 2020-2025 document (7.051)
<p>Capex Factor 8 - Whether the capital expenditure forecast is consistent with any incentive scheme or schemes that apply to the <i>Distribution Network Service Provider</i> under clauses 6.5.8A or 6.6.2 to 6.6.4.</p>	<p>Our forecast capex has been prepared in a manner consistent with the AER's Framework & Approach paper for the 2020-25 regulatory control period, in which the AER proposed the application of the following schemes:</p> <ul style="list-style-type: none"> • a service target performance incentive scheme (STPIS) • an efficiency benefit sharing scheme (EBSS) • a demand management incentive scheme (DMIS) • a demand management innovation allowance mechanism (DMIA), and • a capital expenditure sharing scheme (CESS). <p>More information on the incentive schemes is available in Section 11 of each Regulatory Proposals.</p>
<p>Capex Factor 9 - The extent the capital expenditure forecast is preferable to arrangements with a person other than the <i>Distribution Network Service Provider</i> that, in the opinion of the <i>AER</i>, do not reflect arm's length terms.</p>	<p>We have not identified capex that does not reflect arm's length terms.</p>
<p>Capex Factor 9A - Whether the capital expenditure forecast includes an amount relating to a project that should more appropriately be included as a contingent project under clause 6.6A.1(b).</p>	<p>Our proposed capex does not include an amount relating to a project that should be more appropriately included as a contingent project under clause 6.6A1(b).</p>
<p>Capex Factor 10 - The extent the Distribution Network Service Provider has considered, and made provision for, efficient and prudent non-network options.</p>	<p>Our capex forecasting methodology that was detailed in our June 2018 Expenditure Forecasting Methodology was used to develop a capex program on a project by project basis that meets our network requirements, customer expectations and community needs. We assessed individual projects for non-network alternatives (NNA). Where we have identified efficient NNA project, network projects have been deferred, cancelled or reconsidered. We have reconciled our forecast against NER requirements and network risk profile tolerances to ensure prudent and efficient investment.</p>
<p>Capex Factor 11 - Any relevant final project assessment report (as defined in clause 5.10.2) <i>published</i> under clause 5.17.4(o), (p) or (s).</p>	<p>We have not published any final project assessment report under clause 5.17.4.</p>
<p>Capex Factor 12 - Any other factor the <i>AER</i> considers relevant and which the <i>AER</i> has notified the <i>Distribution Network Service Provider</i> in writing, prior to the submission of its revised <i>regulatory proposal</i> under clause 6.10.3, is a <i>capital expenditure factor</i>.</p>	<p>The AER has not notified us of any other factor.</p>