

Workbook 3 – Recast Category Analysis Basis of Preparation

2020-25

January 2019



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2 Overview

2.1 Introduction

On 31 October 2018, the Australian Energy Regulator (AER) issued Ergon Energy Corporation Limited (Ergon Energy) with a Regulatory Information Notice (the RIN) under Division 4 of Part 3 of the National Electricity (Queensland) Law.

Paragraph 1.3 in Schedule 1 of the RIN requires, for all information other than forecast information, provide in accordance with the RIN, a basis of preparation demonstrating how Ergon Energy has complied with the RIN in respect of paragraph 1.2.

Paragraph 1.2 requires that if:

- a) Ergon Energy's cost allocation method has changed during the current regulatory control period;
- b) Ergon Energy's service classifications have changed from the current regulatory control period;
- c) Ergon Energy proposes to divert from the service classifications set out in the relevant framework and approach paper; or
- d) Ergon Energy proposes to change its cost allocation method for the forthcoming regulatory control period;

such that there would be material changes to information previously submitted to the AER, Ergon Energy must use the regulatory templates in Workbook 3 – Recast category analysis and Workbook 4 – Recast economic benchmarking attached at Appendix A of the RIN to submit revised historical information.

Ergon Energy's classification of services (CoS) for the forthcoming regulatory control period have changed from the current regulatory control period, and Ergon Energy's cost allocation method (CAM) was amended for the forthcoming regulatory control period, so is impacted by requirements b) and d) above.

This Basis of Preparation (BoP) relates to the materiality assessment undertaken to determine the scope of recast information required for regulatory templates 'ERG 17.055 2020 – 25 Recast Category Analysis RIN Template JAN19 PUBLIC.xls' (Workbook 3 – Recast category analysis) and 'ERG 17.056 Recast Economic Benchmarking RIN template JAN19 PUBLIC.xls' (Workbook 4 – Recast economic benchmarking)..

2.2 Structure

Chapter 2 of this document sets out the overarching methodology that has been applied to preparing the recast data for Workbook 3 – Recast Category Analysis. For this, Ergon Energy have explained:

- how Ergon Energy has complied with the RIN requirements
- the source of the information

- the methodology and assumptions used to calculate the information, and
- whether the information used is estimated or actual based on the RIN definitions.

3 BOP Workbook 3 & Workbook 4 Materiality assessment

3.1 Materiality requirements

3.1.1 Requirement for materiality assessment

The AER requires Ergon Energy to perform a materiality assessment on the changes to the previously reported information as a result of the Ergon Energy's proposed changes to the CoS and CAM for the forthcoming regulatory control period. These changes will impact financial data previously provided by Ergon Energy.

As agreed with the AER through email correspondence dated 21 August 2018 (with further clarification provided on 19 November 2018), the materiality assessment is based on the 2015-16 and 2016-17 regulatory years representing all regulatory reporting years in the recast workbooks (2005-2018).

3.1.2 Consistency with RIN Requirements

All calculations are made in accordance with the requirements of the RIN and further email correspondence with the AER dated 21 August 2018.

Schedule 1 of the RIN requires Ergon Energy to assess whether there would be any material changes to the information previously submitted to the AER as a result of proposed changes to the CoS and / or CAM. As agreed with the AER (email dated 21 August 2018), Ergon Energy has used the audited 2015-16 and 2016-17 Category Analysis (CA RIN) and Economic Benchmarking (EB RIN) RINs as the 'information previously submitted to the AER' for the purposes of the materiality assessment.

3.2 Over-arching approach

The materiality assessment considers the cumulative impacts from both the changes to the CAM and the CoS. This section details the overall approach to the materiality assessment. The subsequent sections detail the approaches to capturing the CAM and CoS changes in the data used in this assessment.

3.2.1 Source of information

The following table sets out the sources from which Ergon Energy obtained the information required for the CAM and CoS changes.

Variable	Source
Previously submitted information (various)	Ergon Energy – CA RIN Response 2015-16
	Ergon Energy – EB RIN Response 2015-16
	Ergon Energy – CA RIN Response 2016-17
	Ergon Energy – EB RIN Response 2016-17

Variable	Source
Recast information for 2015-16 and 2016-17	<p>The recast information is the financial and non-financial data previously reported, but adjusted for the proposed Cos and CAM changes.</p> <p>The majority of the information was sourced from the General Ledger for the respective years, with the balance sourced from other business systems / databases, such as the fixed asset register.</p> <p>Further details on the sources of information used for assessing the materiality of the CAM and CoS changes are provided in following sections.</p>

3.2.2 Methodology

3.2.2.1 Assumptions

The following assumptions were made in determining the materiality of the proposed changes to the CAM:

- Materiality threshold set at 5%, based on regulatory precedent¹ subsequently agreed with the AER in email dated 21 August 2018. Further assumptions specific to the CAM changes and the CoS change are set out in the following sections.

3.2.2.2 Approach

As agreed with the AER, Ergon Energy assessed the cumulative impact of the proposed changes to the CoS and the CAM on information previously reported to the AER. The Information previously submitted in CA RINs and EB RINs includes expenditure, revenue and other data of a financial and non-financial nature.

For expenditure, the CoS changes impact the values of the cost allocators used in the CAM. Hence, the impact of one change cannot be effectively assessed in isolation of the other changes.

The following general formula was used to assess the materiality of the CoS and CAM changes:

$$\begin{aligned}
 \text{Materiality \%} &= \frac{\text{Change in value of reported information}}{\text{Total value for reported information}} \times 100\% \\
 &= \frac{\text{ABS}(2020 \text{ recast value} - \text{Reported value})}{\text{Total value for reported information}} \times 100\%
 \end{aligned}$$

The change in the value of the previously reported information is the difference between:

- 2020 recast value, which is the value for the data point sourced from the General Ledger for 2015-16 and 2016-17, respectively, and applying the new CoS mappings and business rules supporting the final CAM approved by with the AER in November 2018 (effective 1 July 2020) (the '2020 CAM')

¹ Based on KPMG advice to TasNetworks on the backcasting of the Economic Benchmarking and Category Analysis data. The KPMG report, which was dated 23 December 2015, is published on the AER website.

- The value for the specific data point reported in the 2015-16 and 2016-17 CA and EB RINS, respectively. The data point refers either a RIN template, RIN table or line item, as required by the AER in its email of 19 November. There were no adjustments made to the data previously reported to the AER.

The General Ledger mapping captures the changes resulting from both the CoS and CAM changes on a cumulative basis for revenue, direct costs and indirect costs.

For items not captured by the General Ledger (for example, asset values and volume data), the same formula is applied to determine the materiality, but the '2020 reset values' are sourced from other databases, such as the fixed asset register. Details of the specific sources of information used are provided below.

The change in the value of the reported information was calculated on the basis of the absolute change, as the requirement to provide recast data is not dependent on whether the difference is positive or negative.

The materiality was generally determined on a template by template basis, with further disaggregated assessments as agreed with the AER. The following table summarises the agreed level of granularity for materiality assessments:

Workbook template	Information reported	Denominator for materiality calculation
CA Expenditure Summary (Template 2.1)	Summary of recast individual templates	Recast based on subsequent templates
CA Repex (Template 2.2)	SCS Repex (direct only)	Repex Asset Category (row descriptor).
CA Augex (Template 2.3(a) & (b))	SCS Augex (direct only)	Total Augex
CA Connections (Template 2.5)	Total connections (direct costs, ACS + SCS, opex + capex, including capital contributions)	SCS Connections as reported in Template 2.5
CA Non-Network (Template 2.6)	SCS Non-network expenditure, broken down by category and opex / capex.	Non-network sub-category: <ul style="list-style-type: none"> • IT & Communications • Motor Vehicles • Buildings and Property • Other
CA Vegetation Management (Template 2.7)	Total SCS Vegetation Management Opex (direct only)	Total vegetation management
CA Maintenance (Template 2.8)	Total SCS Maintenance Opex (direct only)	Total maintenance

Workbook template	Information reported	Denominator for materiality calculation
CA Overheads (Template 2.10)	Total SCS (Capex + Opex, Network + Corporate) Total ACS (Opex, Network + Corporate)	Overheads by service classification (SCS / ACS) and type (network / corporate)
CA Labour (Template 2.11)	Total Internal Labour (direct + indirect)	Total labour costs
CA Public Lighting (Template 4.1)	Total ACS Public Lighting (Opex + Capex, direct only)	Total public lighting
CA Metering (Template 4.2)	Total SCS + ACS Metering (Opex + Capex, direct only)	Total metering
CA Fee Based Services (Template 4.3)	Total ACS Quoted Fee Based Services (Opex + Capex, direct only) No material classification of services changes were applicable for Fee Based Services *	Total fee based services
CA Quoted Services (Template 4.4)	Sale of Inventory – as per classification of services change Total ACS Fixed Fee Quoted Services (Opex + Capex, direct only) *	Total quoted services
EB Revenue (Template 3.1)	Total SCS + ACS Revenue	Total revenue
EB Opex (Template 3.2)	Total SCS + ACS Opex (direct only + indirects)	Total opex

Given Fee Based and Quoted Services were only materially impacted by CoS changes for Sale of Inventory, Ergon Energy has only reported those material CoS changes in templates 4.3 and 4.4. Management surmised that the changes in cost allocation methodology and fleet on-cost changes would not have a material impact on Fee Based and Quoted Services.

Note: Solar feed in tariff expense was no longer reported in FY2017 or FY2018 and therefore the value was excluded respective templates; Expenditure Summary and Overheads for CA RIN and Opex for EB RIN.

The materiality threshold was set at 5%, with historical recast data to be provided where the difference between the 2020 recast data and the previously reported data exceeded this threshold value.

3.2.3 Estimated information

3.2.3.1 Justification for estimated information

The materiality assessments were performed for two years and then applied prospectively and retrospectively. Significant judgements and assumptions were applied during this process.

3.2.3.2 Basis for estimated information

The basis for the estimated information used for the CoS changes is provided in the following sections.

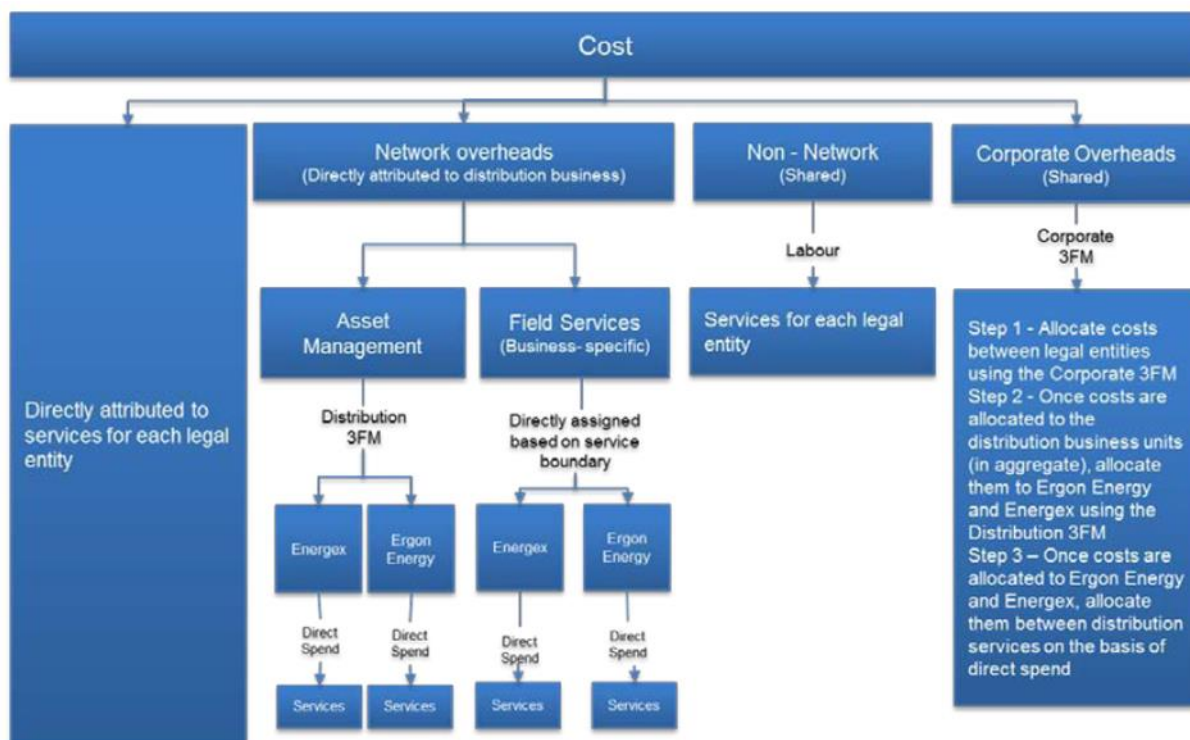
3.3 Cost allocation

The 2020 CAM changes the way that network, non-network and corporate overheads costs are allocated to services:

- Corporate overhead costs are allocated between the distribution businesses (Ergon Energy Network and Energex), Yurika and Retail using a Corporate Three Factor Method based on an average equal weighting of asset value, revenue and labour.
 - The corporate overhead costs allocated to the distribution businesses are then allocated between Ergon Energy and Energex using the Distribution Three Factor Method based on an equal weighting of direct spend, customer numbers and asset values.
 - Corporate overhead costs allocated to Ergon Energy are then allocated between services using direct spend as the allocator.
 - Corporate overheads allocated to each service are then allocated between opex and capex (capitalised overheads) in accordance with the 2020 CAM Business Rules.
- Network overheads, which are directly attributable to the network business, are allocated as follows:
 - Asset Management costs, which are indirect network costs that are common to both Ergon Energy and Energex, are allocated between the distributors using the Distribution Three Factor Method, and then to services using direct spend.
 - Field Services are directly allocated to each distributor based on service boundaries and then to services using direct spend.
 - Network overheads allocated to each service are then allocated between opex and capex (capitalised overheads) in accordance with the 2020 CAM Business Rules.
- Non-network overheads, such as Property, Tools and Equipment, ICT and Fleet, are allocated to the distributors (if not already attributed to a distinct distributor), and then between services, on the basis of labour spend. They are further allocated between opex and capex (capitalised overheads) in accordance with the 2020 CAM Business Rules.

The under or over recovery of warehousing costs charged directly to projects as an on-cost has been excluded from the recast.

The following diagram summarises the methodology in the 2020 CAM:



The 2020 CAM does not impact the methodology for the attribution of direct costs, which will continue to be attributed to activities using source documents, with the activities mapped to associated services. Direct cost categories include labour and related costs, inventory and materials, third party contractor costs and other costs that have a direct line of sight to a service. Labour and inventory/materials include on-costs for those respective categories.

While the method for identifying and attributing direct costs has not changed from Ergon Energy's current (2010-2015) CAM (version 5.0), the current CAM treats fleet costs (including depreciation) as a direct cost. The fleet costs (excluding depreciation) are treated as Non-Network costs under the 2020 CAM, and are allocated to services on the basis of a labour allocator.

The overall methodology is set out in the 2020 CAM, with further details for the application of the 2020 CAM set out in the Cost Allocation Method Business Rules (version 1, effective 1 July 2020) and the supporting mapping of the General Ledger in Cognos, Ergon Energy's financial system.

3.3.1 Source of information

The following table sets out the sources from which Ergon Energy obtained the required information.

Variable	Source
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Variable	Source
Previously submitted information (various)	<p>Ergon Energy – CA RIN Response 2015-16</p> <p>Ergon Energy – EB RIN Response 2015-16</p> <p>Ergon Energy – CA RIN Response 2016-17</p> <p>Ergon Energy – EB RIN Response 2016-17</p> <p>All values were taken directly from the RINs previously submitted to the AER, without any adjustments to the reported information.</p>
Recast data (for the purposes of calculating the materiality)	
Corporate Three Factor Method parameters	
Total Energex, Ergon Energy, Retail and Yurika fixed assets including property, plant and equipment and intangibles (including WIP)	Based on the latest approved Statement of Corporate Intent (SCI)/ Corporate Plan (CP), as per the 2020 CAM Business Rules.
Total Energex, Ergon Energy, Retail, and Yurika revenue excluding TUOS, government grants, interest, solar PV, gifted assets, dividends and intercompany SLA revenue	Historic audited General Ledgers
Total Energex, Ergon Energy, Retail and Yurika labour spend	Based on Ordinary Time Labour Costs
Distribution Three Factor Method parameters	
Total Energex and Ergon Energy fixed assets including both SCS and ACS	Based on the latest approved SCI/CP, as per the 2020 CAM Business Rules.
Total Energex and Ergon Energy customer numbers	Based on the figures contained within the Energy Queensland Annual Report. A customer number is the count of unique national metering identifiers (NMIs) irrespective of the type of customer (i.e. a residential NMI and commercial NMI both count as a single customer).
Total Energex and Ergon Energy direct spend	Direct spend includes SCS and ACS System Capex and Opex direct spend (excluding gifted assets) and was sourced from General Ledger reports for 2015-16 and 2016-17 which were downloaded and remapped using the 2020 CAM and 2020 CoS.
Allocation to legal entities based on labour	
Allocation to legal entities based on labour	<p>The information for allocating non-network overheads (where the non-network assets are utilised) to legal entities was derived from General Ledger reports for 2015-16 and 2016-17 which were downloaded and remapped using the 2020 CAM and 2020 CoS.</p> <p>The report parameters for the denominator for property and ICT overheads and capex were as per the 2020 CAM Business Rules.</p>

Variable	Source
Allocation to services	
Allocation to services based on Direct labour spend	<p>Non-network costs are subsequently allocated from each distribution entity to services based on Direct labour.</p> <p>The information for estimating the direct distribution labour spend was sourced from the Ergon Energy financial system (Ellipse). The General Ledger reports for 2015-16 and 2016-17 were downloaded and remapped using the 2020 CAM and 2020 CoS.</p> <p>The report parameters for the denominator (i.e. total spend for the distribution businesses) were as per the 2020 CAM Business Rules.</p> <p>The numerator is determined by the corresponding entity's direct labour spend on that service.</p>
Allocation to services based on Direct spend	<p>The information for estimating the direct spend was sourced from the Ergon Energy financial system (Ellipse). The General Ledger reports for 2015-16 and 2016-17 were downloaded and remapped using the 2020 CAM and 2020 Services Classification.</p> <p>The report parameters for the denominator (i.e. total spend for the distribution businesses) were as per the 2020 CAM Business Rules.</p> <p>The numerator (i.e. direct spend for Ergon Energy) was determined using the same data set, filtered for only EECL districts.</p>

3.3.2 Methodology

3.3.2.1 Approach

The proposed changes to the 2020 CAM were applied to the 2015-16 and 2016-17 financial data through a two-step process:

1. Mapping of the General Ledger to the new CAM
2. Application of the new allocators to the shared costs.

The first step was to map the General Ledger codes used in 2015-16 and 2016-17, respectively, to the methodology set out in the 2020 CAM and the 2020 CAM Business Rules (Version 1.0 effective 1 July 2020). The revised mapping, which also took into consideration the changes resulting from the proposed service classification changes, was then applied to the General Ledger reports for 2015-16 and 2016-17, respectively.

The following table details the General Ledger mapping changes applied to capture the CAM changes.

Cost category	Mapping changes
Fleet	<p>Fleet is treated as a direct cost under the current (2010-2015) CAM (Version 5), which was attributed to services using labour timesheets. The fleet costs included on-costs and depreciation.</p> <p>The 2020 CAM treats fleet as an indirect cost, with the fleet costs including on-costs, but not depreciation.</p> <p>This change is reflected by mapping fleet costs (including on-costs, but excluding depreciation) to 'Non-Network – Fleet'. This included remapping for the following elements:</p> <ul style="list-style-type: none"> • 4700 – Fuels and Oils • 4710 – Registration & Insurance – Vehicles • 4720 – Scheduled Mtce – Vehicles • 4730 – Unplanned Mtce – Vehicles • 4740 – Accident Repairs - Vehicles • 4750 – Fleet Administrator Charge • 4760 – Vehicle Hire • 4760OLD – Inter-Company Vehicle Hire • 4770 – Vehicle leasing • 4770OLD – Inter-Company Vehicle Leasing • 4820 – Vehicle Tyres <p>The following elements were excluded from mappings as these recorded the previously allocated fleet on-costs and depreciation charged directly to projects (which will be indirect costs allocated on the basis of labour under the new CAM, excluding depreciation):</p> <ul style="list-style-type: none"> • 4600 – Internal Transport costs • 4610 – Fleet Management Fees • 8370 - Fleet Recovery
Sparq / IT	<p>Sparq/IT is treated as a corporate overhead in the current (2010-2015) CAM (version 5.0).</p> <p>The 2020 CAM treats this as a Non-Network cost, which is then allocated between services using the methodology described above.</p> <p>This change is reflected by removing the Sparq transactions from the Ergon Energy General Ledger and replacing the costs with those from the Sparq General Ledger. These costs are then allocated to services using the methodology set out in the 2020 CAM.</p> <p>The elements removed from the Ergon Energy Ledger were:</p> <ul style="list-style-type: none"> • 0950 – Sparq Revenue • 5820 – Sparq SLA Charges • 5820OLD – I/C Sparq SLA Charges

Once all relevant financial information had been mapped in accordance with the 2020 CAM (and proposed CoS), shared costs (i.e. Network Overheads, Non-Network Shared Costs and Corporate Overheads) were then allocated to services using the methodology set out in the 2020 CAM and the 2020 CAM Business Rules.

3.3.2.2 Corporate Overhead Allocations

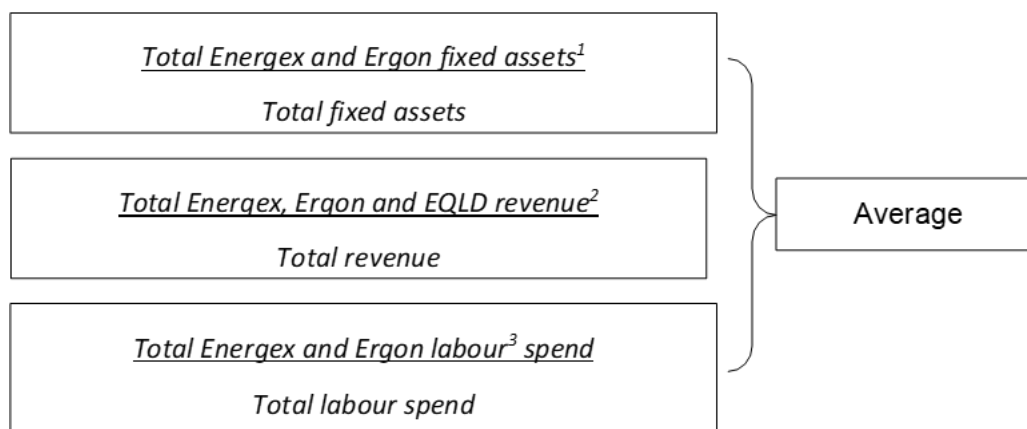
For the allocation of corporate overheads, the Corporate Three Factor Method (step 1) and Distribution Three Factor Method (Step 2) are only applied to the 2016-17 data, as this is the first year that Ergon Energy was part of the EQL group.

In 2015-16 the approach agreed with the AER (as per email dated 21 August 2018) (and prior years where information is required to be back cast) was to apply only step 3 of the corporate overhead allocation approach in the 2020 CAM is applied to Ergon Energy's overhead cost pool for that year. While this approach is appropriate for costs directly incurred by Ergon Energy distribution, the approach does not allow for the allocation of costs shared within the Ergon Energy corporate group during the current regulatory control period. The Ergon Energy approach therefore modified the agreed approach to the extent necessary to derive Ergon Energy's distribution business cost pool, and consistent with the 2020 CAM.

That is, in 2015-16, Ergon Energy has applied the first step and the third step of its allocation of Corporate Overheads, to the overheads associated with the Ergon Energy corporate group prior to the establishment of EQL. The first step is required to allocate costs to the distribution business and the third step is necessary to allocate between service classifications. Further details follow below.

Step 1: Corporate Three Factor Allocator

The Corporate Three Factor Method was applied in accordance with the CAM Business Rules. Under this method, the factor applicable to the distributors (i.e. Ergon Energy and Energex combined) is calculated as follows:



¹ Fixed assets include property, plant and equipment and intangibles (including WIP) and is based on the latest approved SCI/CP

² Revenue excludes TUOS, government grant, interest, solar PV, gifted assets, dividends and intercompany SLA revenue

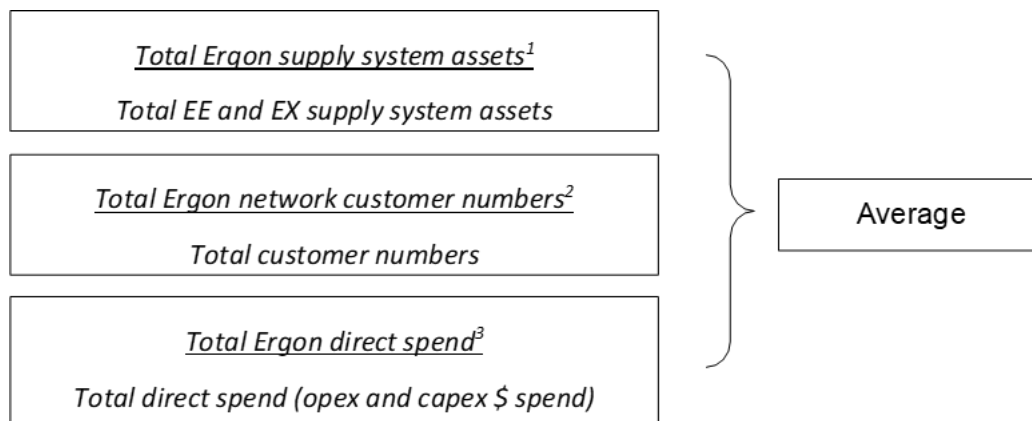
³ Labour reflects labour spend and is defined in Appendix C of the CAM Business Rules.

The percentage calculated using this formula is applied to the total EQL corporate overhead to determine the corporate overhead for Ergon Energy and Energex combined. This is then further

allocated between Ergon Energy and Energex using the Distribution Three Factor allocator (see below).

Step 2: Distribution Three Factor Allocator

The Distribution Three Factor Method was applied in accordance with the CAM Business Rules. Under this method, the factor applicable to Ergon Energy is calculated as follows:



¹ Supply system assets includes both SCS and ACS and is based on the latest approved SCI/CP

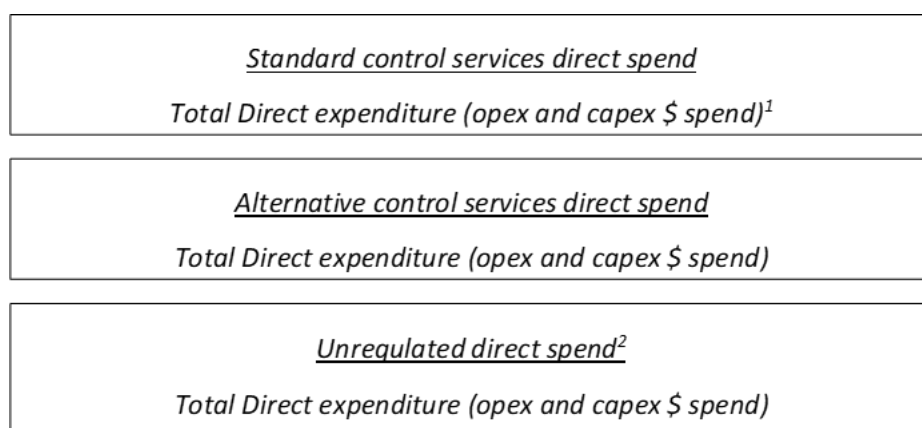
² A customer number is the count of unique national meter identifiers (NMI) irrespective of the type of customer (ie. a residential NMI and commercial NMI both count as a single customer)

³ Direct spend includes SCS and ACS System Capex and Opex direct spend (excluding gifted assets)

The percentage calculated using this formula is applied to the total Ergon Energy and Energex corporate overhead to determine the corporate overhead for Ergon Energy. This is then further allocated to specific services using direct spend.

Step 3: Direct spend allocator

The direct spend allocator is used to allocate Ergon Energy's corporate overheads between services. Under this method, the allocation percentage applicable to each of the distribution services is calculated as follows:



¹ Total direct expenditure includes Standard Control Services, Alternative Control Services and Unregulated distribution services.

² Ergon Energy unregulated direct spend reflects Isolated and other external unregulated costs.

Step 4: Opex / capex allocator

The capitalised component of the corporate overhead allocation to each of the services is then determined by applying the relative opex and capex proportions of the direct spend allocator to the non-opex component of the corporate overhead. The resultant non-capitalisable portion is added to the corporate overhead opex. The balance is capitalised corporate overhead.

3.3.2.3 Network Overheads

Network Overheads (Asset Management) costs are attributed directly to the combined distribution businesses (i.e. Ergon Energy and Energex), and are then allocated between the distribution businesses using the Distribution Three Factor Method allocator. The costs allocated to Ergon Energy are then allocated between services using the direct spend allocator.

These are the same allocators as used in Step 2 and 3 of the allocation of corporate overheads.

Network Overheads (Field Services) costs are attributed directly to each of the respective distributors (i.e. Ergon Energy and Energex) through operational boundaries. The costs attributable to Ergon Energy are allocated between services using the same direct spend allocator used for corporate overheads.

Total network overheads allocated to each service is then further allocated between opex and capex on the same basis as corporate overheads (see step 4 above).

3.3.2.4 Non-Network Shared Costs

Non-network shared costs include Property, ICT, Fleet and Tools. These costs are allocated between the legal entities (i.e. distributors, Yurika and Retail) using labour spend, as follows:

- Ordinary time labour for Property and ICT
- Direct labour for Tools and Fleet.

The Non-Network Shared Costs allocated to Ergon Energy are then allocated between services using the following direct distribution labour allocators.

Standard control services direct labour spend

Total Direct labour expenditure

Alternative control services direct labour spend

Total Direct labour expenditure

Unregulated direct labour spend

Total Direct labour expenditure

The calculation for the labour allocators for the purposes of the materiality assessment was consistent with Appendix C of the 2020 CAM Business Rules, which sets out the specific General Ledger activities, products and elements to include in the direct labour costs.

For the share of Sparq ICT costs shared by the Ergon Energy corporate group prior to the establishment of EQL, a minor modification to the CAM was made to the extent possible to derive Ergon Energy's distribution business cost pool. That is, the labour allocator was applied at the Ergon Energy corporate level to allocate Sparq costs to the Ergon Energy distribution business. This is because these costs were already allocated to each of Ergon Energy and Energex as separate pools during this period.

3.3.3 Estimated information

3.3.3.1 Justification for estimated information

The materiality assessments were performed for two years and then applied prospectively and retrospectively. Significant judgements and assumptions were applied during this process.

3.3.3.2 Basis for estimated information

The basis for the estimated information used for the CoS changes is provided above.

3.4 Classification of services

Through its Framework and Approach (F&A) the AER determined that eight services will be reclassified on commencement of the forthcoming regulatory control period:

- From unregulated distribution services to ACS:
 - network related property services
 - training to third parties for network related access
 - security lights
 - sale of approved materials or equipment ('sale of inventory')
- From ACS to SCS:
 - extensions – major customer connections likely to be shared in future
 - augmentations – major customer connections
- From unclassified services to SCS
 - emergency recoverable works
- From ACS to unregulated distribution services
 - Type 5 and 6 meter data management to other electricity distributors.

3.4.1 Source of information

The following table sets out the sources from which Ergon Energy obtained the required information.

Variable	Source
Data for classification change for network related property services	General Ledger
Data for classification change for provision of training to third parties for network related access	General Ledger
Data for classification change for security lights	General Ledger
Data for classification change for sale of approved materials or equipment	General Ledger
Data for classification change for extensions – major customer connections likely to be shared in future	General Ledger
Data for classification change for augmentations – major customer connections	General Ledger
Data for classification change for emergency recoverable works	General Ledger
Data for classification change for Type 5 and 6 meter data management to other electricity distributors	General Ledger

3.4.2 Methodology

Expenditure and revenue data extracted from the General Ledger was remapped to the new service classifications within the materiality assessment by manually overriding existing classifications. To do this the relevant General Ledger codes were identified through consultation with subject matter experts within the relevant areas of the business. In some cases, it was necessary to apportion some General Ledger codes between activities, if General Ledger codes could not be solely attributed to the service (as set out in further detail below).

3.4.2.1 Network related property services

Assumptions

The following assumption was made in remapping network related property services from unregulated distribution services to ACS:

- There is limited expense associated with network related property services where a customer accepts standard terms and conditions.

Approach

Network related property services are defined by the AER as including 'property tenure services relating to providing advice on, or obtaining: deeds of agreement, deeds of indemnity, leases, easements or other property tenure in relation to property rights associated with a connection or relocation. Conveyancing inquiry services relating to the provision of property conveyancing information at the request of a customer.'

These services are currently unregulated distribution services and have been reclassified for the forthcoming regulatory control period as ACS.

Ergon Energy does not charge for these services and relies on pre-prepared materials to provide this service.

Conveyancing inquiry services are managed separately, through an external services provider, CITEC Confirm. CITEC Confirm provides this service independently of Ergon Energy. Ergon Energy receives fees from CITEC for the use of their data.

Expenditure

There was no expenditure associated with network related property services provided by Ergon Energy in the relevant years as Ergon Energy has a practice of not charging customers for these types of services.

Revenue

There was no revenue, other than from property searches, associated with network related property services provided by Ergon Energy in the relevant years because in 2015-16 and 2016-17 no customers negotiated terms and conditions for any property rights associated with a connection or relocation.

The revenue related to property services has been received from CITEC Confirm and has been accounted for by drawing data from the General Ledger Code 1250 25020 3130 0400 (ie identified by product 3130 Search fees).

3.4.2.2 Provision of Training to third parties for network related access

Assumptions

The following assumption was made in remapping training to third parties for network related access from unregulated distribution services to ACS:

- The portion of training provided to external learners is a proxy for training expenditure and revenue attributable to external parties.

Approach

Under the F&A, training to third parties for network related access are those training services provided to third parties that result in a set of learning outcomes that are required to obtain distribution network access. These services are currently unregulated distribution services and have been reclassified for the forthcoming regulatory control period as ACS.

Ergon Energy provides training to internal parties as well as third parties to allow them to access the network. Analysis of training attendance records indicates that 6.49% of individuals attending Ergon Energy training are external.

Expenditure

Ergon Energy extracted training expenditure from the General Ledger for 2015-16 and 2016-17 as identified by activity 62010 Develop and Deliver Training, for the following responsibility centres:

- 1465 Technical Training Delivery Northern
- 1470 Technical Training Delivery Central
- 1475 Technical Training Delivery Southern

6.49% of expenditure was remapped as ACS expenditure based on the proportion of external learners attending Ergon Energy training.

Revenue

Ergon Energy extracted training revenue from the General Ledger for 2015-16 and 2016-17 using the sales revenue element 0400 and product 3080 Training – Safety.

100% of revenue from training was remapped to ACS as no revenue is generated from internal learners attending Ergon Energy training.

3.4.2.3 Security Lights

Assumptions

No assumptions have been made with respect to security lights.

Approach

Under the F&A, security lights services include the 'provision, installation, operation, and maintenance of equipment mounted on distribution equipment used for security services, e.g. nightwatchman lights'. These services are not currently classified and have been classified for the forthcoming regulatory control period as ACS. Connection services are specifically excluded from this definition.

This service is provided by Ergon Energy under the product title 'Watchman Lights'. This is a Quoted Service and has been reported in Template 4.4. However, no values have been reported as they are immaterial as they are less than 5% of the value of this Template (2017 expense: \$75,078, 2016 expense: \$38,180).

Expenditure

Ergon Energy extracted security lights expenditure from the general ledger for 2015-16 and 2016-17 using product codes 8400 Watchman Light – Maintenance/Remove and 1530 Watchman Lights, and wholly attributed this cost to ACS.

Revenue

Security lights revenue was extracted using product 1530 Watchman Lights, element 0780 miscellaneous revenue (and 0780EQ intercompany revenue) and this was wholly attributed to ACS.

3.4.2.4 Sale of approved materials or equipment

Assumptions

The following assumptions were made in remapping sale of approved materials or equipment from unregulated distribution services to ACS:

- Ergon Energy's assessment of the likely use of inventory sold is based on a strong understanding of both the end-users and their business which enables us to provide this estimate.
- Sales of inventory to customers not operating on the Ergon Energy network are not be included in this service.

Note, fee and quoted services were not assessed for materiality as they were only assessed for CoS changes and Sale of Inventory was the only line reported.

Approach

Under the F&A, sale of inventory includes 'the sale of approved materials/equipment to third parties for connection assets that are gifted back to become part of the shared distribution network'. These services are not currently classified and have been classified for the forthcoming regulatory control period as ACS.

Ergon Energy calculated a single weighted average of revenue attributable to the sale of approved materials or equipment to third parties for each of 2015-16 and 2016-17 and took an average value of 95% across both years.

Expenditure

The average value of 95% of cost of sales was applied to the General Ledger codes activities 45000 Cost of goods sold with product 3000 Sale of inventory.

Revenue

The average value of 95% of inventory sales revenue was applied to the General Ledger codes 1010 25000 3000 0400 and 1010 25020 000 0780 to determine the portion of revenue associated with the sale of approved materials or equipment.

Justification for estimated information

In 2015-16 and 2016-17, Ergon Energy did not account separately for the sale of materials or equipment based on whether it was to become part of the shared distribution network, or whether it is gifted back.

Basis for estimated information

All inventory sold by Ergon Energy to third parties is capable of forming part of the shared network. However Ergon Energy has analysed individual customers to determine the end use of inventory for the relevant years.

Ergon Energy analysed individual 2015-16 and 2016-17 customers and associated revenue to identify whether, based on Ergon Energy customer knowledge, the assets were likely to have been gifted back to Ergon Energy. For example, revenue from sales to customers:

- operating on the Ergon Energy network were wholly included in this service
- not operating on the Ergon Energy network were not included in this service
- operating both on and off the Ergon Energy network were allocated a portion of sales revenue based on an estimate of the extent to which the customer performs work on the network, expressed as a percentage of revenue.

3.4.2.5 Extensions – major customer connections likely to be shared in future

Assumptions

The following assumption was made in remapping extensions – major customer connections from ACS to SCS:

- Due to the decentralised nature of its network, Ergon Energy will only provide extensions for major customer connections in the forthcoming period on the basis that these are unlikely to be used to supply other customers.

Approach

Under the F&A, these extension services relate to new or altered major customer connections 'where the distributor considers there is a reasonable likelihood that the network extension will be used to supply another customer or customers within the time period set out in the distributor's Connection Policy (i.e. will form part of the shared network)'.

These services are currently classified as ACS and have been reclassified by the AER for the forthcoming regulatory control period as SCS.

Where Ergon Energy is engaged to provide extensions (e.g. dedicated assets) for major customer connections, this work is attributable to a given customer and is therefore ACS. Ergon Energy does not currently, nor does it intend to, provide extension services for major customers on an SCS basis, that is on the basis that there is a reasonable likelihood of the extension being used to supply another customer. This is because such a scenario is very rare on the Ergon Energy network.

Extension services for major customers will continue to be ACS and there will be no impact on revenue or expenditure.

3.4.2.6 Augmentations – major customer connections

Assumptions

No assumptions have been made with respect to augmentations – major customer connections.

Approach

Under the F&A, these augmentation services relate to ‘any shared network enlargement/ enhancement undertaken by a distributor, which is not an extension, to facilitate a new or altered major customer connection’. These services are currently classified as ACS and have been reclassified by the AER for the forthcoming regulatory control period as SCS.

Ergon Energy’s position is that most augmentation work associated with a major customer connections benefits the shared network and is currently performed as SCS in most cases. In the case of real estate developments, these services are accounted for as ACS because, consistent with the Ergon Energy Connection Policy, any connections for the commercial development of land that involves augmentation work is clearly attributable to a particular real estate developer.

Augmentations for major customer connections is therefore disaggregated as follows:

- Real estate and subdivision works which are treated by Ergon Energy as ACS
- Works for all other customers, which are treated by Ergon Energy as SCS.

Expenditure

Expenditure associated with real estate and subdivision works was remapped from ACS to SCS. This included expenditure recorded against C2260 (Subdivision and Headworks and Developer).

Other expenditure associated with augmentations for major customer connections (i.e. General Ledger code C2070) was not remapped on the basis that it is already treated as SCS by Ergon Energy.

Revenue

Revenue associated with real estate and subdivision works was remapped from ACS to SCS. This included revenue recorded against the Subdivision and Headworks and Developer) General extracted using activity 10140 Subdivision Revenue and elements 0678, 0679 and 0686 Ledger codes below:

25301014000000678

25301014000000679

25301014080300679

35001014080690686.

Other revenue associated with augmentations for major customer connections (i.e. General Ledger code C2070) was not remapped on the basis that it is already treated as SCS by Ergon Energy.

3.4.2.7 Emergency recoverable works

Assumptions

The following assumption was made in remapping emergency recoverable works from unclassified services to SCS:

- Emergency recoverable works activities in 2016-17 are a proxy for emergency recoverable works in 2015-16, as explained below.

Approach

Under the F&A, emergency recoverable works are 'the distributor's emergency work to repair damage following a person's act or omission, for which that person is liable (for example, repairs to a power pole following a motor vehicle accident)'. Emergency recoverable works will change from an unregulated distribution service to SCS in the forthcoming regulatory control period.

Expenditure

Expenditure can be identified and wholly attributed to SCS for 2016-17 and 2015-16 using product 1070 Repairs to System Assets for expense activities 61000 Miscellaneous External works and 56200 Alternative Control Services – General.

Revenue

Revenue General Ledger codes can be identified and wholly attributed to SCS for 2016-17 and 2015-16 these have been remapped accordingly. These were also identified by product 1070 Repairs to System assets, and revenue activities 10100 Alternative Control Services Gen Rev and 25010 External services.

Revenue for 2015-16 was taken to be the same as that attributed for 2016-17, as explained below.

Justification for estimated information

In 2016-17, expenditure and revenue General Ledger codes can be wholly identified and attributed to SCS. However in 2015-16 these expenses were coded to Service line 1070- repairs to system assets which a diverse range of unrelated activities were also attributed to. This means that there is no way to meaningfully extract activities attributable only to emergency recoverable works.

Basis for estimated information

Expenditure and revenue for 2016-17 has been used as a proxy for the expenditure and revenue applicable to 2015-16.

3.4.2.8 Type 5 and 6 meter data management to other electricity distributors

Assumptions

No assumptions were made with respect to Type 5 and 6 meter data management to other electricity distributors.

Approach

Ergon Energy did not provide type 5 and 6 meter data management services to other electricity distributors in 2015-16 or 2016-17, which means there is no expenditure or revenue to be transferred to reflect new service classifications.

4 BOP Workbook 3 approach

4.1 Requirement for recast data

The AER requires Ergon Energy to provide recast data in Workbook 3 where a change in the cost allocation method (CAM) or classification of services (CoS) has resulted in a material change to previously reported information.

The analysis on the materiality of the changes from the data previously provided was completed for two regulatory years: 2015-16 (this being representative of prior years) and 2016-17 (this being representative of future years), as agreed by the AER (see email dated 21 August 2018).

Appendix A sets out the results of the materiality assessment.

As agreed with the AER on 28 November 2018, Ergon Energy has produced a secondary recast workbook containing only worksheets 2.1 & 2.12. These worksheets consolidate the recast data with previously reported data in the Category Analysis RIN in the relevant regulatory reporting year. The AER did not require this supporting workbook to be audited. As a result, Ergon Energy did not have the “ERG 17.068 Supporting Attachment – Recast Category Analysis JAN19 PUBLIC.xls” audited/reviewed.

4.1.1 Consistency with RIN Requirements

4.1.2 Requirements	4.1.3 Consistency with the RIN requirements
General consistency with RIN Requirements	<p>The information provided in Workbook 3 has been prepared in accordance with the RIN requirements, including the principles and requirements set out in Schedule 1, Appendix E and Definitions in Appendix F to the RIN.</p> <p>All variables for cells shaded yellow have been populated as required by the RIN.</p> <p>All historical information provided is in nominal dollars, unless otherwise specified.</p> <p>Capex and associated data (such as asset volumes) reported are reported against the regulatory year on an as-incurred basis.</p>
4.1.4 Recast versus previously provided information	Recast information has been provided for those categories where the materiality assessment demonstrated that the change in the value is material relative to previously reported information.

The information provided in Workbook 3 for all years (2008-09 to 2017-18) is estimated.

4.1.5 Source of information

4.1.6 Variable	4.1.7 Source
Previously provided data	Ergon Energy – CA RIN Response 2015 Recast (2008/09 - 2013/14) * Ergon Energy – CA RIN Response 2014-15 Ergon Energy – CA RIN Response 2015-16 Ergon Energy – CA RIN Response 2016-17 Ergon Energy – CA RIN Response 2017-18
Recast data for 2015-16 and 2016-17	Sourced from the General Ledger reports for 2015-16 and 2016-17 respectively, which were downloaded and remapped using the proposed 2020 CAM and 2020 CoS. The recast values calculated to assess the materiality of the changes from the previously reported data are the recast values reported in Workbook 3.
Recast data for other years	Based on the previously reported data and the recast data for 2015-16 and 2016-17. That is, originally submitted RIN data with CAM and CoS changes applied.

*For Public Lighting reported in table 4.1.2, there were no values reported in the Reset RIN 2014 workings, therefore Ergon Energy has drawn upon the 2009-2013 original CA RIN submissions used for these years, which were reported under a different CAM and CoS.

4.1.8 Methodology

4.1.8.1 Approach/methodology

Step 1: Recast data for 2015-16 and 2016-17

Ergon Energy estimated the recast data for 2015-16 and 2016-17, respectively as part of the materiality assessment.

Step 2: Recast data for 2008-09 to 2014-15

Ergon Energy calculated the percentage differences between the previously reported data and recast data for 2015-16 as part of the materiality assessment.

For any data where the percentage change was found to be material (>5%) in 2015-16, the percentage changes calculated for 2015-16 have been applied to the information provided in prior

years (i.e. 2008-09 to 2014-15) to calculate the recast data for those prior years. This is summarised in the following equation, which uses 2008-09 as an example:

$$\text{2008-09 Recast Value} = \text{2008-09 Reported Value} \times (1 + \text{2015-16 \% change})$$

For example, if the previously reported ACS Corporate Overhead expensed for 2015-16 was \$9,906,392 and the recast value for 2015-16 determined for the materiality assessment was \$10,351,371. Thus, the ACS Corporate Overhead expensed had increased by 4.5% as a result of the proposed CAM and CoS changes. This 4.5% was then applied to the data for 2008-09 as follows:

$$\begin{aligned}\text{2008-09 Recast Value} &= \text{2008-09 Reported Value} \times (1 + \text{2015-16 \% change}) \\ &= \$6,095,066 \times (1 + 4.5\%) \\ &= \$6,368,846\end{aligned}$$

The same percentage change is applied to the reported values for ACS Corporate Overhead expensed in each year from 2008-09 to 2014-15 to determine the recast values for those years.

The percentage changes applied to determine the recast data for 2008-09 through to 2014-15 for each of the templates in Workbook 3 is provided in Ergon Energy's Materiality Assessment spreadsheet.

There were no adjustments made to the data previously reported to the AER, with the exception of the removal of feed-in-tariffs from network overheads for 2009/10 to 2014/15 as this is a jurisdictional scheme and is no longer reported as an operating cost in the RINS.

Step 3: Recast data for 2017-18

Ergon Energy calculated the percentage differences between the previously reported data and recast data for 2016-17 as part of the materiality assessment.

For any data that was found to be material in 2016-17, the percentage changes for 2016-17 have been applied to the information provided in 2017-18 to determine the recast data for that year. This is summarised in the following equation:

$$\text{2017-18 Recast Value} = \text{2017-18 Reported Value} \times (1 + \text{2016-17 \% change})$$

The percentage changes applied to determine the recast data for 2017-18 for each of the templates in Workbook 3 is provided in Ergon Energy's Materiality Assessment spreadsheet.

4.1.9 Estimated information

4.1.9.1 Justification for estimated information

The materiality assessments were performed for two years and then applied prospectively and retrospectively. Significant judgements and assumptions were applied during this process.

4.1.9.2 Basis for estimated information

Ergon Energy determined the materiality of the proposed changes to the CAM and the CoS changes for:

- 2015-16 because this year is representative of the prior years (i.e. 2008-09 to 2014-15). These are the years prior to the formation of Energy Queensland (EQL); and

- 2016-17 because this year is the first year that EQL existed and is therefore representative of future years (i.e. 2017-18 onwards).

The materiality assessment resulted in recast data for those two years and the percentage changes from the previously reported data for those same two years. The use of the percentage changes for 2015-16 for estimating the recast data for the prior years (i.e. 2008-09 to 2014-15) is the best estimate available of the likely impact of the proposed 2020 CAM and CoS changes on the previously reported data as this year is representative of the prior years. Similarly, 2016-17 is the best estimate of the likely impact of the proposed 2020 CAM and CoS changes on the previously reported data for subsequent years (i.e. 2017-18) as this is representative of the future years.

5 BOP Template 2.6 – Non-network

5.1 Table 2.6.1 – IT and Communications – OPEX

This information relates to the following tables in the recast CA RIN, being Workbook 3:

- 2.6.1
- 2.12.1
- 2.12.2
- 2.12.3
- 2.12.4
- 2.12.5*
- 2.12.6

*Related Party Contract Expenditure is determined by adjusting previously reported RIN balances by the materiality percentage determined using the above methodology.

Table 2.6.2 non-financial information was not impacted by the CAM or CoS changes.

5.1.1 Source of information

Variable	Source
Opex expenditure Metering cost metrics expenditure	Extracts from the Ergon Energy General Ledger
Proportions of Labour, Contracts, Materials and Other Expenditure	Extracts from the Sparq General Ledger

5.1.2 Methodology

For the period 2008-09 to 2017-18, Ergon Energy extracted all data relating to ICT Operational Expenses from the Ergon Energy General Ledger, depreciation and financing costs were excluded as were oncosts. Costs relating to subcategories were then allocated out on the basis of proportions for 2015-16 and 2016-17. Values were then allocated to standard control services in accordance with the 2020 CAM using ordinary time labour cost.

Given the focus of the AER and customer groups on ICT expenditure, a more granular approach was undertaken to backcasting and analysing ICT opex than was applied to the backcast of Workbooks 3 and 4 based on the materiality assessment.

CA RIN ICT opex components included:

Direct Materials (2.12.1)

Direct Labour (2.12.2)

Contract Expenditure (2.12.3)

Other Expenditure (2.12.4)

Related Party Contract Margin Expenditure* (2.12.5) and

Related Party Contract Expenditure (2.12.6)

*Related Party Contract Expenditure is determined by adjusting previously reported RIN balances by the materiality percentage determined using the above methodology.

5.1.3 Assumptions

It was assumed that:

Percentage allocations between Labour, Contracts, Materials, Related Party Contract Expenditure and Related Party Contract Management Expenditure remained constant throughout each of the years.

Averaging the percentage allocations between Labour, Contracts, Materials, Related Party Contract Expenditure and Related Party Contract Management Expenditure over 2015-16 and 2016-17 is representative of those allocations for previous years (i.e. 2008-09 to 2014-15) and 2017-18.

5.1.4 Approach

ICT opex

Ergon Energy extracted all data relating to ICT opex from the Ergon Energy General Ledger. This data includes the following Responsibility Centres (RC):

0385 for FY2010 to FY 2018 and

0265 for FY2009

Depreciation and financing costs were stripped from that figure using Element Code 6310.

The oncost portion for the SLA was then stripped out by applying oncost rate for each year.

Element 5820 constitutes the total SLA including the oncost. For each year those figures were reduced by 15-25% depending on the oncost which was applied in each of the years.

This provides the actual ICT opex as recorded in the Ergon Energy Ledger.

The opex was then allocated to standard control services in accordance with the 2020 CAM, using percentages derived for 2015/16 and 2016/17. This meant that opex was allocated to Ergon Energy standard control services on the basis of ordinary time labour cost.

ICT opex RIN categories

Ergon Energy then calculated values for the following ICT subcategories required by the CA RIN:

Direct Materials

Direct Labour

Contract Expenditure

Other Expenditure

Related Party Contract Expenditure and

Related Party Contract Management Expenditure

An extract was drawn from the Sparq General Ledger for two years 2015-16 and 2016-17 of the relative proportions of each of those subcomponents, less oncosts. The average of those two years was used as a proxy for their proportions across previous years and 2017-18. The process of manually adjusting each of the components to remove oncosts is quite manually intensive due to accounting changes in historical years and it was not practical to undertake this work across all previous years.

Using these figures as a proxy was considered fair and reasonable due to the broadly consistent proportions of each of the above components across the two surveyed years and there was no evidence from internal subject matter experts that the proportions would have materially changed over the historical years.

The elements of the Sparq GL which were used do to so were:

ELEMENT	COST CATEGORY	RELATES TO
0060	LABOUR	Direct Labour
0100	MATERIALS	Direct Materials
0101	CONTRACTORS	Contract Expenditure
0102	OTHER	Other
0103	OVERHEADS	These figures were stripped out to create a true proportion.
0104	EXCLUDE – CAPITALISATION	
0105	CAPITALISED INTEREST	

There were no Related Party Contract Expenditure and Related Party Contract Management Expenditure because Sparq was historically a Joint Venture between Ergon Energy and Energex and services were provided via SLA, rather than through a contractual mechanism.

Information

All information within the following RIN tables are estimates:

2.6.1

2.12.1

2.12.2

2.12.3

2.12.4

2.12.5

5.1.5 Justification for estimated information

Proportions of each of the subcomponents

Ergon's accounting mechanisms do not readily allow for the separation of each of the components of the SLA into the components sought by the AER. That separation report requires comparison with the Sparq GL which must also be adjusted to strip out overheads and separate the costs into component parts.

For this reason, this process was undertaken across two years and a proportion was applied against previous years.

Appendix 1

The following table details the nature of the recast data, broken down by template.

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
Expenditure Summary (CA Template 2.1)	SCS Capex SCS Opex ACS Capex ACS Opex SCS Cap Cons SCS Capitalised Overheads	<p>Information reported in worksheet 2.1 is not required to be assessed for material impacts of the changes in CAM and CoS. This worksheet is only required to ensure 'summary' data that is consistent with the new recast data is captured.</p> <p>Note: summary data will not reconcile with information previously reported in the regulatory accounting statements, and there is no obligation to undertake this reconciliation as part of the recast exercise required by the Reset RIN.</p> <p>Numbers that were recast in other templates were reflected directly in expenditure summary. Where numbers required further disaggregation that were not reflected in other recast templates, the required splits were obtained from previously submitted RIN templates and the applicable materiality percentages were applied. (eg Capitalised ACS Overheads).</p> <p>Given table 2.1.7 is new, management have determined that all values for Cap Cons are to be disclosed. No adjustments have been made to the previously reported Cap Cons amount as they have not been affected by the CoS and</p>	Estimated

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
		CAM changes.	
Repex (CA Template 2.2)	SCS Repex	<p>These are direct costs, which are not impacted by CoS changes.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Augex (CA Template 2.3 (a) & (b))	SCS Augex	<p>These are direct costs, which are not impacted by CoS changes.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Connections (CA Template 2.5)	<p>Total Connections (SCS + ACS)</p> <p>SCS Connections (net of contributions)</p>	<p>Impacted by the CoS changes through reclassification of augmentation and extensions work.</p> <p>Gifted assets have now been considered capital contributions in line with CoS changes</p> <p>FY2016 was the only year backcast as the previously reported template did not include capital contributions (\$6.7M). If this had been previously reported the impact from the CAM and CoS changes would not be material.</p> <p>Template 2.5.1 and 2.5.3, non-financial information has been recast in the same proportion as the financial information for each relevant year.</p>	Estimated
Non-network (CA Template 2.6)	<p>Non-network – ICT</p> <p>Non-network – Fleet</p>	Impacted by CoS changes to the extent that these have impacted the allocation	Estimated

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
	<p>Non-network – Property</p> <p>Non-network – Other</p>	<p>percentages applied to each non-network cost category.</p> <p>Note: Tools and equipment opex was not reported as it was not deemed material (FY2017: \$1.2M, FY2016: \$1.7M). Tools and equipment capex is based on Plant and Equipment reported in Other DNSP. Other DNSP categories were included into their respective line items for the materiality assessment (eg Motor Vehicles).</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	
Vegetation Management (CA Template 2.7)	SCS Vegetation Management Opex	<p>These are direct costs, which are not impacted by CoS changes.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Maintenance (CA Template 2.8)	SCS Maintenance Opex	<p>These are direct costs, which are not impacted by CoS changes.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Emergency Response (CA Template 2.9)	SCS Emergency Response	These are direct costs, which are not impacted by CoS changes.	Estimated
Overheads (CA Template 2.10)	<p>SCS Overhead</p> <p>ACS Overhead</p>	Impacted by CoS changes to the extent that these have impacted the allocation percentages applied to each	Estimated

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
		corporate overhead and network overhead cost category	
Labour (CA Template 2.11)	Total Internal Labour	<p>Impacted by CoS changes (to the extent that unregulated labour is now network labour). This is based on assumptions made for training and sale of inventory.</p> <p>Note, total labour does not reconcile to the total per Input table. This is due to the variances in methodology and these templates being calculated differently. This is different to the annual RIN where they agree through.</p> <p>This template was based on the materiality percentage for total labour compared to the individual sections of labour (network, corporate, etc) which are material. There could possibly be a material classification variance in the table as a result of the new CAM.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Input Tables (CA Template 2.12)	Direct materials expenditure Direct labour expenditure Contract expenditure Other expenditure	<p>Information reported in worksheet 2.12 is not required to be assessed for material impacts of the changes in CAM and CoS. This worksheet is only required to ensure 'summary' data that is consistent with the new recast data is captured.</p> <p>Non-network ICT costs were</p>	Estimated

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
		<p>populated in accordance with section 5 of this BoP.</p> <p>Note: summary data will not reconcile with information previously reported in the regulatory accounting statements, and there is no obligation to undertake this reconciliation as part of the recast exercise required by the Reset RIN.</p>	
Public Lighting (CA Template 4.1)	Total ACS Public Lighting	<p>These are direct costs, which are not impacted by CoS changes.</p> <p>The metrics in Table 4.1.3 have been recast based on the same materiality percentages applied for the financial information.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Metering (CA Template 4.2)	Total Metering	<p>These are direct SCS + ACS costs, which are not impacted by CoS changes.</p> <p>No non-financial information has been recast as CAM and CoS changes had no material impact.</p>	Estimated
Fee Based Services (CA Template 4.3)	Cost Metrics for Fee Based Services	Not impacted by CAM and CoS changes therefore not recast.	N/a
Quoted Services (CA Template 4.4)	Total ACS Quoted Services	These are impacted by CoS changes, with some unregulated services now being classified as ACS. Sale of inventory services are identified by Product 3000 and	Estimated

5.1.6 Template	5.1.7 Data	5.1.8 Changes	5.1.9 Estimated vs Actual
		<p>are based on the following assumptions:</p> <p>95% allocated to ACS and 5% to Unregulated</p> <p>No watchman lights are included as they are not deemed material (>5%).</p> <p>Non-financial information for 2015-16 and 2016-17 was determined with an average ratio of non-financial to financial information. The average of these two years was applied to all years.</p>	