**Ausgrid Response to Regulatory Information Notice**

Provision of information and demonstration of compliance with the AER’s regulatory information notice of 28 September 2012

November 2013



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# Overview and structure

## **Overview**

This document demonstrates that Ausgrid has complied with the requirements of the Regulatory Information Notice (RIN) issued by the Australian Energy Regulator on 28 September 2012. We understand that the purpose of the RIN is to monitor the compliance of Ausgrid with the 2009-14 distribution determination; publish reports relating to the financial or operational performance of Ausgrid; and prepare for the making of future distribution determinations to apply to Ausgrid.

Ausgrid recognises the important role that performance reporting plays in improving the transparency and accountability of a regulated network service provider's operations. For this reason, we have made substantial investments in information systems over the years to provide accurate and reliable data in the form required by the regulatory bodies.

## **Structure of Ausgrid’s response**

Ausgrid’s response has been structured to demonstrate compliance with the AER’s RIN. The Notice required Ausgrid to:

1. Provide in writing the information specified in Schedule 1 to the RIN.

Section 1 of Ausgrid’s response provides the information required by the AER in respect of Schedule 1 of the RIN.

1. Prepare and maintain the information in the manner and form specified in Schedule 2 to the RIN.

Section 2 of Ausgrid’s response demonstrates how we have complied with the AER’s requirements in respect of Schedule 2 of the RIN.

1. Verify, by way of statutory declaration, the information specified in the RIN, in accordance with Appendix D of the RIN.

Section 3 of Ausgrid’s response demonstrates how Ausgrid has satisfied the AER’s requirements with respect to a statutory declaration verifying the information specified in the RIN.

1. Audit the information specified in the RIN in accordance with Appendix E to the RIN.

Section 4 of Ausgrid’s response demonstrates how Ausgrid has audited the information in accordance with Appendix E of the RIN.

**Response provided in confidence**

Ausgrid is concerned that the AER may publish information that is incomplete, or that misrepresents our true performance. As such, our response, including all attachments to this response, contains a large amount of commercial information regarding Ausgrid‟s operational systems and financial position. The response is therefore being provided to the AER in confidence as contemplated by Division 6 of Part 3 of the National Electricity Law. Consequently, no part of the response (including the audit reports) should be publicly disclosed without the written consent of Ausgrid.

# Provide Information of information in accordance with Schedule 1 of the Notice

**Structure of response**

Schedule 1 to the RIN requires Ausgrid to provide information in writing in accordance with sections 1 to 12 of that schedule.

Attachment A provides the information required under section 1.1(a) of schedule 1 of the RIN. Attachment B provides the information required under section 1.1(b) of schedule 1 of the RIN. These attachments provide all information required in all regulatory templates, being the worksheets in the Microsoft Excel workbooks attached at Appendix B and C to the RIN. All information has been provided in accordance with the instructions contained in the templates.

Ausgrid has responded to the remaining sections of 1 to 12 of Schedule 1 of the RIN, as set out in the following parts of our response:

**Part A –** provides information in relation to templates 1-19, 21 and 22 of Appendix B to the RIN.

**Part B** – provides information in relation to template 20a of Appendix B to the RIN and Sections 6.1 and 6.2 of Schedule 1.

**Part C –** provides information in relation to template 20b of Appendix B to the RIN and Section 7.1 of Schedule 1.

**Part D –** provides information in relation to templates 1a, 1c, 1d, 1e, 5a, 5b and 5d of Appendix C to the RIN.

**Part E –** provides information in relation to templates 1b, 1c, and 3 in Appendix C to the RIN.

**Part F –** provides information in relation to template 2 in Appendix C to the RIN

**Part G** – provides information in relation to table 2 of template 3 in Appendix C to the RIN.

**Part H** – provides information in relation to table 3 of template 3 in Appendix C to the RIN.

**Part I** – provides information in relation to tables 3, 5 and 7 of template 4, and template 7 in Appendix C to the RIN.

**Part J** – provides information in relation to tables 2, 4 and 8 of template 4 in Appendix C to the RIN.

**Part K –** provides information in relation to tables 1, 4 and 6 of template 4 in Appendix C to the RIN.

**Part L** – provides information in relation to template 6 in Appendix C to the RIN.

**Part M –** provides information in relation to section 1.1d of Schedule 1 to the RIN.

**Part N –** provides information in relation to section 1.1e of Schedule 1 to the RIN.

**Part O –** provides information in relation to section 1.1f of Schedule 1 to the RIN.

**Part P –** provides information in relation to sections 1.2 and 1.3 of Schedule 1 to the RIN.

**Part Q –** provides information in relation to section 1.4a of Schedule 1 to the RIN.

**Part R –** provides information in relation to section1.4bof Schedule 1 to the RIN.

**Part S –** provides information in relation to section 1.5 of Schedule 1 to the RIN.

**Part T** – provides information in relation to sections 2 and 3 of Schedule 1 to the RIN.

**Part U** – provides information in relation to section 4 of Schedule 1 to the RIN.

**Part V** – provides information in relation to section 5 of Schedule 1 to the RIN.

**Part W** – provides information in relation to section 8 of Schedule 1 to the RIN.

**Part X** – provides information in relation to section 9 of Schedule 1 to the RIN.

**Part Y** – provides information in relation to section 10 of Schedule 1 to the RIN.

**Part Z** – provides information in relation to section 11 of Schedule 1 to the RIN.

**Part AA** – provides information in relation to section 12 of Schedule 1 to the RIN.

**Part A - Financial templates**

**Relevant Background**

**Template 1 of Appendix B to the RIN requires information on the income statement.**

**Template 2 of Appendix B to the RIN requires information on the balance sheet.**

**Template 3 of Appendix B to the RIN requires information on the cashflow statements.**

**Template 4 of Appendix B to the RIN requires information on changes in equity.**

**Template 5 of Appendix B to the RIN requires information on capital expenditure.**

**Template 6 of Appendix B to the RIN requires information on capital expenditure overheads.**

**Template 7 of Appendix B to the RIN requires information on capital expenditure for tax depreciation.**

**Template 8 of Appendix B to the RIN requires information on network maintenance.**

**Template 9 of Appendix B to the RIN requires information on network maintenance overheads.**

**Template 10 of Appendix B to the RIN requires information on network operating costs.**

**Template 11 of Appendix B to the RIN requires information on network operation overheads.**

**Template 12 of Appendix B to the RIN requires information on costs by category.**

**Template 13 of Appendix B to the RIN requires information on step changes to operating expenditure.**

**Template 14 of Appendix B to the RIN requires information on provisions.**

**Template 15 of Appendix B to the RIN requires information on overheads allocation.**

**Template 16 of Appendix B to the RIN requires information on avoided cost payments.**

**Template 17 of Appendix B to the RIN requires information on alternative control and other services.**

**Template 18 of Appendix B to the RIN requires information on Efficiency Benefit Sharing Scheme.**

**Template 19 of Appendix B to the RIN requires information on jurisdictional scheme amounts.**

**Template 21 of Appendix B to the RIN requires information on self insurance.**

**Template 22 of Appendix B to the RIN requires information on change of accounting policy.**

**Explanation of why information cannot be provided or provided in full**

The information has been provided in full.

**Assumptions and Methodologies**

To complete the financial information in the template, Ausgrid has followed our Cost Allocation Methodology (CAM). This relates to financial Regulatory templates 1-18, and 21.

Capital expenditure on system assets is directly attributed to either standard control services or alternative control services. This attribution is performed based on the asset class.

Capital expenditure on non-system assets which directly and entirely supports the provision of standard control services, alternative control services or unregulated services, are attributed to standard control services, alternative control services or unregulated services, respectively.

Ausgrid also has in place accounting treatment policies (Statement of accounting treatments or SATs), Policies & Procedures, standard reporting, accounting and reporting systems, a centralised finance function and qualified staff who are able to manage the requirements.

In terms of assumptions, Ausgrid has allocated expenditures, revenues and other line items between disaggregated services and other totals in line with our CAM.

Standard Control Services Allocation

The capex allocation on standard control services between Distribution Services and Transmission Services is performed by identifying the relationship between the cost captured by each individual project and the asset classes that are classified under the National Electricity Rules (the NER) as either transmission network assets or distribution network assets. This information is readily available in SAP for each project. At the end of the financial year, an exercise is performed to review these percentages by way of consultation with the Project Management group for System Capex. Non-system Capex is allocated between Transmission and Distribution services based on transmission system assets as a proportion of total system assets. The proportion is 12.35% for transmission and 87.65% for distribution and is applicable for the current regulatory period.

Disclosures

* Ausgrid has made comment in the RIN, under financial template 12, that the allocation of “Other” may include some amounts of Materials and Contractors. This process follows the CAM methodology.
* Financial template 9 - table 1 has allocated unregulated services to the category of “Other network maintenance” as the network categories are not appropriate for unregulated services.
* In financial template 1 - The Regulated Distribution business eliminates consolidation entries between the Standard Control Service - Distribution and Transmission. Ausgrid has recognised TUOS revenue in the Regulated Distribution business column as the consolidation between the two Standard Control Service businesses. This is a net figure. Therefore the Regulated Distribution is not the addition of Standard Control Services, Alternative Control Services and Negotiated Services.
* Ausgrid has not included capitalised interest costs in capital expenditure numbers as this is not allowed according to the Guidelines.

**Part B - DMIA**

**Relevant Background**

Template 20a of Appendix B to the RIN requires information on the DMIA Annual Report.

Sections 6.1 to 6.2 of Schedule 1 require descriptions of DMIA and foregone revenue.

**Explanation of why information cannot be provided or provided in full**

The information has been provided in full. In relation to clause 6.2 of schedule 1, no foregone revenue is directly attributable to a demand management project or program approved by the AER under DMIA.

**Methodology and Assumptions**

Information and measurement systems

The SAP financial system is used to capture all expenditures. A specific “order type” (“N920”) has been set up in the financial system, against which DMIA project expenditure is to be recorded. Each authorised project will have a unique order number of this type. This approach allows for interrogation of the financial system to determine if any DMIA related spending has occurred in a particular period.

Processes and procedures

A process has been established and listed under Ausgrid’s Procedures Database (Procedure GEN-006). This process defines the approach to proposing and authorisation of projects under the DMIA and ensures that project expenditures are appropriately recorded.

## *Demand Management Project Proposal & Approval*

When opportunities are identified for new projects, Ausgrid uses the following methodology when assessing projects for funding under the DMIA allowance:

1. For new concepts, approval for project research and development is carried out by the Manager – Demand Management & Forecasting who ensures that the proposed project meets the funding criteria specified under the DMIA Scheme. This component of the project is defined as a Stage 1 project.
2. Where early stage research and development indicates a potential viable demand reduction solution, the project is approved to proceed to Stage 2 where a project proposal for a full trial is prepared. Approval to proceed to Stage 2 is by the Manager – Demand Management & Forecasting. The project proposal is prepared according to the Ausgrid DMIA template and guidelines, including additional criteria specified by Ausgrid (repeatability, suitability to geographically specific network constraints, and potential to be cost effective ($/kVA)).
3. The project proposal is reviewed by the Manager – Demand Management & Forecasting to ensure it meets the funding criteria specified under the DMIA Scheme and checks are also made to ensure that budget projects costs are within the DMIA allowance. After consideration of the available DMIA budget, proposed projects will be selected for inclusion in the DMIA program and recommended for authorisation at the appropriate delegation level. Projects approved to proceed to a full trial are defined as Stage 3 projects.

## *Demand Management Project Management and Monitoring*

1. The Manager- Demand Management & Forecasting maintains a register of authorised DMIA projects, monitors the committed funding for each year of the determination and calculates the annual roll forward of unspent or overspent allowance.
2. The Manager- Demand Management & Forecasting monitors progress of projects against performance and spending milestones in the authorised project proposals and reassesses projects as necessary to maintain the program and meet Ausgrid’s objectives for the DMIA.
3. Project Managers prepare annual report information for each project for inclusion in the annual submission to the AER. Annual reports include descriptive information, progress against targets, cost data and a calculation of related foregone revenue.
4. The Manager – Demand Management & Forecasting prepares the annual submission to the AER for approval of the projects, expenditures and foregone revenue claims, including preparation of the necessary certifying statements for signature by the Managing Director.

This year the reported costs under the DMIA involved the “Manager – Demand Management & Forecasting” confirming that $934,071 expenditure had been recorded against DMIA projects in the DMIA register.

*Quality control systems*

Project Managers implement projects in accordance with authorised project proposals and provide monthly reports on progress. These reports include timely notification of proposed variations to project scope or changes in costs. Projects are allocated internal orders under a unique order type to facilitate accurate cost capture and reporting.

Methodology

A specific “order type” (“N920”) has been set up in the SAP financial system to capture all DMIA project expenditure. This year two adjustments were made to the expenditure captured under order type N920 in preparing the final reported costs under DMIA:

1. An amount of $59,201 was incorrectly allocated to one N920 order number, for works not related to an eligible DMIA project. This has been removed from the reported DMIA project costs.
2. An amount of $37,562 was incorrectly allocated to a N921 order type, for works related to an eligible DMIA project. This has been included in the reported DMIA project costs.

Ausgrid accordingly verified that $934,071 expenditure had been captured for eligible DMIA projects in 2012/13.

Key assumption

That all project expenditure that Ausgrid would seek to claim under the DMIA is related to properly authorised projects.

**DMIA Annual Report**

Attachment E contains the DMIA annual report and addresses the compliance requirements of Schedule 1, clause 6.1.

**Part C - D-Factor**

**Relevant Background**

Template 20b of Appendix A to the RIN and Section 7.1 of Schedule 1 requires information on the D-Factor.

**Explanation of why information cannot be provided or provided in full**

The information has been provided in full.

**Methodology and Assumptions**

Actual costs incurred are collected by project in the Ausgrid financial system. A specific order type (“N919”) has been set up in the SAP financial system to capture all D-Factor project expenditure. The amounts claimed are those actually booked to each project in the applicable year. Costs include development and implementation costs, project management and other directly related costs, but exclude costs related to DM investigations.

The following methodologies and assumptions are used for preparing Ausgrid’s submission under the D-Factor scheme.

The submission is arranged by project. For each project, the following information is prepared:

* A description of the DM project undertaken, including the target capital and operating costs to be deferred and the decision making process followed.
* Details of the costs incurred in 2012-13.
* Calculation of avoided network cost cap applicable to the 2012-13 claim, based on the avoided network costs anticipated at the time of the decision to undertake the DM project.
* Estimate of revenue foregone in 2012-13 due to the DM project.
* Details of relevant assumptions and methodologies underlying these estimates.

The methodology for estimating avoided costs is according to the relevant D-Factor guidelines, based on the expected costs of network projects at the time of deciding to implement the DM alternative, as documented in the relevant planning documents of the time. The value is expressed as a present value in 2012-13 dollars based on anticipated real cashflows and a real discount rate of 7.47%.

One project active in 2012-13 was undertaken on the basis of reducing load at risk with the calculation of avoided distribution costs based on the apportioning model endorsed by IPART in February 2007. Under this methodology, the ADC cap attributable to a project is based on the expected reduction in load at risk resulting from the project. Where the project expenses are due to project development costs, and the project details are not final, this has been estimated based on the results of the investigation. The ADC proportion will be recalculated when the project is fully developed and authorised and the revised ADC proportion identified in future D-factor claims. Details of this methodology may be found in the IPART document ‘*Tribunal 2007 Preliminary Assessment of Methodology for Apportioning Avoided Distribution Costs under the D-Factor Mechanism - 2004 Determination - February 2007’*

Where avoided cost caps have been determined in previous years, that amount remaining under the cap is calculated by subtracting the costs claimed against the cap in 2011/12 and grossing up the residual to 2012-13 dollars using the nominal rate of return of 10.02%.

The methodologies for assessing foregone revenue are based on a detailed assessment of the impacts on quantities at each individual customer site. The generalised method used for power factor correction projects is common to all projects of this type and is detailed in Appendix 1.

The method for assessing the energy efficiency projects involves an engineering assessment of the change in all relevant tariff quantities that might be affected by the measures undertaken at each site.

For each measure at each site, actual monthly billing data is collected. Actual measured quantities for each month after installation are then adjusted to account for the calculated impact of the measure implemented to determine what the quantities would have been in the absence of the measure. The differences in each month are then multiplied by the applicable DUOS price components to arrive at the foregone revenue for the year.

**D-Factor Annual Report**

Attachment F contains the D-Factor annual report and addresses the compliance requirements of Schedule 1, clause 7.1.

**Part D - Reliability**

**Relevant Background**

Table 1 of Template 1a in Appendix C to the RIN requires information **on SAIDI for each network categorisation**.

Table 2 of Template 1a in Appendix C to the RIN requires information **on SAIFI for each network categorisation**.

Table 3 of Template 1a in Appendix C to the RIN requires average distribution customer number for each network categoristation.

Table 1 of Template 1c in Appendix C to the RIN requires daily performance data for unplanned SAIDI and unplanned SAIFI (excluding customer service columns W and X).

Table 2 of Template 1d in Appendix C to the RIN requires daily MED calculation data.

Table 1 of Template 1e in Appendix C to the RIN requires information on exclusions.

Table 1 of Template 5a in Appendix C to the RIN requires information on unplanned outages.

Table 1 of Template 5b in Appendix C to the RIN requires annual feeder reliability data.

Table 1 of Template 5d in Appendix C to the RIN requires information on planned outages for each network categorisation.

**Explanation of why information cannot be provided or provided in full**

Momentary events – Starting in 2012/13 all momentary outage data in OMS was verified against source Control Room documentation. 2012/13 was the first year that these verification checks were performed to confirm completeness against manually recorded Control Room documentation. Momentary data is not complete as there still remains a number of reclosing devices that do not provide automatic notification into SCADA of a trip and reclose event.

Planned events - All measures relating to Planned events are not complete as the times recorded for planned events managed by the Sydney Control Room reflect the period in which the outage was expected to occur, not the actual off and on times customers experienced.

**Assumptions and Methodologies**

All STPIS reliability performance data has been taken from outage events recorded in the Outage Management System (OMS) and its related reporting extracts and reference tables. OMS is the system of record for outage events.

The OMS records outage event activity and the details are regularly extracted to a reporting environment. Extracts are hourly during the working day, with a single extract overnight. The information is held in the reporting environment in structures tuned for reporting efficiency.

There are applications (directly linked to OMS) and reference tables outside OMS that hold information relevant to performance reporting. Specifically:

1. Electrical connectivity details (including where NMIs are attached to the network):
   1. GIS
2. NMI details:
   1. SAP CCS & B2B
3. Reporting Reference tables:
   1. Feeder categorisation (CBD, URBAN, etc)
   2. Annual Tmed threshold values

Electrical connectivity, sourced from GIS and as recorded in OMS, provides the normal state of the network. Switching activities in OMS set up the actual network configuration at the time of each outage event. Further switching in OMS is used to determine which parts of the network and, therefore, which NMIs are affected by an outage event. The NMI details, sourced from CCS & B2B and as recorded in OMS, are used to determine which NMIs were active at the time of the outage event.

The reporting reference tables provide the capability of separating outage events, NMIs affected and NMIs fed by:

1. Tmed vs. non-Tmed, and
2. Feeder Category

All other data separation required in the RIN i.e. Excluded vs. Unplanned vs. Planned events is taken from facts recorded in the OMS outage event record itself.

Key Elements of the Methodology:

1. With the exception of events that have not been entered in OMS at the time of reporting (due to system errors), all outage event information comes from the system of record: OMS.
2. OMS combines:
   1. electrical connectivity information from GIS, including where NMIs are connected to the network
   2. abnormal switching information from the control room and as-found in the field by the field crews
   3. fault and restoration switching activity from the control room and field crews

with its NMI information, from CCS & B2B, to determine which active NMIs are affected by each event, which feeder they were fed from at the time of the outage and the time each NMI lost supply and had supply restored.

1. The “Completion” step in OMS is where the key facts about the event such as cause and other pertinent attributes are recorded, including if the event was planned or unplanned.
2. Once the event data is extracted into the reporting environment it is combined with the reference feeder category, Tmed and NMI status (active vs. inactive) to generate the required performance measures:
   1. A BusinessObjects report (AER RIN 2012 - 13 DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.0.xls) provides the summarised results for events as required for the templates and tables described above except Template 1e. Table 1 and Template 1d Table 1. All the information is copied into the relevant RIN tables, with only minor modification to suit the RIN’s formatting and consolidation requirements. The only “manual” processing is for Template 1e. Table 1 where the AER’s “Event Category” is entered by hand and Template 1d. Table 1, MED Threshold which is also entered by hand.
   2. It is recognised that the feeder category and number of customers may change throughout the year and therefore that data is as at the end of the 2012-13 year.

Key assumptions used in method:

1. All outage events are correctly recorded in OMS (times, NMIs affected, Trigger, et al)
2. All reference tables are accurate (feeder categories, Tmed days, Tmed value)
3. Errors in estimated CI and CMI impacts for events not entered in OMS due to system problems are not material
4. The connectivity model in OMS, as received from GIS, is correct, or that any discrepancies are managed through a combination of additional switching in OMS to match the actual configuration, or by holding the event in the OUTAGES\_NOT\_IN\_OMS table until the updates come through
5. All SAIDI and SAIFI calculations are performed using the actual number of customers fed on the day that the outage occurred, rather than (the less accurate) method of using an “average” annual value calculated as ½ (starting count + ending count), which, whilst a reasonable approximation for large, stable, customer sets – specifically the total network – is less accurate for smaller, less stable, sets – feeder categories and individual feeders – where the numbers can change materially during the year due to adding, removing and reconfiguring feeders.

OMS outage event information is recorded and confirmed in an after-the-event process, based on information received from:

1. CASS (single customer jobs, recorded in the field using CASS)
2. “Blue forms”, written out by System Operators in the control room in Sydney (all jobs managed by the Sydney Control Room)
3. LID system reports, recorded in LID by System Operators in the control room in Newcastle (all jobs managed by the Newcastle Control Room)
4. Field reports from field crews and passed to Depot Clerks (all jobs managed by the Depots)

Once recorded in OMS and the details confirmed (i.e. the event made “Complete”) by data entry staff, there are QA checks performed by the Outage Management team. These include manually checking events of apparently excessive size and / or duration, possible duplication of entry, and apparent ambiguities in attributes within an event.

Also managed manually are small numbers of events that cannot be entered in OMS due to system errors. These are manually entered in a separate table with estimates of the CMI and CI impacts to the affected feeders. These estimates are included in the overall results when reliability performance reports are created. The events in this table are under constant review and are removed from it as soon as the system error is corrected and the event has been entered into OMS.

Finally, the Network Reliability team provides feedback to the Outage Management team on any potential discrepancies it finds during the monthly reporting cycle and in the course of contacts with other groups that use the information for their daily activities.

**Part E - Customer service**

**Relevant Background**

Table 1 of Template 1b in Appendix C to the RIN requires information on telephone answering.

Table 1 of Template 1c in Appendix C to the RIN requires daily customer service call information (customer service columns W and X).

Table 3 (timely provision of services and call centre performance sections) of Template 3 in Appendix C to the RIN requires information **on timely provision of services and call centre performance.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

Telephone Answering, Daily Customer Service Call Information, and Call Centre Performance:

Ausgrid implemented a new automated call routing solution in January 2012. This system separates calls abandoned from the automated system from those abandoned from human operators.

Like for like comparisons of network providers’ performance applies only to the percentage of calls abandoned from those presented to human operators, i.e. excluding calls abandoned from the automated system as these calls are never presented to human operators.

Ausgrid utilises a combination of Genesys, Alcatel and Rockwell technologies to service its Network related calls. The resulting data generated from these technologies is consolidated via Business Objects Universes and reported via Web Intelligence reports.

The telephone number is 131388 (during this reporting period additional retail based phone numbers are included as they provide functionality to be routed and report a network fault.)  
  
Ausgrid Network Call Centre volumes are determined by grouping all “Emergency” routed call statistics then deducting any Network deemed event days from each statistic reported. The net result is then reported in a detail and summary report AERDaily1213 RIN.xls. The report is reviewed by Business Intelligence and Network Operational Managers then submitted for approval by the Contact Centre Executive Manager.

Timely Provision of Services – Reconnections:

All reconnections are entered and captured in OMS (Outage Management System). These requests are dispatched to field officers to arrange reconnection. OMS captures the date and time of the request and the date and time of the reconnection made.

Reconnection turnaround is calculated based on the above two date/time variables.

**Part F - Demand**

**Relevant Background**

Table 1 of Template 2 in Appendix C to the RIN requires information **on maximum coincident demand at the network level**.

Table 2 of Template 2 in Appendix C to the RIN requires information on summer and winter non-coincident maximum demand by zone substation.

**Explanation of why information cannot be provided or provided in full**

Table 1: The MW information has been provided in full.

The MVA information has not been provided for **Forecast** since only MW information was prepared for the 2009-14 Regulatory Proposal.

The MVA information has not been provided for **Actual – raw** since existing business process does not report MVA.

Table 2: The information has been provided in full.

It is assumed that **Nameplate rating** refers to the substation firm (N-1) rating, since **Nameplate rating** is usually used when referring to individual items of plant, rather than a substation, where individual items of plant are connected together.

**Assumptions and Methodologies**

Table 1:The process used to determine the maximum coincident demand at the network level (**Actual – weather normalized** and **t+1 forecast**) is produced via the diversified summation of individual substation weather normalized loads. The process used to determine **Actual – raw** remains the same as previous RIN submissions.

Weather normalized loads, used to calculate **Actual – weather normalized** and **t+1 forecast**, are determined at the individual substation level. The diversity factor (coincidence factor) is also calculated for each substation. The maximum coincident demand at the network level (**Actual – weather normalized** and **t+1 forecast**) is derived by using a diversified summation of the individual weather corrected substation loads.

The diversity factor is the ratio of the demand of the substation at the time of the upstream network peak to the peak of the zone substation. In practice, Ausgrid uses a rolling 5 year average for diversity factor.

Ausgrid uses the Statistical Analysis Software (SAS) to calculate the weather corrected maximum demand and diversity factor at the zone substation level.

For the **Actual – raw**, Bulk Supply Point (BSP) values are used, which are the high-level energy flows (and associated characteristics such as peak demand) around the Ausgrid network. The raw data is measured via several hundred electricity meters of the type specified in the National Electricity Rules. These meters are situated in our own network, adjoining networks and at key points such as power generation sites. The complex engineering required to verify and integrate the meter data requires an automated calculation system. Ausgrid utilises the SAS analytics software platform to perform the BSP calculations specific to its Network. This platform was used to compile the maximum coincident demand at the network level.

The procedure to calculate the **Actual – weather normalized** and **t + 1 forecast** maximum coincident network demand at the network firstly requires the POE50 peak demand forecast for each zone substation and subtransmission substation to be produced. This is a Business As Usual activity carried out every 12 months immediately following the summer season. In simple terms, the determination of the peak demand forecast for each substation involves the following steps:

* Gather interval data for weather and demand;
* Cleanse data;
* Normalise data which covers weather normalisation and account for historical step changes in demand due to spot loads, load transfers and large known embedded generators;
* Trend normalised data using time series regression to determine growth rate and starting point;
* Calculate forecast demand and apply known spot loads, transfers and large embedded generators; and
* Apply econometric growth rate drivers.

The **Actual – weather normalized** and **t + 1 forecast** maximum coincident demand at the network level is then determined by calculating the diversified summation of the substations with a primary voltage of 132kV (namely, subtransmission substations and 132/11kV zone substations) and substations supplied from other DNSPs.

This process is carried out for the POE10 and POE90 peak demand substation forecasts for the respective maximum coincident network demand values required in Table 1 of Template 2: Demand. To simplify the process, the growth rates for the POE10 and POE90 forecasts are the same as for POE50, however the starting points are specific for each POE level.

#### The Actual Raw peak demand of 5,659 MW includes an estimated 38 MW contribution by solar PV gross export loads at the time of system peak.

#### No separate allowance is made for the impact of solar PV in the **Actual – weather normalized** and **t + 1 forecast**, since the impact of solar PV is already included in the individual maximum demands for each substation.

Table 2: Data for MW, MVAr, MVA and power factor for each zone substation is determined from measuring elements at each zone substation, recorded via the SCADA system or using meter data for each 15 minute interval. SCADA data is stored within the SCADA system itself whilst meter data is stored in the Meter Data Warehouse (MDW).

The Meter Data Warehouse (MDW) is an Oracle database supplied with meter data from Ausgrid's core metering systems (MBS and NEMstar). It transforms the meter data into formats readily used for management reporting and analysis.

A SAS report provides peak demand for summer and winter for given periods and substations, using figures calculated as part of the annual peak demand forecasting process for substations.

The procedure is as follows:

Stage 1 - Identify appropriate forecast versions

Since the RIN template compares zone substation maximum demand data across two different forecasts, it is important to ensure the appropriate forecasts versions are used. The appropriate versions are specified in the RIN template.

1. Ensure the correct “old” forecast is identified
2. Ensure the correct “latest” forecast is identified

Stage 2 - Amend SAS output format

The SAS forecasting software should be modified (if necessary) to align the output format for the zone substation maximum demand data with the format specified in the RIN template.

Stage 3 - Extract ZS data from SAS

The following tasks should be completed to extract the ZS data from SAS:

Run SAS to populate the zone substation maximum demand data in the RIN template. A subroutine has been coded in SAS that will output in the desired format and perform any MVA, MW, MVAr and pf calculations.

Stage 4 - Validate SAS output

The SAS output for the zone substation maximum demand data produced for the RIN template must be checked for accuracy. The data in the RIN template should match the data in the relevant “old” and “new” forecast.

Stage 5 - Submit

Once validated, the completed RIN template should be included in the final RIN document.

An assumption applied is that the forecast used in the RIN template compares zone substation maximum demand data across two forecasts – an “old” forecast and “latest” forecast. Usually, the “old forecast corresponds to the forecast that was used as the basis of a Regulatory Determination. The “latest” forecast is based on Summer 2012-13 and Winter 2012 actuals (which are the most up-to-date forecast at that time.)

Outlined below is a diagram of the business process for providing zone substation maximum demand data for the RIN.

**Trigger**

RIN request

**Stage 1**

Identify forecasts

**Stage 3**

Extract ZS data from SAS

**Stage 4**

Validate SAS output

**Stage 2**

Amend SAS to output appropriate format

**Stage 5**

Submit

**Part G - Complaints**

**Relevant Background**

Table 2 of Template 3 in Appendix C to the RIN requires information **on complaints – technical quality of supply.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

For the purposes of this report, the following definitions from the AER’s “Regulatory Information Notice” have been used:

Complaint:

*A written or verbal expression of dissatisfaction about an action, a proposed action, or a failure to act by a distributor, its employees or contractors. This includes failure by a distributor to observe its published practices or procedures.*

Complaints – Technical Quality of Supply – Number:

*The total number of complaints made to Ausgrid where the complaint raised issues about voltage variations.*

Customer Complaints - Total:

*The total number of complaints made to Ausgrid including all written or emailed complaints, and complaints to the call centre.*

Methodology

Quality of supply complaints data was sourced and interrogated as per Ausgrid’s - *“Procedure for sourcing data and producing reports in relation to network related complaints”*.

The interrogated data for the RIN report is contained in the spreadsheet *“Network Complaints Performance Report (Data Corrected)-RIN.xls”*, (see worksheet > *“RIN Complaints Comp Corrected”*).

**Part H - Streetlights**

**Relevant Background**

Table 3 (streetlight section) of Template 3 in Appendix C to the RIN requires information **on timely repair of faulty streetlights.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

1. Streetlights - average monthly number "out"

The total number of street lights reported by Customers as not working over the year, divided by twelve.

1. Streetlights - not repaired by "fix by" date

The total number of standard or non-standard fittings not repaired or replaced within 8 business days of a fault report, and excluding faults that are excluded under the NSW Public lighting Code.

1. Streetlights - average number of days to repair

The average number of days to repair street lights that were reported as not working.

1. Total streetlights

The total number of streetlights for which Ausgrid has responsibility to maintain.

**Part I - General information & asset installation**

**Relevant Background**

Table 3 of Template 4 in Appendix C to the RIN requires information **on line length.**

Table 5 of Template 4 in Appendix C to the RIN requires information **on number and capacity of transformers.**

Table 7 of Template 4 in Appendix C to the RIN requires information **on poles and substations.**

Table 1 of Template 7 in Appendix C to the RIN requires asset age profile for distribution system assets**.**

**Explanation of why information cannot be provided or provided in full**

Asset data in every organisation will have issues and delays in processing / entry into the associated asset systems so Ausgrid cannot provide a guarantee of there being a complete set of data at any point in time. “Best Endeavours” are being applied to provide as complete a set of data as possible at the time of extraction from the asset systems.

Ausgrid has prepared lists of asset categories under the AER Asset Groups which it believes provides an indicative view of the requested asset data at the reference date (30 June 2013).

There are asset categories which don’t have some fields populated in the table due to varying reasons:

1. the data does not exist in any asset systems;
2. there were no occurrences / data recorded during the RIN period;
3. Insufficient data exists to provide a reasonable response

Pole top structures

Ausgrid does not retain individual data about pole top structures that will contribute to the population of this RIN.

Conductors

Removed conductor information is not retained, thus data is unavailable to provide replacement life information and actual volumes replaced. Replacement unit costs were unavailable at the time of collation.

Underground Cables

Removed cable information is not retained, thus data is unavailable to provide replacement life information and actual volumes replaced. Replacement unit costs were unavailable for the majority of categories. Data for 33kV UG Gas was available due to known projects completed within the year.

Services

Details about removed services are not tracked in any of Ausgrid’s asset system, thus replacement life unable to be determined. In addition, actual numbers of UG services replaced are not captured.

Zone Switchgear

Insufficient data exists for the calculation of unit replacement costs of 11kV switchgear housings.

SCADA and Protection

As they are a relatively new asset, insufficient data is available for analysis of data for fibre cables.

For Copper comms/pilot cable some data is not supplied as the required information is not retained once a cable is removed

Other

Data is not supplied for Controlled Load Devices as the assets are not being replaced - they are being removed and incorporated in the replacement meters as an additional function.

**Assumptions and Methodologies**

For the asset installation worksheet (4) of the RIN, Ausgrid has assigned the responsibility to the Manager of the Network Data & Performance branch in the Engineering Division. A single role, Manager – Asset Information Systems, has co-ordinated all relevant staff to provide raw data and / or specific data in the required format and entered that data into the AER worksheets.

Data received in the form of spreadsheets and relevant emails have been filed and reference notes placed in a working spreadsheet. Where sub-sets of data have been constructed from larger spreadsheets, these have been referenced and the filters used to extract the data noted in the working spreadsheet.

An overview document noting the sources of the various data components has been produced for internal purposes so all data can be audited and reproduced for future RINs.

There are 3 primary asset systems used to draw asset information (GIS, SAP and MBS). Ausgrid has drawn on data available in the asset systems at the time of preparation. The data extraction programs and raw data for the assets are at varying stages of development / cleanliness and are expected to improve over time.

Ausgrid uses a number of reporting tools to extract and filter the data: Business Objects, MS Excel and MS Access.

Ausgrid has developed a Business Objects dashboard to provide graphs and failure information. This is known as the Asset Investment Outcomes (AIO) Dashboard and has been used to gather about 50% of the data for this RIN. Further development is necessary to tailor the extracts more closely to the RIN attributes in future reporting.

The following are specific assumptions made during the calculation and/or preparation of data for the key asset installation attributes:

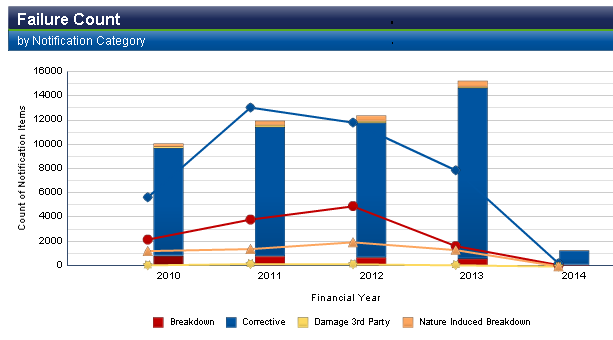
*Replacement asset life* – for Ausgrid this has been drawn from the decommissioned or retired assets by subtracting the commissioning date from the decommissioning date. This age is then averaged across all the assets in its asset category and the standard deviation calculated for the same dataset. The data is for all assets removed from the network due to any reason – information is not captured to allow distinction of the reason for removal (eg replacement due to condition vs removal due to obsolescence)

*Replaced Assets* – This is the volume (or length depending on unit) of assets removed in the 2013 financial year. As per the asset life, the data contains all removals not just those replaced.

*Replacement Unit Cost* – given the majority of projects being undertaken by Ausgrid have synergies with multiple programs of work we find it difficult to separate individual replacement work from these other drivers such as load growth and reliability. The replacement unit cost will therefore tend to be inflated due to the other work being untaken at the same time. Our financial systems do not presently have the functionality to separate individual drivers within the project. Functionality is being rolled out to apportion costs via a percentage assigned to each driver associated with the project. This new functionality has been applied to new projects in the South, East and North regions since April 2012. The actual costs associated with replacement projects have been compiled from the last three years with extreme cost projects excluded from the analysis sample.

*Asset Failures* – a reporting tool has been developed in the AIO Dashboard which lists the failures that have occurred on particular asset types since the start of the 2010 financial year. This report has been used to provide the asset failure information for a significant number of assets for this RIN response. The figure below shows how the information is graphically presented in the dashboard for easy interrogation and entered directly onto the RIN spreadsheet.

The failures are represented by notifications in the Ausgrid asset system SAP (PM module). The notification types included in the Asset Failures are Corrective (M2), Breakdown (M3 or other types with breakdown flag set) and Nature Induced Breakdown (M4) where specific data has been captured to indicate an identifiable failure mode.



*Age Distribution* – Information sourced from GIS is provided with year of installation or, where the year of installation is not retained, an ‘unknown’ attribute. Data sourced from the AIO dashboard is provided with an age as at the report date, and assets without that attribute are excluded. For this RIN the data sourced from the AIO dashboard is converted back to a year of installation with an assumption that those with an age of 0 were installed in 2013, age of 1 were installed in 2012 etc. An additional extraction from SAP was made to supplement this data with those asset records without a year of installation.

**Part J - General information (energy delivered, customer numbers, other information)**

**Relevant Background**

Table 2 of Template 4 in Appendix C to the RIN requires information **on energy delivered.**

Table 4 (by supply voltage) of Template 4 in Appendix C to the RIN requires information **on customer numbers by supply voltage.**

Table 8 (distribution losses) of Template 4 in Appendix C to the RIN requires information **on distribution losses as a percentage of purchases.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

Table 2 – Energy delivered (26,316 GWh). Source is email dated 11 July 2013 from Manager – Network Finance Planning (Page 6a of attachment).

Table 4 – Customer numbers. Source is a standard SAP BW query that is run each month.

Table 8 – Distribution losses (3.98%). Source is:

Purchases = 27,408 GWh (source is Network Pricing BSP processes, with 27,408 being confirmed by Mudit Srivastav email of 31 October 2013. The processes are documented in reference document NP0004.03).

Sales = 26,316 GWh (source is as per “4. Table 2” above. The 26,316 was the basis for estimating 2012/13 NUoS revenue. This revenue has been subject to, and passed, independent audit as part of the statutory accounts, and therefore technically the volume on which the revenue estimate was based has also technically passed audit).

Therefore losses = 1,092 GWh = 3.98% of purchases.

**Part K - General information (energy delivered, customer numbers, other information)**

**Relevant Background**

Table 1 of Template 4 in Appendix C to the RIN requires information **on metered supply points.**

Table 4 (new customer connections and disconnections) of Template 4 in Appendix C to the RIN requires information **on new customer connections and customer disconnections.**

Table 6 of Template 4 in Appendix C to the RIN requires information **on unmetered supply points.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

In Table 1, the data source is Meter Data Warehouse and GIS.

The relationship between the NMI and feeder is supplied by OMS which originates from GIS. Feeder classifications are as per the Design, Reliability and Performance License Conditions (June 2013).

Feeder Categories of HV customers and AUX totaling approximately 28 sites have been excluded. Additionally, the following Installation Voltages have been excluded: Unknown and 132 kV.

In Table 4, for Customer Disconnections, only disconnection requests is available, which is a higher value than actual disconnections.

**Part L - Weighted average cost of debt**

**Relevant Background**

Table 1 of Template 6 in Appendix C to the RIN requires information **on cost of debt.**

**Explanation of why information cannot be provided or provided in full**

No instances of information that cannot be provided.

**Assumptions and Methodologies**

The methodology was to take the interest expense for the year and to divide that by the average net debt for the year calculated by averaging the monthly debt balance through the year**.**

**Part M - Reconciliation of movements**

**Relevant Background**

**Section 1.1(d) of Schedule 1 requires a Microsoft Excel workbook or other information that reconciles and explains all movements between the Audited Statutory Accounts and the Regulatory Accounting Statements.**

**Explanation of movements between the Audited Statutory Accounts and the Regulatory Accounting Statements**

The adjustment column in the RIN template represents the adjustments made to audited Statutory accounts to arrive at the accounts for the regulated distribution business. The adjustments include unregulated activities, re-classifications and other variances to the statutory accounts. Refer to the RIN for further explanation.

**Part N - Capitalisation Policy**

**Relevant Background**

**Section 1.1(e) of Schedule 1 requires the Capitalisation Policy for 2012/13.**

**The Capitalisation Policy is provided in Attachment I.**

**Part O - Cost Allocation Method**

**Relevant Background**

**Section 1.1(f) of Schedule 1 requires the statement of policy/s for determining the allocation overheads in accordance with the Cost Allocation Method for 2012/13 and 2011/12.**

Refer to the Cost Allocation Policies and Procedures (section 6 – page 9) outlined in Ausgrid’s draft CAM submitted to the AER on 24 September 2013.

**Part P - Material differences**

**Relevant Background**

Section 1.2(e) of Schedule 1 requires identification of the Material difference between the total actual demand reported in the RIN templates and the total forecast demand provided for in the 2009-14 Distribution Determination for 2012/13.

**Section 1.3 requires reasons for any underlying operational activities or drivers that caused each Material Difference identified in 1.2.**

**(a) total actual revenue and total forecast revenue**

**The difference between total actual revenue and total forecast revenue is driven by variance between actual and forecast CPI, variance between actual and forecast overall volumes, variance between the actual and forecast component level volumes and pricing strategy.**

**(b) total actual Operating Expenditure and total forecast Operating Expenditure**

**Please refer to comments included in financial template 10, table 2 of the Electricity DNSP Annual Reporting template – Financial Information.**

**(c) total actual Maintenance Expenditure and total forecast Maintenance Expenditure**

**Please refer to comments included in financial template 8, table 2 of the Electricity DNSP Annual Reporting template - Financial Information.**

**(d) total actual Capital Expenditure and total forecast Capital Expenditure**

**Please refer to comments included in financial template 5, table 1 of the Electricity DNSP Annual Reporting template – Financial Information.**

**(e) total actual demand and total forecast demand**

At the time of 2009-14 Regulatory Determination, the forecast total actual demand for summer 2012/13 was 6467 MW. The total actual demand for summer 2012/13 was 5659 MW. The actual demand for summer 2012/13 was 12.5% lower than forecast.

This discrepancy can be attributed to a number of contributing factors:

* + Depressed economic conditions arising from the GFC. The Regulatory Determination forecast was done prior to the onset of the GFC
  + Energy efficiency impacts due to government policy in areas such as building construction standards (BCA), appliance energy efficiency standards
  + Uptake of solar rooftop PV driven mainly by generous state government incentives - ie Solar Bonus Scheme
  + Electricity price rises and resultant customer response to decrease their demand.

**Part Q - Classification of Services**

**Relevant Background**

Section 1.4(a) of Schedule 1 requires information in respect of classification of services, and an explanation of the procedures and processes used by Ausgrid to ensure that the distribution services have been classified as determined in the 2009-14 Distribution Determination.

**Explanation of procedures and processes to ensure compliance with the classification of services**

Ausgrid has a comprehensive compliance system in place to monitor compliance with the NSW Distribution Licence Conditions, National Electricity Rules, National Energy Retail Rules and Ausgrid’s 2009-14 Distribution Determination. In respect of classification of services Ausgrid uses four groupings:

 Direct (standard) control services which include DUoS services, private power line inspections, customer installation inspections, emergency recoverable works, monopoly and miscellaneous services

 Alternative control services which include construction and maintenance of public lighting

 Negotiated distribution services

 Unregulated services which include customer funded connections, customer specific services, metering services type 1-4.

We examine the nature of the activities undertaken by each of the business units to ensure the correct classification of the distribution services we provide. All costs incurred in undertaking these activities are then allocated to the above service classification in accordance with the requirements of the Cost Allocation Method (CAM) approved by the AER. Compliance with the CAM is a regulatory requirement under clause 6.15.6 of the Transitional Chapter 6 of the National Electricity Rules and also a requirement in Part 3 of the NSW Ring Fencing Guidelines. Therefore Ausgrid ensures that the regulated and unregulated businesses are separately identifiable. In the 2008 AER CAM determination, the AER stated that “The AER is satisfied that the allocators used to allocate capital expenditure in Ausgrid’s (formerly EnergyAustralia) proposed CAM comply with the cost allocation guidelines in the Accounting Separation Code”.[[1]](#footnote-1) This CAM the subject of these comments was still applicable to the 12/13 RIN Reporting period.

To date Ausgrid has not been requested to provide any negotiated distribution services or any negotiable components of any direct control services; consequently there has been no requirement to apply the negotiable component criteria.

From a price control perspective the regulated business prices are examined for compliance by the AER as part of Ausgrid's annual pricing proposal process.

Ausgrid has submitted annual regulatory accounting reports (via the RIN) which include both financial and non financial information using the AER RIN reporting templates. The financial information is audited by an external auditor who must also ensure compliance with Ausgrid’s AER approved CAM.

**Part R - Arrangements for Negotiation**

**Relevant Background**

Section 1.4(b) of Schedule 1 requires an explanation of the procedures and processes used by Ausgrid to ensure that the negotiable component criteria (NCC), as set out in the 2009-14 Distribution Determination, have been applied.

**Procedures and processes to ensure that the Negotiable Component Criteria (NCC) of the Distribution Determination have been applied**

If a service applicant applies in writing for a Negotiable Component of a Direct Control Service as per the AER Determination, it would be have been dealt with on a case by case basis by developing a suitable Negotiated Customer Connection Contract (NCCC). This would have been done in accordance with Appendix B Negotiable Component Criteria and Appendix E EnergyAustralia (*sic)* Negotiating Framework of the AER Determination. Clause 3 of Ausgrid’s internal Customer Installations Advice (CIA) 72C provided guidelines on how such a NCCC would have been developed by Ausgrid. It should be noted, there were no customer applications to develop a NCCC.

The Standard Form Customer Connect Contract (SFCCC) has proved satisfactory for all Ausgrid’s customer connections. It should be remembered that the SFCCC contract has been replaced, due to the introduction of NECF on 1 July 2013, so the procedure detailed here from clause 3 of CIA 72C would no longer be used.

If a customer wished to pursue a NCCC in lieu of the SFCCC, the request would have been referred to the Manager – Connection Policy (M – CP) (Chief Engineer division / Assets & Network Planning branch). The applications would have been dealt with on a case by case basis in conjunction with Legal Branch. If appropriate, a NCCC would have been developed to comply with the relevant requirements of the Act and the Regulation or if necessary the NER. Legal Branch would have arranged for the drafting and any sign-off of the NCCC (and any associated amendments) to ensure it complied with all relevant requirements.

NCCCs with small customers were required to comply with a number of regulatory requirements, including the following:

 before entering into a NCCC with any person, Ausgrid must have disclosed in writing to that person that the person was entitled to a SFCCC with Ausgrid under Part 3 Division 2 of the Act.

 within two business days of a NCCC being entered into with a small customer, Ausgrid must have provided the customer with a disclosure notice, which included the customer’s right to enter into a SFCCC with Ausgrid and how the terms of the NCCC differed from the SFCCC. Note: this was a requirement of clause 42 of the Regulation.

 in accordance with clause 22 of the Regulation, Ausgrid must have written to any affected small customers under a NCCC outlining the details of a proposed variation in the charges for connection services provided by Ausgrid, prior to implementing such a variation. The written notice must have specified the date on or after which the variation was to take effect being a date that was later than the date the notice was served, and must have included a statement of the new rates or the amount of the variation.

**Part S - Cost allocation to the regulated distribution business and service segments**

**Relevant Background**

Section 2.1 of Schedule 1 requires identification of each item in the Regulatory Accounting Statements that is:

not allocated on a directly attributable basis but is allocated on a causation basis to the distribution business; and

not allocated on a directly attributable basis and cannot be allocated on a causation basis to the distribution business.

Section 3.1 of Schedule 1 requires identification of each item in the Regulatory Accounting Statements that is:

not allocated on a directly attributable basis but is allocated on a causation basis from the distribution business to a service segment; and

not allocated on a directly attributable basis and cannot be allocated on a causation basis from the distribution business to a service segment.

Section 2.2 and Section 3.2 of Schedule 1 requires for each item identified in 2.1(a) and 3.1(a), the amount of the item that has been allocated; an explanation of the method of allocation and reasons for choosing that method; and the numeric amount of the allocator(s) used.

Section 2.3 and Section 3.3 of Schedule 1 requires for each item identified in 2.1(b) and 3.1(b), its amount; whether it was Material; an explanation of the method of allocation and reasons for choosing that method; and an explanation of the reason(s) why it cannot be allocated on a causation basis.

**Ausgrid’s methodology of defining direct vs. indirect expenditure**

Direct costs are those costs directly allocated to a project and/or activity (ie. cost object) and not allocated to a cost object by virtue of an allocation method. Direct costs include labour & labour associated on-costs (ie. leave entitlements, superannuation etc.), materials expenditure, contract services, plant hire etc., and represent expenditure directly attributable in the delivery of the project and/or activity as defined by the RIN.

Indirect costs are costs which are attributed to a cost object by means of an allocation process. Indirect costs are allocated to a cost object based on some nominated driver (ie. labour dollars), having regard for the need to allocate appropriately all expenditure to a project and/or activity. Indirect costs include all assessment of management overheads, the transfer of inter-branch charges associated with fleet & logistics expenditure and direct overheads (ie. wet weather, administrative support etc.), associated with 'front line' groups.

From a systems perspective, both direct and indirect costs are readily identifiable as either directly or indirectly allocated to a cost object.

Ausgrid’s allocation methodology is below.

**Ausgrid’s Allocation Methodology - Summary**



**Part T - Related Party Transactions**

**Relevant Background**

Section 4.1, 4.2 and 4.3 of Schedule 1 require information on related party transactions.

Ausgrid has a Nil amount reported on financial template 10, table 4.

**Part U - Efficiency Benefit Sharing Scheme Christina Scott Christina Scott**

**Relevant Background**

Section 5.1 and 5.2 of Schedule 1 require information on changes to the Capitalisation Policy between 2012/13 and 2011/12.

There were no changes in Ausgrid’s Capitalisation Policy.

**Part V - Asset Replacement Volumes**

**Relevant Background**

Section 8.1 of Schedule 1 requires information with respect to the asset replacement volumes reported on template 7 of the workbook attached at Appendix C. For each asset identify the proportion of total replacements that were a like-for-like replacement, where the new asset provided an equivalent level of service as the asset being replaced. If the proportion of like-for-like replacements is estimated, provide details of the basis for the estimation.

**Proportion of total replacements that were a like-for-like replacement**

The data Ausgrid has provided for the "Actual replacement volumes (number of assets replaced)" column, in financial template 7 - Asset Installation, is explained as the total volume (or length as may be applicable) of assets removed from the network in the specified asset group/category (due to any reason). Ausgrid does not retain the data at sufficient level to distinguish the assets that have been removed due to replacement from those that have been removed due to other reasons. As this section is seeking information on a sub-set of the 'replacement only' figures, Ausgrid is unable to supply the requested data.

Assets may be removed or replaced for the following reasons:

* Removal due to obsolescence/redundancy
* Replacement due to condition (generally like-for-like)
* Replacement/Upgrade due to inadequate capacity
* Replacement/Upgrade due to inadequate function
* Replacement due to change in configuration
* Replacement due to compliance (eg duty of care).

**Part W - Reconciliation of Regulatory Asset Base**

**Relevant Background**

Section 9.1 of Schedule 1 requires information on reconciliation of regulatory asset base.

**Incremental change in the Property, Plant and Equipment category within the Audited Statutory Accounts**

|  |  |
| --- | --- |
| **Year ended 30 June 2013** |  |
| Net carrying amount at start of year | 11 305.2 |
| Additions | 1 275.1 |
| Disposals | (25.8) |
| Revaluation | 2 872.0 |
| Depreciation expense | (406.7) |
| Impairment and other movements | (13.7) |
| Net carrying amount at end of year | 15 006.1 |

**Incremental change in the closing values for the Regulatory Asset Base between 2011/12 and 2012/13**

Please refer to financial template 5 which shows movements in the RAB – ie. capex, capital contributions, disposals.

**Part X - Negative change events**

**Relevant Background**

Section 1.5 of Schedule 1 requires a description of the process Ausgrid has in place to identify negative change events under clause 6.6.1(f) of the NER and the threshold of materiality applied by Ausgrid to these events.

**Description of the process Ausgrid has in place to identify negative change events**

Ausgrid has a comprehensive compliance system in place to monitor compliance with the NSW Distribution Licence Conditions, National Electricity Rules, National Energy Retail Rules and Ausgrid’s 2009-14 Distribution Determination. In respect of negative change events, Ausgrid tracks compliance via the obligation entitled ‘NER Ch 11 App 1 Ch 6 Economic Reg of Dist Services (inc Transmission) 2009-2014 - 6.6.1 Cost Past Through’. To date, Ausgrid has not identified any negative change events as defined by clause 6.6.1(f) of the NER.

In relation to materiality, the term “materially” is now defined in Chapter 10 of the NER as an event that results in a Distribution Network Service Provider incurring materially higher or materially lower costs if the change in costs (as opposed to the revenue impact) that the Distribution Network Service Provider has incurred and is likely to incur in any regulatory year of a regulatory control period, as a result of that event, exceeds 1% of the annual revenue requirement for the Distribution Network Service Provider for that regulatory year.

In the event of a negative change event occurring Ausgrid would adopt the definition of “materially” in Chapter 10 of the NER.

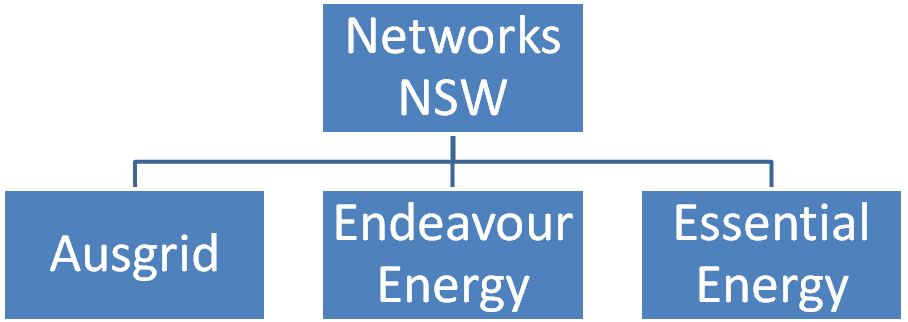
**Part Y – Charts**

**Relevant Background**

Section 10.1 of Schedule 1 requires charts that set out the group corporate structure of which Ausgrid is a part, and the organisational structure of Ausgrid.

**Charts of Ausgrid’s group structure and organisational structure**

The group corporate structure of which Ausgrid is a part:



The organisational structure of Ausgrid:



**Part Z - Results of the Audit**

**Relevant Background**

Section 11.1 requires Ausgrid to provide the results of the audit as specified in Appendix E, namely a Special Purpose Financial Report and an audit report for Non-Financial Regulatory Templates information.

**Results of the audits**

The information specified in Appendix E has been audited. Ausgrid engaged the Audit Office of NSW to undertake an audit of the financial templates as specified in 1.1(a) of Appendix E of the RIN. Sinclair Knight Merz (SKM) was engaged to undertake an audit of the non-financial information as specified in 1.1(b) of Appendix E of the RIN.

The Audit Office of NSW’s Special Purpose Financial Report/final report at Attachment C demonstrates that Ausgrid complied with this requirement. SKM’s final report at Attachment D demonstrates that Ausgrid has complied with this requirement.

**Part AA - Signed Resolution**

**Relevant Background**

Section 12.1 requires Ausgrid to provide an extract from the board minutes or a resolution agreed to at an Ausgrid Board meeting confirming that, to the best of the Board’s information, knowledge and belief, the information provided in the financial templates (Appendix B to the RIN) and the specified non-financial templates (1(a), 1(b), 1(c), 1(d), 1(e),1(f), 2 and 7 of Appendix C to the RIN) is true and fair.

The signed resolution is provided in Attachment G.

# Demonstrating compliance with Schedule 2 of the RIN

This section demonstrates that Ausgrid has prepared and maintained information in accordance with Schedule 2 of the RIN.

**Demonstration of compliance with 1.1 of Schedule 2**

The following section describes how Ausgrid has complied with each element of part 1.1 of Schedule 2 of the RIN

**1.1(a)**

The AER has required that Ausgrid prepare all information in the manner and form in accordance with the principles and requirements specified at Appendix A to the RIN.

In this respect, Ausgrid has complied with the principles and requirements contained in Appendix A to the RIN.

**1.1(b)**

The AER has required that Ausgrid prepare all information in the manner and form as set out and required in all regulatory templates, being the worksheets in the Microsoft Excel workbooks attached at Appendix B and C in accordance with the instructions provided in the Notice;

In this respect, Ausgrid has complied with the instructions contained in the Notice. This can be demonstrated by 1.1(c) below.

**1.1(c)(i)**

The AER has required that Ausgrid prepare all information in the manner and form which includes all underlying calculations and formulae, and supporting documentation.

Ausgrid has not altered the underlying calculations and formulae in any cell of the regulatory templates. Ausgrid has only entered numbers and text into the required cells to ensure that the calculations and formulae have not been altered.

**1.1(c)(ii)**

The AER has required that Ausgrid prepare all information in the manner and form which is not password protected;

Ausgrid has not password protected the files relating to the regulatory templates. In addition, Ausgrid has not password protected any worksheet or cell contained in the file.

**1.1(c)(iii)**

The AER has required that Ausgrid prepare all information in the manner and form which allows for precedents and dependents to be traced

Ausgrid has not altered the regulatory templates to disable the ability for precedents and dependents to be traced. As noted above, Ausgrid has not included any formulas or underlying calculations when completing the templates.

**1.1(c)(iv)**

The AER has required that Ausgrid prepare all information in the manner and form which is capable of a 'copy and paste' function being applied to it

Ausgrid has not altered the regulatory templates to disable the capability of a copy and paste function being applied.

**1.1(c)(v)**

The AER has required that Ausgrid prepare all information in Microsoft Word, Excel or Adobe PDF format as appropriate.

Ausgrid has provided the information in the appropriate format(s).

**1.1(c)(vi)**

The AER has required that Ausgrid prepare information so that it is verifiable by the AER, an auditor or independent third party upon inspection and/or by reference to the Audited Statutory Accounts.

Ausgrid has submitted the completed templates at Attachment A and B to this response. Several of these templates have been independently audited. Both audited and unaudited templates are verifiable.

**1.1(c)(vii)**

The AER has required that Ausgrid prepare all information in the manner and form which is readily available for inspection by or submission to the AER.

Ausgrid has submitted the completed templates at Attachment A and B to this response. This would presumably provide the ability for the AER to inspect the regulatory templates submitted to it.

**1.1(d)**

The AER has required that Ausgrid prepare all information in the manner and form which is set out and required in Schedule 1 of the RIN. This is covered in Section 1 – ‘Provide Information in accordance with Schedule 1 of the Notice’ on page 3.

**Demonstration of compliance with 1.2 of Schedule 2**

The following section describes how Ausgrid has complied with each element of part 1.2 of Schedule 2 of the RIN.

Ausgrid engaged the Audit Office of NSW to undertake an audit of the financial templates as specified in 1.1(a) of Appendix E of the RIN. SKM was engaged to undertake an audit of the non-financial information as specified in 1.1(b) of Appendix E of the RIN.

**1.2(a) and (b)**

The AER required that Ausgrid engage a person/s who satisfies the requirements of paragraph 2 in Appendix E of the RIN that expresses a reasonable or positive level of assurance.

The Audit Office of NSW’s final report at Attachment C demonstrates that Ausgrid complied with this requirement. SKM’s final report at Attachment D demonstrates that Ausgrid has complied with this requirement.

**Demonstration of compliance with 2.1 of Schedule 2**

The following section describes how Ausgrid has complied with part 2.1 of Schedule 2 of the RIN. This demonstrates that Ausgrid has put in place procedures to maintain the information required by the AER until 30 June 2019.

Ausgrid has established a folder in TRIM (Ausgrid’s document management system) which will maintain records until at least 30 June 2019. There are two broad types of information that Ausgrid will maintain:

1. Direct information provided to the AER.

Ausgrid will (electronically) maintain a copy of all information provided to the AER as part of our response to the RIN including:

* The completed Excel templates at Attachment A and B to this response.
* Ausgrid’s written response to the AER, including the information provided in response to Schedule 1 of the Notice, and the information demonstrating compliance with other elements of the RIN.

The Network Regulation branch has responsibility for ensuring that this material is maintained until 30 June 2019.

1. Accounting records

Ausgrid will (electronically) maintain a copy of accounting records that:

* record and explain the transactions and financial position of Ausgrid;
* enable the Regulatory Accounting Statements to be prepared in accordance with the RIN;
* allow an auditor to conveniently and properly form an opinion on the Regulatory Accounting Statements in accordance with the principles and requirements set out at Appendix A.

Finance and Compliance division has responsibility for ensuring that this material is maintained until 30 June 2019.

# Verification of information specified in the RIN

Ausgrid has amended the form of verification from that required in Appendix D to the RIN because it does not appropriately reflect the obligations imposed by the RIN, in particular it does not provide for information which has been identified as not provided or incomplete. In addition, the composite nature of paragraph 3 does not appropriately deal with prospective obligations to maintain information in the manner and form required by the RIN. It is not possible for an officer to verify the accuracy of information which is to be prepared and maintained at future point. It is only possible for an officer to verify that procedures have been put in place to maintain the information in the form required under the RIN.

The verification prepared by Ausgrid separates out each element of the verification so that Paragraphs 3, 4 and 5 of the amended form of verification now set out clearly:

* What information Ausgrid has provided in response to the RIN, the manner in which that information has been provided and confirms that Ausgrid has put in place procedures to maintain that information in the form required until 30 June 2019.
* That Information subject to audit is excluded from the verification[[2]](#footnote-2).
* That the information (other than audited information) provided to the AER is true and correct in all material respects and, except where the information has been identified as incomplete or unavailable, can be relied upon by the AER for the specified purposes.
* That the information provided to the AER has been prepared in the manner and form required in the RIN.
* That Ausgrid has put in place procedures to maintain the information in the form required in the RIN to enable the AER to rely upon it for the specified purposes.

At the same time Ausgrid has taken the opportunity to amend the reference to Ausgrid’s shareholders and scope of distribution network service area to give these details the precision required for a Statutory Declaration. Paragraph 2 of the amended form of verification now more precisely describes Ausgrid’s status under NSW law and also as a regulated network service provider under the NEL.

The amended form of statutory declaration has been signed by an Ausgrid officer and is at Attachment H to this response.

# Demonstration of compliance with audit requirements

Ausgrid engaged the Audit Office of NSW to undertake an audit of the financial templates as specified in 1.1(a) of Appendix E of the RIN. SKM was engaged to undertake an audit of the non-financial information as specified in 1.1(b) of Appendix E of the RIN.

Ausgrid required the Audit Office of NSW and SKM to undertake an audit of the information in accordance with Appendix E and paragraph 1.2 of Schedule 2 of the Notice. The final reports of the Audit Office of NSW and SKM demonstrate that the auditor has undertaken the audit in accordance with the instructions of Appendix E. The reports are set out at Attachment C and D of our response.

1. Source: Page 9 AER NSW electricity distribution network service providers, Final Decision, March 2008 [↑](#footnote-ref-1)
2. Ausgrid’s verification adopts the exceptions for audited information included in paragraph 3 of the AER’s form of Statutory Declaration although it is noted that these exceptions extend to information which was not required to be audited. [↑](#footnote-ref-2)