

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.1 Revenue

1 July 2014 to 20 June 2015



## Foreword

In response to requirements of the Australian Energy Regulator's (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.1 Revenue of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates.

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.1 Revenue (Actual, Estimated or Consolidated) in Ergon Energy's completed 14-15 BMRIN Templates.

Enquiries or further communications should be directed to:

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## Template 3.1 Revenue

The AER requires revenue data to be provided, disaggregated in accordance with the main outputs for which Ergon Energy bills its customers.

The Appendix B, Instructions and Definitions require Ergon Energy to report revenues split in accordance with the categories in the template tables, as discussed individually below.

Separately, Ergon Energy is required to report revenues received/deducted as a result of incentive schemes.

Revenues must be split in accordance with the definitions of Standard Control Services (SCS) and Alternative Control Services (ACS), which also recognise periods where different service classifications applied. Furthermore, zeroes ('0') are permissible only when no effect on Revenues is applicable to Ergon Energy.

### Table 3.1.1 – Revenue Grouping by Chargeable Quantity

Template 3.1, table 3.1.1 requires Ergon Energy to allocate revenues to the chargeable quantity that most closely reflects the basis upon which the revenue was charged by Ergon Energy to customers (the chargeable quantities are the variables DREV0101-DREV0112).

Revenues that cannot be allocated to the specific chargeable quantities in variables DREV0101 to DREV0112 must be reported against 'Revenue from other sources' (DREV0113).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Revenue Grouping by Chargeable Quantity'. Of note, DREV01 'Total Revenue by Chargeable Quantity' represents the sum variables DREV0101-DREV0113, and is therefore implicitly addressed in the responses below.

**Table 1: Revenue Grouping by Chargeable Quantity**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Consistency with Notice requirements</p> <p><b>DREV0101-DREV0109</b></p> <p><b>DREV0112 - (SCS)</b></p> | <p>All mandatory data entry fields shaded yellow, have been populated.</p> <p>Ergon Energy confirms, as required by the AER in Box 1, Revenue Financial Reporting Framework of Appendix B, Instructions and Definitions that Revenues reconcile to the Direct Control Services revenues in Regulatory Accounting Statements as per the Annual Reporting Requirements (AER defined term) as submitted to the relevant regulator, for the year in question).</p> <p>Direct Control Services, which were charged by Ergon Energy to customers (in accordance with the BM RIN instructions at Section 2: Revenue) have been reported as</p> <ul style="list-style-type: none"> <li>▪ SCS: Network Services, Connection Services, Metering Services, Capital Contributions; and</li> <li>▪ ACS: Street lighting, Quoted services, Fee based services, Contributions.</li> </ul> <p>For 2014-15 Street Lighting Services were classified as an ACS as noted in Appendix A: Distribution Service Classification of the AER's Final Distribution Determination for 2010-2015. Therefore, public lighting for the</p> |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
|  | <p>recovery of construction and maintenance costs for the 2014-15 regulatory year has been reported as an ACS (refer to the source and methodology in Table 4-3: Revenue Grouping by Chargeable Quantity under heading DREV0112: Public Lighting). Note: the recovery of the Distribution use of System's charge in respect of Public Lighting has been reported as a SCS for all years.</p> <p>Ergon Energy's approved services are as per the Framework and Approach as displayed in Chapter 2 of the AER Final Distribution Determination, and Chapter 3.5 of the QCA Final Determination. This correlates to Distribution use of System charges and Capital Contributions for SCS and Other Revenue and Contributions for ACS as displayed in the regulatory accounting statements.</p> <p>Revenue reported in prior regulatory accounting statements which is not a Direct Control Service charged by Ergon Energy to Customers include: profit or gross proceeds on sale of assets, interest received, shared assets revenue and Transmission use of System charges, Sales. Rather, they were specific reporting requirements of prior regulatory instruments.</p> <p>'Revenue from Unmetered Supplies' is the same for template 3, table 3.1.1 (DREV0107) as for template 3, table 3.1.2 (DREV0205). Public lighting has been reported in variable (DREV0112) and has been excluded from 'revenue from unmetered supplies' (DREV0107). This is based on the interpretation of the definitions for unmetered supplies and customer numbers. The latter states public lighting connections are not to be counted when calculating the number of unmetered customers.</p> <p>Ergon Energy introduced Time of Use Network Tariffs in 2014/15; however no customers (or their retailer) had requested a tariff change to opt into these tariffs during the year. Accordingly, yellow cells have been populated with '0', as per instructions in the Notice:</p> <ul style="list-style-type: none"> <li>▪ DREV0103: Revenue from On–Peak Energy Delivery charges,</li> <li>▪ DREV0104: Revenue from Shoulder period Energy Delivery Charges; and</li> <li>▪ DREV0105: Revenue from Off–Peak Energy Delivery charges.</li> </ul> <p>The total of revenues by chargeable quantity for these variables reconciles to the total revenues by customer class (DREV02).</p> |
| Population of Actual Information in templates, including Source. | Data has been sourced by running database queries on billings to retailers each month and balanced to Monthly Network Billing (Netbill) files provided by Ergon Energy's Service Transaction Centre (STC). The STC is responsible for Network Billing and the recovery from Retailers of the Network Use of Systems (NUOS) and service related charges. A priority of the STC is to manage the revenue recovery process.  |
| Methodology and assumption's applied in relation to              | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3, table 3.1.1. Ergon Energy's methodology applied to provide information for 2014-15 actual data in Netbill files which are the monthly billing files issued by STC to Retailers. This revenue was able to be mapped directly to the variables   |

| Variable   | Addressing Basis of Preparation Requirements   |            |                           |               |                                     |                       |  |   |  |               |   |
|--|--|------------|---------------------------|---------------|-------------------------------------|-----------------------|--|---|--|---------------|---|
| Actual Information   | <p>required using Ergon Energy's (network) charge categories.</p> <p>The table below sets out the mapping of DCOS model charges to RIN variables.</p> <table border="1" data-bbox="536 315 1442 698"> <thead> <tr> <th data-bbox="544 322 852 367">DCOS model</th> <th data-bbox="863 322 1442 367">Benchmarking RIN Variable</th> </tr> </thead> <tbody> <tr> <td data-bbox="544 374 852 418">Fixed Charges</td> <td data-bbox="863 374 1442 418">Revenue from Fixed Customer Charges</td> </tr> <tr> <td data-bbox="544 425 852 515">Actual Demand Charges</td> <td data-bbox="863 425 1442 515">Revenue from Measured Maximum Demand Charges</td> </tr> <tr> <td data-bbox="544 521 852 611">Capacity Charge Minimum Chargeable Demand</td> <td data-bbox="863 521 1442 611">Revenue from Contracted Maximum Demand Charges</td> </tr> <tr> <td data-bbox="544 618 852 698">Volume Charge</td> <td data-bbox="863 618 1442 698">Revenue from Energy delivery charges where time of use is not a determinant</td> </tr> </tbody> </table> <p>Revenue from controlled load customer charges (DREV0106) and Revenue from unmetered supplies (DREV0107) are inclusive of Fixed Charges i.e.: these charges haven't been separately reported in Revenue from Fixed Customer Charges (DREV0101).</p> <p>For Revenue from Contracted Maximum Demand charges (DREV0108) and Revenue from Measured Maximum Demand charges (DREV0109), Ergon Energy has allocated the 'full recovery of revenue from customers on the SAC – Large tariff to Contracted Demand. Ergon Energy has adopted this approach as it is consistent with the approach used for Template 3.4 Operational data, 'Demand supplied' where instructions state, 'where Ergon Energy cannot distinguish between contracted and measured Maximum Demand, demand supplied must be allocated to contracted Maximum Demand.</p> <p>Revenue from Public Lighting (DREV0112) has been reported as ACS based on its service classification for the regulatory control period.</p> <p>Variables (DREV0101, DREV0102, DREV0106 - DREV0109, and DREV0112) have been adjusted from the billed amounts (with the basis above) to an unbilled basis. The adjustment is an alignment with the reporting in Ergon Energy's 2014-15 Annual Performance RIN. The total at DREV01 using AP RIN (on an unbilled basis) is higher than the sum of the variables using the billed basis. The difference has been pro-rata'd over the variables listed above.</p> <p>NB. the AER's Annual Performance RIN requires reporting in \$000's whereas the AER has requested that from 2014-15 onwards, all EB and CA RIN metrics are reported in \$0's (not \$000's). Caution should be taken in assessing comparatives.</p> | DCOS model | Benchmarking RIN Variable | Fixed Charges | Revenue from Fixed Customer Charges | Actual Demand Charges | Revenue from Measured Maximum Demand Charges | Capacity Charge Minimum Chargeable Demand | Revenue from Contracted Maximum Demand Charges | Volume Charge | Revenue from Energy delivery charges where time of use is not a determinant |
| DCOS model   | Benchmarking RIN Variable  |            |                           |               |                                     |                       |  |   |  |               |   |
| Fixed Charges  | Revenue from Fixed Customer Charges  |            |                           |               |                                     |                       |  |   |  |               |   |
| Actual Demand Charges  | Revenue from Measured Maximum Demand Charges   |            |                           |               |                                     |                       |  |   |  |               |   |
| Capacity Charge Minimum Chargeable Demand  | Revenue from Contracted Maximum Demand Charges   |            |                           |               |                                     |                       |  |   |  |               |   |
| Volume Charge  | Revenue from Energy delivery charges where time of use is not a determinant  |            |                           |               |                                     |                       |  |   |  |               |   |
| Population of Estimated Information in Templates, including why Estimates are required and | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to these variables contained in template 3, table 3.1.1.  |            |                           |               |                                     |                       |  |   |  |               |   |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| <p>why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Ergon Energy commenced accrual accounting for Network charges in 2013-14, and continued in 2014-15. The impact of the change is a 1.5% increase to DREV01.</p> |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>   | <p>Ergon Energy commenced accrual accounting for Network charges in 2013-14, and continued in 2014-15. The impact of the change is a 1.5% increase to DREV01.</p> |

Table 2: Revenue Grouping by Chargeable Quantity

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Consistency with Notice requirements</p> <p><b>DREV0110-<br/>DREV0112<br/>- (ACS)<br/>DREV0113<br/>DREV01</b></p> | <p>All mandatory data entry fields shaded yellow, have been populated.</p> <p>Ergon Energy confirms, as required by the AER in Box 1, Revenue Financial Reporting Framework of Appendix B, Instructions and Definitions that Revenues reconcile to the Direct Control Services revenues in Regulatory Accounting Statements as per the Annual Reporting Requirements as submitted to the relevant regulator, for the year in question).</p> <p>Direct Control Services, which were charged by Ergon Energy to customers (in accordance with the BM RIN instructions at Section 2: Revenue) have been reported as</p> <ul style="list-style-type: none"> <li>▪ SCS: Network Services, Connection Services, Metering Services, Capital Contributions; and</li> <li>▪ (ACS: Street lighting, Quoted services, Fee based services, Contributions.</li> </ul> <p>For 2014-15, Street Lighting Services were classified as an ACS as noted in Appendix A: Distribution Service Classification of the AER's Final Distribution Determination for 2010-2015. Therefore, public lighting for the recovery of construction and maintenance costs for 2014-15 has been reported as an ACS (refer to the source and methodology below at DREV0112: Public Lighting). Note: the recovery of the Distribution use of System's charge in respect of Public Lighting has been reported as a SCS for all years.</p> <p>Ergon Energy's approved services are as per the Framework and Approach as displayed in Chapter 2 of the AER Final Distribution Determination, and Chapter 3.5 of the QCA Final Determination. This correlates to Distribution use of System charges and Capital Contributions for SCS and Other Revenue and Contributions for ACS as displayed in the regulatory accounting statements.</p> <p>Revenue reported in prior regulatory accounting statements which is not a Direct Control Service charged by Ergon Energy to Customers include: profit or gross proceeds on sale of assets, interest received, shared assets revenue and Transmission use of System charges, Sales. Rather, they are specific reporting requirements of prior regulatory instruments.</p> <p>'Revenue from Unmetered Supplies' is the same for template 3, table 3.1.1 ('DREV0107) as for template 3, table 3.1.2 (DREV0205). Public lighting has been reported in variable (DREV0112) and has been excluded from 'revenue from unmetered supplies' (DREV0107). This is based on the interpretation of the definitions for unmetered supplies and customer numbers. DREV0107 states public lighting connections are not to be counted when calculating the number of unmetered customers.</p> <p>DREV01: Total revenue by chargeable quantity for 2014-15 is the Total</p> |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
|  | Revenue reported in Ergon Energy's 2014-15 Annual Performance RIN less Use of Gross proceeds from sale of assets, Interest income, and Revenue Cap Reg Assets by Non-SCS Users and TUOS revenue.  |
| Population of Actual Information in templates, including Source.       | Ergon Energy has sourced the data from the Ergon Energy's Annual Performance RIN's for 2014-15.   |
| Methodology and assumption's applied in relation to Actual Information | <p>DREV0110: Metering codes:</p> <ul style="list-style-type: none"> <li>▪ SCS is zero for 2014-15. The revenue is reported as part of DUOS. There is no meaningful way to separate the metering code revenue from DUOS.</li> <li>▪ ACS for 2014-15. The revenue is taken directly from Template 17: Alternative Control Services &amp; Other, Table 1. Alternative Control &amp; Other Services in Ergon Energy's 2014-15 Annual Performance RIN.</li> </ul> <p>DREV0111: Connection Charges:</p> <ul style="list-style-type: none"> <li>▪ SCS for 2014-15. This revenue is taken directly from the Income Statement in Ergon Energy's 2014-15 Annual Performance RIN. It is the Contributions in Standard Control Services.</li> <li>▪ ACS for 2014-15. This revenue is taken directly from the Income Statement in Ergon Energy's 2014-15 Annual Performance RIN. It is the contributions in the ACS Street lighting and Quoted Services, i.e. large customer connections.</li> </ul> <p>DREV0112: Public Lighting:</p> <ul style="list-style-type: none"> <li>▪ SCS for years 2014-15. Ergon Energy has sourced information from Monthly Network Billing (Netbill) files provided by the STC</li> <li>▪ ACS for 2014-15. The revenue has been taken directly from the Income Statement (Distribution Revenue) in Ergon Energy's 2014-15 Annual Performance RIN.</li> </ul> <p>DREV0113: Revenue from Other Sources:</p> <ul style="list-style-type: none"> <li>▪ SCS, nothing to report.</li> <li>▪ ACS for 2014-15. The revenue is taken directly from Table 1. Alternative Control &amp; Other Services in Ergon Energy's 2014-15 Annual Performance RIN. The revenue is the total less the metering revenue.</li> </ul> <p>Variables DREV0110, DREV0111, DREV0112 (ACS), DREV0113, and DREV01, are derived from Ergon Energy's 2014-15 Annual Performance RIN. No adjustment is required for an unbilled basis, as the AP RIN has been prepared on an unbilled basis.</p> |
| Population of Estimated Information in Templates, including            | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to these variables contained in template 3, table 3.1.2.   |



| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Ergon Energy commenced accrual accounting for Network charges in 2013-14, and continued in 2014-15. The impact of the change is a 1.5% increase to DREV02. |

### Table 3.1.2 – Revenue Grouping by Customer Type or Class

Template 3, table 3.1.2 requires Ergon Energy to allocate revenues to the customer type or class that most closely reflects the customers from which revenues are received. Revenues that Ergon Energy cannot allocate to the customer types DREV0201-DREV0205 must be reported against 'Revenue from other Customers' (DREV0206).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Revenue Grouping by Customer Type or Class'. Of note, DREV02 'Total Revenue by Customer Class' represents the sum variables DREV0201-DREV0206, and is therefore implicitly addressed in the comments below.

**Table 3: Revenue Grouping by Customer Type or Class**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements                             | All mandatory data entry fields shaded yellow, have been populated.  |
| <b>DREV0201-<br/>DREV0206<br/>DREV02</b>                         | Ergon Energy confirms, as required by the AER in Box 1, Revenue Financial Reporting Framework of its Instructions and Definitions, that Revenues reconcile to the Direct Control Services revenues in Regulatory Accounting Statements as per the Annual Reporting Requirements (AER defined term) as submitted to the relevant regulator, for the year in question. |
|  | 'Revenue from Unmetered Supplies' is the same for template 3, table 3.1.1 ('DREV0107') as for template 3, table 3.1.2 (DREV0205).  |
| Population of Actual Information in templates, including Source. | Ergon Energy has sourced information from Monthly Network Billing (Netbill) files provided by the STC.<br><br>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to variables contained in Template 3, table   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>3.1.2. The disaggregation for all other variables is also based on Actual data except for approximately 6% of Actual Revenue. This is caused by billings for 2013-14 (for quarterly billing, rebills and adjusted bills on old tariff structures) being included in 2014-15 data; and will not be required for future RIN's.</p> <p>In addition to the calculations above DREV0201 – DREV0204 have been adjusted from a billed basis to an unbilled basis.</p> <p>The total at DREV02 must align with the total at DREV01. Therefore the total unbilled amount for DREV0201 – DREV0204 is equal to the total of DREV01 less DREV0205 and DREV0206 on an unbilled basis.</p> <p>DREV0205 equals DREV0107, and DREV0206 equals the sum of DREV0111 and DREV0112.</p> <p>The total unbilled amount for DREV0201 – DREV0204 is calculated and the difference between that and the billed amount for those variables is added as an adjustment amount to present those variables on an unbilled basis.</p>   |
| Methodology and assumption's applied in relation to Actual Information | <p>Historically, Ergon Energy's Network Tariffs were not aligned to a specific customer class and we therefore did not have Revenue data based on the disaggregation required. In 2014-15 new tariff structures identified Residential and Business in our Volume tariffs, and as such Ergon Energy can identify revenue, with some small assumptions, to the disaggregation required. Section 8.3.3 of Ergon Energy's 2014-15 Pricing Proposal explains this more fully, but in part it states :</p> <p><b>“Classifying customers as either residential or business”</b></p> <p>The current distinction in tariffs in this class between Volume Small (less than 26 MWh p.a.) and Volume Large (more than 26 MWh p.a. and less than 100 MWh p.a.) customers will be replaced with tariffs for residential and business tariffs. This will ensure tariffs reflect residential and business customers' different load shapes. Load shapes refer to the amount of electricity customer's use at different times of the day.”</p> <p>Capital Contributions have been recorded as 'Revenue from Other Customers' in Table 3.1.2 'Revenue grouping by customer type of class' as opposed to the customer type variables set by the AER. Unlike DUOS revenue which can be allocated to customer type variables using the DCOS model, Contributions don't have a secondary system to verify the customer classes to allow mapping to these categories. Therefore, EECL has adopted the approach in the Instructions and Definitions document which states:</p> <ul style="list-style-type: none"> <li>▪ Revenues that Ergon Energy cannot allocate to the customer types DREV0201–DREV0205 must be reported against 'Revenue from other Customers' (DREV0206).</li> </ul> |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.1, table 3.1.2.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | As per AASB 118 Revenue Ergon Energy has commenced accrual accounting for unbilled network charges. Template 3.1, Table 3.1.2 has been prepared on an unbilled basis for 2014-15. The impact of the change is a one and a half percent increase to DREV02. |

### Table 3.1.3 Revenue (Penalties) Allowed (Deducted) Through Incentive Schemes

Template 3.1, table 3.1.3 requires Ergon Energy to report the penalties or rewards of incentive schemes. The penalties or rewards from the schemes applied by previous jurisdictional regulators that are equivalent to the Service Target Performance Incentive Scheme (STPIS) or Efficiency Benefit Sharing Scheme (EBSS) must be reported against the line items for those schemes.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Revenue (penalties) allowed (deducted) through incentive schemes'. Of note, DREV03 'Total revenue of incentive schemes' represents the sum variables DREV0301-DREV0305 and is therefore implicitly addressed in the table below.

**Table 4: Revenue (Penalties) Allowed (Deducted) through Incentives Schemes**

| Variable                             | Addressing Basis of Preparation Requirements  |
|--------------------------------------|---|
| Consistency with Notice requirements | All mandatory data entry fields shaded yellow, have been populated.   |
| <b>DREV0301</b><br>-                 | Ergon Energy confirms that revenues reported in template 3.1, table 3.1.3 reflect the effect on revenues of incentive schemes in the year that the penalty or reward is applied (as opposed to when it was earned which depending on the scheme may be in earlier years).   |
| <b>DREV0305</b><br><b>DREV03</b>     | Ergon Energy confirms, as required by the AER in Box 1, Revenue Financial Reporting Framework of Appendix B, Instructions and Definitions that Revenues reconcile to the Direct Control Services revenues in Regulatory Accounting Statements as per the Annual Reporting Requirements (AER defined term) as submitted to the |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
|   | <p>relevant regulator, for the year in question.</p> <p>As confirmed by the AER on 1 October 2014, the following variables are not applicable to Ergon Energy for 2014-15 and accordingly have not been populated:</p> <ul style="list-style-type: none"> <li>▪ DREV0303 F-Factor [Victorian specific factor];</li> <li>▪ DREV0304 S-Factor True up [Victorian specific factor capturing the close out of the old ESCV s-factor scheme];</li> <li>▪ DREV0305 Other.</li> </ul> <p>Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates for 2013-14 (consistent with 2014-15). Therefore, care should be taken when reviewing variable data for 2014-15 against prior submissions.</p> |
| Population of Actual Information in templates, including Source.  | Incentive schemes applicable to Ergon Energy relate to the EBSS and STPIS schemes – commencing from 1 July 2010. The only impact during the initial regulatory years on revenues for the 2014-15 year relates to the STPIS. The reward under this scheme has been sourced from the revenue adjustment applied for STPIS in the Maximum Allowable Revenue (MAR) formula in the 2014-15 Pricing Proposal.   |
| Methodology and assumption's applied in relation to Actual Information  | The STPIS reward has been taken from the revenue adjustment applied for STPIS in the Maximum Allowable Revenue (MAR) formula in the 2014-15 Pricing Proposal.   |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.1, table 3.1.3.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | No accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice, in relation to variables contained in template 3.1, table 3.1.3.   |

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.2 Opex

Template 3.2.3 Provisions

1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the Australian Energy Regulator's (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.2 Opex and Template 3.2.3 Provisions of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

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- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

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- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
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Enquiries or further communications should be directed to:

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## Template 3.2 Opex

The AER requires Ergon Energy to provide Operating Expenditure (Opex) by category to identify the drivers of change in the partial productivity of Opex. Ergon Energy understands that the AER are requesting Opex data for economic benchmarking purposes, as the key input required for Distribution Network Service Providers (DNSP) to deliver their services. It is further understood that the AER believe collecting this information will also allow for the costs of providing these services to be taken into account when conducting sensitivity analysis.

The AER also requires Opex to be reported for Network Services as these are the services that the AER intends to analyse in their economic benchmarking.

Further, Opex is required in accordance with both historical and current reporting arrangements such that the effect of any Material changes in reporting approach on efficiency measurement can be taken into account. The AER suggests that a Material change would include a change in capitalisation policy that significantly shifts costs from Opex to Capex or a change in the categories of Opex reported.

Where Opex is not incurred for a particular variable, zeroes ('0') are permitted, including where Ergon Energy does not provide a service as part of (for example) Standard Control Services (SCS) or Alternative Control Services (ACS).

Finally, Opex for high voltage customers must be reported in terms of end user costs (not SCS). This is to represent the cost Ergon Energy would have incurred had it been responsible for operating and maintain the electricity Distribution Transformers that are owned by its high voltage customers.

### Table 3.2.1 – Opex Categories

Template 3.2, table 3.2.1 (comprising tables 3.2.1.1 and 3.2.1.2A-C) requires Ergon Energy to report Opex in accordance with the categories reported in response to Annual Reporting Requirements (AER defined term).

#### **Current Opex Categories and Cost Allocations**

Of note, the blue shaded cells of template 3.2, table 3.2.1.1 become compulsory only where there has been a Material change (over the course of the back cast time series) in Ergon Energy's:

- Cost Allocation Approach;
- Basis of preparation for its Regulatory Accounting Statements; or
- Annual Reporting Requirements.

A material change in this context is defined by the AER to be a change in Opex of greater than half of a per cent of total SCS (Opex) in the year that the change occurred.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Current Opex categories and Cost Allocations'. Of note, DOPEX01 'Total Opex' represents the sum variables DOPEX0101-DOPEX0114, and is therefore implicitly addressed in the table below.

Table 1: Current Opex Categories and Cost Allocations

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| <p>Consistency with Notice requirements</p> <p><b>DOPEX0101-</b></p> <p><b>DOPEX0113</b></p> <p><b>DOPEX01</b></p> | <p>Variables DOPEX0101 – DOPEX0113 (and subsequently, total DOPEX01) are considered mandatory and have been populated by Ergon Energy, despite being shaded blue to allow for blacked out data input.</p> <p>Variables DOPEX0101 – DOPEX0103 have been assigned a category name. Variable DOPEX0104—DOPEX0113 represent additional variables (rows) inserted for other Opex categories as required by Ergon Energy and allowed for under the Notice Instructions and Definitions.</p> <p>Ergon Energy confirms, as required by AER in Box 2, Reporting Framework – Table 3.1.1 Current Opex categories and allocations in its Instructions and Definitions that Opex has been prepared in accordance with Ergon Energy current approved AER Cost Allocation Method (CAM). For clarity, the AER’s Classification of Services per the current regulatory control period (2010-15) as referenced in that CAM have been applied for Opex tables 3.2.1.1 and 3.2.2.1.</p> <p>Directions within the Annual Reporting Requirements for the most recently completed Regulatory Information Notice as submitted to the AER have been applied.</p> <p>Opex has been reported in accordance with the categories required by the AER’s Notice.</p> <p>Opex has been reported in accordance with the categories as disclosed in the 2014-15 RIN as submitted to the AER.</p> <p>Ergon Energy does not currently own, control or operate any dual-function assets for inclusion in Opex. Ergon Energy does not have any subsidiaries which provide operating and maintenance services to the DNSP therefore reporting of margins are not applicable.</p> <p>Where relevant (namely, during the current regulatory control period), total Opex equals that reported against the Annual Reporting Requirements (AER defined term) provided to the AER or Queensland Competition Authority (QCA) respectively.</p> |
| <p>Population of Actual Information in templates, including Source.</p>  | <p>Ergon Energy has sourced the data used to populate template 3.2, table 3.2.1.1 from the audited Ellipse general ledger for the current year.</p>   |
| <p>Methodology and assumption’s applied in relation to Actual Information</p>                                      | <p>Using codes contained within the Ellipse General Ledger mapped to AER reporting categories, for example: Activity 52130 (Preventative Meters) is mapped to variable Preventive Maintenance. This is the same mapping process adopted for reporting the Annual Performance RINs.</p>  |
| <p>Population of Estimated Information in</p>  | <p>Ergon Energy has provided ‘Actual Information’ (as per the AER’s defined term) in relation to all variables contained in template 3.2, table 3.2.1.1.</p>  |



| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| <p>Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Ergon Energy notes that a material change has occurred in its cost allocation approach (affecting Capex and Opex) between the current (2010-15) and prior (2005-10) regulatory control periods.</p> <p>A new (still current) CAM was approved by the AER on 5 March 2009 replacing the prior approved Cost Allocation Method and Principles (CAMP) approved by the Jurisdictional regulator, the QCA on 2 May 2006 (1 July 2005 – 30 June 2010). Changes to the CAM (versus CAMP) include:</p> <p>In the years 2005-06 to 2009-10 overheads were allocated on the basis of labour dollars only. In the subsequent years overheads have been allocated in accordance with the AER approved CAM on a full-cost basis;</p> <p>Training costs for the years 2005-06 to 2009-10 were split between operating and capital in accordance with accounting standards. In the subsequent years training costs have been treated as an operating cost only;</p> <p>Street Lighting Services were reclassified as an Alternative Control Service under the CAM (previously a Prescribed Distribution Service).</p> <p>The impact of the above changes can be seen by comparing template 3.2, tables 3.2.1.1 and 3.2.1.2 over time.</p> <p>Ergon Energy commenced accrual accounting in 2013-14, and continued in 2014-15. Consequently, the Feed in Tariff is now accounted for on an unbilled energy basis.</p> |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>   | <p>Ergon Energy notes that a material change has occurred in its cost allocation approach (affecting Capex and Opex) between the current (2010-15) and prior (2005-10) regulatory control periods.</p> <p>A new (still current) CAM was approved by the AER on 5 March 2009 replacing the prior approved Cost Allocation Method and Principles (CAMP) approved by the Jurisdictional regulator, the QCA on 2 May 2006 (1 July 2005 – 30 June 2010). Changes to the CAM (versus CAMP) include:</p> <p>In the years 2005-06 to 2009-10 overheads were allocated on the basis of labour dollars only. In the subsequent years overheads have been allocated in accordance with the AER approved CAM on a full-cost basis;</p> <p>Training costs for the years 2005-06 to 2009-10 were split between operating and capital in accordance with accounting standards. In the subsequent years training costs have been treated as an operating cost only;</p> <p>Street Lighting Services were reclassified as an Alternative Control Service under the CAM (previously a Prescribed Distribution Service).</p> <p>The impact of the above changes can be seen by comparing template 3.2, tables 3.2.1.1 and 3.2.1.2 over time.</p> <p>Ergon Energy commenced accrual accounting in 2013-14, and continued in 2014-15. Consequently, the Feed in Tariff is now accounted for on an unbilled energy basis.</p> |

### **Historical Opex Categories and Cost Allocations**

Template 3.2, tables 3.2.1.2(A-C) requires Ergon Energy to report its historical Opex categories in accordance with the Opex activities within the Annual Reporting Requirements (AER defined term) that applied in the relevant Regulatory Year. These categories must align with the activities reported in response to the Annual Reporting Requirements for each Regulatory Year.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Historical Opex categories and cost allocations'. Of note, DOPEX01A 'Total Opex', DOPEX01B 'Total Opex' and DOPEX01C 'Total Opex' represents the sum of variables DOPEX0101A - DOPEX0116A, DOPEX0101B - DOPEX0113B and DOPEX0101C - DOPEX0113C and is therefore implicitly addressed in the table below.

**Table 2: Historical Opex Categories and Cost Allocations**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Consistency with Notice requirements</p>  | <p>All mandatory data entry fields shaded yellow, have been populated.</p> <p>Variable DOPEX0101A - DOPEX0114A and DOPEX0101B - DOPEX0116B represent additional variables (rows) inserted for other Opex categories as required by Ergon Energy and allowed for under the Notice Instructions and Definitions.</p> <p>Ergon Energy confirms, as required by the AER in Box 3, <i>Reporting Framework – Table 3.1.2 Historical Opex categories and allocations</i> in its Instructions and Definitions, that Opex has been prepared in accordance with Ergon Energy approved CAM (AER) as in effect for the individual regulatory year.</p>   |
| <p><b>DOPEX0101A-</b><br/><b>DOPEX0116A</b><br/><b>DOPEX01A</b><br/><b>DOPEX0101B--</b><br/><b>DOPEX0114B</b><br/><b>DOPEX01B</b><br/><b>DOPEX0101C-</b></p> | <p>Similarly, the principles and approach or requirements pertaining to the prevailing Annual Reporting Requirements relevant were applied in reporting Opex for the Regulatory Year. Although TUOS expenditure was reported as an Operating cost under the QCA Regulatory Reporting Statements (RRS) it has been excluded from this table as it does not fit the definition of Opex in the Instructions and Definitions document. TUOS is considered to be a pass through of costs to the retailer for reimbursement to the transmission provider and not of cost of operating and maintaining the distribution network.</p>  |
| <p><b>DOPEX0113C</b><br/><b>DOPEX01C</b></p>   | <p>Opex has been reported in accordance with the categories as disclosed in Annual Reporting Requirements in effect for that year. Of note, Fee Based and Quoted Services classified as an Excluded Distribution Service for the years 2005-06 – 2009-10 have been reported as 'Other Services' and those services classified as Alternative Control Services for the years 2010-11 to 2014-15 have been reported as 'Customer Services' based on the Annual Reporting Requirements for the respective instruments.</p> <p>Opex for Standard Control Services and Alternative Control Services reconciles to historical Opex as disclosed in Annual Reporting requirements, with the exception of TUOS expenditure (2005-06 to 2009-10) as mentioned above.</p> <p>As Ergon Energy does not currently own, control or operate any dual-function assets, there is no associated Opex to report. Ergon Energy does not have any subsidiaries which provide operating and maintenance services to the DNSP;</p> |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
|   | therefore reporting of margins is not applicable.   |
| Population of Actual Information in templates, including Source.  | Ergon Energy has sourced the data used to populate template 3.2, table 3.2.1.2 from the audited Ellipse General Ledger.   |
| Methodology and assumption's applied in relation to Actual Information  | Each variable in the Table has been populated by extracting the relevant totals from the Ellipse General Ledger and mapped to the appropriate reporting category.   |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.2, table 3.2.1.2.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | <p>Refer response to minimum requirement for Current Opex Categories and Cost Allocations above, which noted changes in historical cost allocation approaches impacting both Capex and Opex.</p> <p>Ergon Energy commenced accounting n 2013-14, and continued in 2014-15. Consequently, the Feed in Tariff is now accounted for on an unbilled energy basis.</p> |

## Table 3.2.2 – Opex Consistency

The AER requires data in relation to consistent Opex line items for economic benchmarking. Network Services Opex is requested as this the core service which the AER intends to benchmark. Other services are collected so that their impact on productivity can be assessed and they can be incorporated or excluded from the services being benchmarked if necessary.

### **Opex Consistency – Current Cost Allocation Approach**

Template 3.2, table 3.2.2.1 requires Ergon Energy to report Opex Variables in accordance with its current reporting arrangements (such as its Cost Allocation Approach). These variables are only required to be completed if there has been a Material change (over the course of the back cast time series) in Ergon Energy's:

- Cost Allocation Approach, or
- Basis of Preparation for its Regulatory Accounting Statements, or
- Annual Reporting Requirements (AER defined term).

A material change in this context is defined by the AER to be a change in Opex of greater than half of a per cent of total SCS (Opex) in the year that the change occurred.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Opex Consistency – Current Cost Allocation Approach'.

**Table 3: Opex Consistency – Current Cost Allocation Approach**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <p>Consistency with Notice requirements</p> <p><b>DOPEX0201-DOPEX0206</b></p> | <p>Variables DOPEX0201 – DOPEX0206 are considered mandatory, and have been populated by Ergon Energy, despite being shaded blue to allow for blacked out data input.</p> <p>Ergon Energy confirms, as required by the AER in Box 4, Reporting Framework – Table 3.2.1 Opex Consistency - Current Cost Allocation Approaches in its Instructions and Definitions that Opex has been prepared for the 2014-15 financial year in accordance with Ergon Energy's current AER CAM. For clarity, the AER Classification of Services per the current regulatory control period (2010-15) as referenced in that CAM have been applied for Opex tables 3.2.2.1 and 3.2.2.2.</p> <p>Opex has been reported in accordance with the categories required by the AER's Notice.</p> <p>Opex for transmission connection point planning is considered a Network Service as it is an activity involved in planning the network. In accordance with the RIN Instructions and Definitions, this amount has been included under both variables DOPEX0201: Opex for network services and DOPEX0206: Opex for transmission connection point planning, resulting in a double count of this amount in Table 3.2.2.1.</p> <p>As Ergon Energy does not currently own, control or operate any dual-function assets, there is no associated Opex to report. Ergon Energy does not have any subsidiaries which provide operating and maintenance services to the DNSP therefore reporting of margins are not applicable.</p> <p>Ergon Energy has prepared the Opex line items in a consistent manner to that of Opex reported in response to the AER's 2014-2015 Annual Reporting Requirements.</p> |
| <p>Population of Actual Information in templates, including Source.</p>       | <p>Ergon Energy has sourced the data used to populate template 3.2, table 3.2.2.1 from the Ellipse General Ledger.</p>   |
| <p>Methodology and assumption's applied in relation to Actual Information</p> | <p>Ergon Energy extracted the Ellipse Trial Balance into an Access Database, created a Table containing mappings between the Ellipse Activities and product codes to the BM RIN Variables (DOPEX0201 - DOPEX0206) and a query was run to extract costs against relevant variables.</p> <p>Transmission Point Planning contained in template 3.2, table 3.2.2.1.</p> <p>Actual Information for DOPEX0206 Opex for transmission connection</p>   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>point planning has been prepared using actual hours worked and the number of staff involved in meetings to arrive at on costs, and travel and accommodation costs for the current year.</p> <p>Ergon Energy is anticipating capturing these costs directly in the ERP Ellipse system using work orders commencing from 2015-16. Although, some estimation has been applied to arrive at 2014-15 values, it is considered the result would not provide a materially different position had the values been directly costed to work orders.</p> |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables.</p>  |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>Ergon Energy commenced accrual accounting in 2013-14, and continued in 2014-15. Consequently, the Feed in Tariff is now accounted for on an unbilled energy basis.</p>  |

### **Opex Consistency – Historical Cost Allocation**

Template 3, table 3.2.2 requires Ergon Energy to report Opex in accordance with the AER's variables (as defined in Chapter 9 of the RIN Instructions and Definitions) and the Cost Allocation Approaches and reporting framework applied in the relevant Regulatory Years.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for 'Opex Consistency – Historical Cost Allocation'

**Table 4: Opex Consistency – Historical Cost Allocation**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p><b>DOPEX0201A-DOPEX0206A</b><br/>Consistency with Notice requirements</p> | <p>AER variables DOPEX0201A – DOPEX0206A are considered mandatory and have been populated by Ergon Energy.</p> <p>Opex has been reported in accordance with the Benchmarking RIN variables.</p> <p>Ergon Energy confirms, as required by the AER in Box 5, Reporting</p> |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
|   | <p>Framework – Table 3.2.2 Opex Consistency - Historical Cost Allocation Approaches in its RIN Instructions and Definitions that Opex has been prepared in accordance with Ergon Energy approved CAM (AER) in effect for the regulatory year.</p> <p>Similarly, the principles and approach or requirements pertaining to the prevailing Annual Reporting Requirements (AER defined term) relevant to the 14-15 year were applied in reporting Opex.</p> <p>As Ergon Energy does not currently own, control or operate any dual-function assets, there is no associated Opex to report. Ergon Energy does not have any subsidiaries which provide operating and maintenance services to the DNSP; therefore reporting of margins is inapplicable</p> |
| <p>Population of Actual Information in templates, including Source.</p>   | <p>Ergon Energy has sourced the majority of the data used to populate template 3.2, table 3.2.2.2 from the previously audited Ellipse trial balances which reconciles the Annual Reporting RIN.</p> <p>Transmission Point Planning was derived cost of transmission connection point planning. This was derived based upon the number of hours spent on this task plus travel and other incidental costs.</p>  |
| <p>Methodology and assumption's applied in relation to Actual Information</p>   | <p>Each variable in the Table has been populated by extracting data from the previously audited Ellipse trial balance which have been mapped to the relevant BM RIN categories or the Annual Reporting RINs.</p> <p>Transmission Point Planning was derived using the number of hours spent on this task plus travel and other incidental costs. The reported values for public lighting were extracted from the relevant audited Performance RINs which were also based upon the audited Ellipse General Ledger.</p>  |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.2, table 3.2.2.2</p>  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Estimates are Ergon Energy's best estimates.                                 |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Ergon Energy commenced accrual accounting in 2013-14, and continued in 2014-15. Consequently, the Feed in Tariff is now accounted for on an unbilled energy basis. |

### Table 3.2.4- Opex for High Voltage Customers

AER requires Ergon Energy to report the amount of Opex that it would have incurred had it been responsible for operating and maintaining the electricity Distribution Transformers that are owned by its high voltage customers.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Template 3, 'Opex for High Voltage Customers'.

**Table 5: Opex for High Voltage Customers**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements   | DOPEX0401 is considered a mandatory variable and has been populated by Ergon Energy.<br><br>It is noted that data in this table will not reconcile to information reported in response to Annual Reporting RINs provided by Ergon Energy, as we do not capture costs in relation to distribution transformers owned by HV customers.   |
| <b>DOPEX0401</b><br>Population of Actual Information in templates, including Source. | Ergon Energy has sourced the data from Ellipse using Artemis 7 (SPARQs and Ergon Energy's Programme Management Tool) for actual costs for distribution maintenance.<br><br>Variable DPA0502: Distribution transformer capacity owned by High Voltage Customers (MVA) was also used in arriving at an estimate (refer to Table 3.5.2 Transformer Capacities Variables for a detailed explanation of the source for the data). |
| Methodology and assumption's applied in relation to Actual Information               | Refer response to minimum requirement below, which details the methodologies applied to provide Estimated Information including assumptions made   |
| Population of Estimated Information in Templates, including why Estimates are        | Actual Information for DOPEX0401 is unavailable. Accordingly, Ergon Energy has provided 'Estimated Information' (as per the AER's defined term) in relation to DOPEX0401 - Opex for High Voltage Customers.  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>On page 22 of the Instructions and Definitions document issued by the AER in November 2013, it states</p> <p><i>“When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for the Variables in Table 3.4 [renamed table 3.2.4] it must do so; otherwise Ergon Energy must provide Estimated Information.”</i></p> <p>As required by the AER’s instructions and definitions, DOPEX0401 was estimated based on the Opex Ergon Energy incurs for operating similar Megavolts-ampere (MVA) capacity Distribution Transformers within its own network.</p> <p>The total annual cost of maintenance for distribution transformers (owned by Ergon Energy) was obtained for 2014-15 from Artemis 7. The total annual maintenance cost for distribution transformers owned by Ergon Energy was then multiplied by the percentage of Ergon Energy's distribution transformers greater than 500kVA capacity to obtain the annual maintenance cost of &gt;500kVA transformers owned by Ergon Energy. The annual maintenance cost of the &gt;500kVA transformers owned by Ergon Energy was then divided by the total MVA of the &gt;500kVA transformers owned by Ergon Energy to give the per-MVA cost of maintaining Ergon Energy owned transformers &gt;500kVA.</p> <p>There are no customers below 500kVA and connection policies have freed up conditions regarding HV customers such that some are now connected with as low as 500kVA capacity requirements, versus a previous minimum of 1,000kVA, making 500kVA a suitable delineating point. Therefore, the cost of maintenance for Ergon Energy’s transformers above 500kVA was calculated. HV Transformer capacity owned by Customers (MVA) was multiplied by the per-MVA cost (\$/MVA) of maintaining Ergon Energy owned transformers &gt; 500kVA to provide an estimate of the cost of maintaining the distribution transformers owned by customers. Base year for Distribution Transformer numbers is 2014-15.</p> |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>Changes in accounting policies adopted by Ergon Energy are not relevant to costs incurred in relation to external customers, other than in relation to components of data being utilised for the estimate provided (that is, Opex).</p> <p>Costs have been presented on a current cost approach basis in that it is consistent with the most recent Annual Reporting Requirements and the 2014-15 allocation of costs in the CAM.</p>   |



## Table 3.2.3 – Provisions

The AER requires Ergon Energy to provide information in relation to each of Ergon Energy's individual Provisions, namely, the Opex and Capex components of Provisions in relation to SCS only.

### Table 3.2.3 – Provisions

The AER requires Ergon Energy to report financial information on provisions for SCS in accordance with the requirements of the Cost Allocation Approach and the Regulatory Accounting Statements that were in effect for the relevant Regulatory Year.

Ergon Energy is required to report financial information for each of its individual provisions. That is, each account which records a specific present liability of an entity to another entity.

The Opex and Capex components of each provision are required to be separately reported in tables provided in Template 3.2.3.

#### ***Ergon Energy Provisions***

Ergon Energy notes the following provisions have been reported (additional rows inserted as required):

- **Restructure:** The restructure provisions are an estimate of the amounts required to provide redundancy payments for employees.
- **Employee benefit on-cost provisions:** The employee benefit on-cost provisions consist of provisions for workers compensation and payroll tax on employee benefits.
- **Employee Entitlement Provisions** consist of Annual Leave, Long Service Leave, Vested Sick Leave, and Superannuation on employee entitlements.
- **Rehabilitation:** The rehabilitation provisions are an estimate of the amounts required to rehabilitate specifically identified sites occupied by Ergon Energy offices, substations, power stations and workshops.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Template 3, 'Provisions' – Opex component

**Table 6: Provisions - Opex Component**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements<br><br><b>DOPEX0301(A-H);</b><br><b>DOPEX0302(A-H);</b><br><b>DOPEX0305(A-H);</b><br><b>DOPEX0308(A-H);</b><br><b>DOPEX03011(A-H);</b><br><b>DOPEX0314(A-H)</b> | Variables considered mandatory have been populated by Ergon Energy, relative to each Provision.<br><br>Ergon Energy confirms, as required by the AER in Box 6, <i>Reporting Framework for Provisions</i> in its RIN Instructions and Definitions, that provisions are reported in accordance with the principles and policies within the Annual Reporting Requirements (AER defined term) for the Regulatory Year.<br><br>Furthermore, financial information on provisions reconciles to the reported amounts for provisions in the annual Regulatory Information Notice or Regulatory Accounts information provided to the AER or QCA respectively. |
| Population of Actual Information in templates, including Source.   | Data has been sourced from the Ergon Energy general ledger.  |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Methodology and assumption's applied in relation to Actual Information | <p>(1) The Restructure Provision has been calculated on the following basis</p> <p>The working paper used to calculate this provision is the EIT Redundancy Provisions workbook which lists the employee detail .</p> <p>Increases to the Restructure Provision are deemed to be the redundancy provision of employees who have joined the EIT program due to their position being made redundant</p> <p>Used is deemed to be the redundancy provision for those employees whose employment with the organisation has been terminated</p> <p>Unused amounts reversed are deemed to be the redundancy provision for those employees who have exited the EIT program due to attaining a position within the organisation.</p> <p>The SCS portion is based on the service classifications split of the asset base, then split between Opex and Capex using the Opex/Capex overhead split using AER Approved CAM for 2014-15.</p> <p>(2) The Employee Benefit Provision and the Annual Leave Provision and the Super on Employee Entitlements Provision have been calculated using the credit values appearing on the Ellipse transaction listing as increases to the provision and using the debits on the Ellipse transaction listing as used</p> <p>The SCS portion is based on the service classifications split of the asset base, then split between Opex and Capex using the Opex/Capex overhead split using AER Approved CAM for 2014-15.</p> <p>(3) The Rehabilitation Provision has been split as per classification of individual sites, i.e. regulated sites and non-regulated sites. If the movement in the Rehabilitation provision was due to Revalued assets, (i.e. posted to Asset Revaluation Reserve) this is classified as Other, i.e. neither Opex nor Capex.</p> <p>Values are then split between Opex and Capex using the Opex/Capex overhead split using AER Approved CAM for 2014-15</p> <p>(4) Vested Sick Leave is for control room employees only, therefore classified as SCS Opex.</p> <p>The Vested Sick leave Provision has been calculated using the credit values appearing on the Ellipse transaction listing as increases to the provision and using the debits on the Ellipse transaction listing as</p> |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>used</p> <p>Adjustments are then applied to these values based on the increase during the period in the discount amount arising from the passage of time and the effect of any change in the discount rate</p> <p>The SCS portion is based on the service classifications split of the asset base, then split between Opex and Capex using the Opex/Capex overhead split using AER Approved CAM for 2014-15</p> <p>(5) The Long Service Leave Provision has been calculated using the payroll entries which represent leave taken by employees- these appear as debits on the Ellipse transaction listing as 'OR' in reference 4. These transactions are deemed to be used</p> <p>The balance is then split between the time value of money and the increases derived from the Ellipse transaction listing. The time value of money is derived from the Long Service Leave calculation model using the corporate bond rates and then the corporate bond rates are removed to derive the undiscounted value. The time value is then the movement from 30 June last year to 30 June this year.</p> <p>(6) Provision for Super on Employee Entitlements is calculated based on the movement in the general ledger for the financial year, i.e. increase = increase to provision, decrease = amounts used. SCS portion and Opex/Capex split is as per 1, 2 &amp; 5 above.</p> |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3, table 3.2.3 – Opex components</p>  |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>There were no changes in accounting policies impacting Provisions during the 2014-15 year.</p>  |

## Capex Component

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Template 3.2.3, 'Provisions' – Capex components.

**Table 7: Provisions - Capex Component**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Consistency with Notice requirements</p> <p><b>DOPEX0301(A-H);</b><br/><b>DOPEX0303(A-H);</b><br/><b>DOPEX0306(A-H);</b><br/><b>DOPEX0309(A-H);</b><br/><b>DOPEX03012(A-H);</b><br/><b>DOPEX0314(A-H)</b></p> | <p>Variables are considered mandatory and have been populated by Ergon Energy relative to each provision. Additional rows for Provisions have been inserted as required.</p> <p>Ergon Energy confirms, as required by the AER in Box 6, <i>Reporting Framework for Provisions</i> in its Instructions and Definitions, that provisions are reported in accordance with the principles and policies within the Annual Reporting Requirements for the Regulatory Year.</p> <p>Furthermore, financial information on provisions reconciles to the reported amounts for provisions in the annual Regulatory Information Notice or Regulatory Accounts information provided to the AER or QCA respectively.</p> <p>Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates in the past. While this is the same format as 2013-14, care should be taken when reviewing variable data for 2014-15 against prior submissions.</p> |
| <p>Population of Actual Information in templates, including Source.</p>  | <p>Data has been sourced from the Ergon Energy general ledger.</p>   |
| <p>Methodology and assumption's applied in relation to Actual Information</p>  | <p>Employee Benefits on-costs Provision and Other Provisions have been apportioned to regulated / non-regulated, and between service classifications based on asset base, then split between Opex and Capex using the Opex/Capex overhead split based on the AER Approved CAM. Provision for Annual Leave, Long Service Leave, &amp; Super on Employee Entitlements has been apportioned to regulated/non-regulated, and between service classifications based on asset base, then split between Opex and Capex using the Opex/Capex overhead split using and the AER Approved CAM</p>   |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in</p>  | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.2.3 – Capex components.</p>   |

| Variable  | Addressing Basis of Preparation Requirements  |  |
|---|---|--|
| <p>templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p> | <p>There were no changes in accounting policies which impacted Provisions.</p> |

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.3 Assets (Regulatory Asset Base)

1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the AER's Economic Benchmarking RIN, and specific to the information presented in Template 3.3 Assets (Regulatory Asset Base) of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates.

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.3 Assets (Regulatory Asset Base) (Actual, Estimated or Consolidated) in Ergon Energy's completed 14-15 BMRIN Templates.

Enquiries or further communications should be directed to:

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## Template 3.3 Asset (Regulatory Asset Base)

The AER requires data in relation to the opening value of assets, depreciation, the opportunity cost of funds used to purchase assets and capital gains to calculate an 'Annual User Cost of Capital' (AUCC) for each capital input category employed the economic benchmarking model. This in turn requires Ergon Energy to allocate Regulatory Asset Base (RAB) assets that provide Standard Control Services and Alternative Control Services into the specified capital input categories.

Further, the AER is requesting RAB assets that provide Standard Control Services to be further disaggregated into a Network Services RAB. This is to align with the AER's definition of Network Services set out in Appendix B, Instructions and Definitions, and the categories of services (and assets) that will be used to benchmark DNSPs

A 'Standard Approach' as described in section 4.1.1 of Appendix B must be followed, however an Optional Additional Approach may also be allowed (and provided as a separate excel sheet) where Ergon Energy believes it has sufficient information to provide a consistent RAB disaggregation that better reflects the values of its assets.

Ergon Energy must report RAB values in accordance with Box 7 - *Assets (RAB) Financial Reporting Framework* in Appendix B, Instructions and Definitions.

Where a RAB or RAB equivalent has been approved by the AER for ACS, Ergon Energy must report RAB values, or alternatively, report '0' in the cells.

### Table 3.3.1 – Regulatory Asset Base Values

Template 3.3, table 3.3.1 (Regulatory Asset Base Values) requires Ergon Energy to report totals for RAB Financial Information for 2014-15, across Network Services, Standard Control Services and Alternative Control Services.

Ergon Energy notes that variables DRAB0101 through DRAB0107 in table 3.3.1 represent RAB Financial Information for the total asset base. The RAB Financial Information for the total asset base is then further disaggregated into the lower level RAB Asset Categories for each category of service (Standard Control Services, Alternative Control Services and Network Services) in table 3.3.2.

As Ergon Energy has addressed the minimum Basis of Preparation requirements at the lower level RAB Asset Categories (in section 4.2.5.2 below), it is implicit that Ergon Energy has also addressed the minimum requirements for template 3.3, table 3.3.1. This is because all of the RAB values set out in template 3.3 have been calculated using a common Roll Forward Model (RFM) for each category of service (Standard Control Services, Alternative Control Services and Network Services). As a result, the RAB values reported for the total asset base in table 3.3.1 will be consistent with the RAB values reported at the lower level RAB Asset Categories in table 3.3.2 for each category of service.

### Table 3.3.2 – Asset Value Roll forward

Template 3.3, table 3.3.2 requires Ergon Energy to report RAB Financial Information by RAB Asset categories as per the definitions provided in Chapter 9 of the RIN Information and Definitions.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for the RAB 'Annual Value Roll Forward'.



Table 1: Asset Value Roll Forward - Standard Control and Alternative Control Services

| Variable                             | Addressing Basis of Preparation Requirements  |
|--------------------------------------|---|
| Consistency with Notice requirements | <p>Ergon Energy confirms, as required by the AER in Box 7, <i>Assets (RAB) Financial Reporting Framework</i> in Appendix B, Instructions and Definitions, that:</p> <ul style="list-style-type: none"> <li>▪ RAB financial information for Standard Control and Alternative Control Services reconciles to decisions the AER has made in relation to RAB values for these services through the 2010-15 Ergon Energy Distribution Determination and in the 2015-20 Ergon Energy Preliminary Determination; and</li> <li>▪ Where forecast values were used in relation to a decision on RAB values (in the 2010-15 Distribution Determination), these amounts have been replaced with actual values which reconcile to amounts reported in Regulatory Reporting Statements for 2009-10 (i.e. additions for the last year of the previous regulatory period).</li> </ul> |
| <b>DRAB0101-DRAB0107</b>             | <p>Ergon Energy has adopted the <i>Standard Approach</i>, with <i>Direct Attribution to the AER's economic benchmarking RAB Asset Classes</i>, as described in section 4.1.1 of Appendix B, Instructions and Definitions. For some non-system assets to the AER's 'other long life assets' and 'other short life asset categories' their categorisation has been ascertained by using additional Ellipse source system extracts (additions report). This is discussed further in the table, in section C below.</p>   |
| <b>DRAB201-DRAB1107</b>              | <ul style="list-style-type: none"> <li>▪ RAB Asset Financial Information for remaining asset classes has been directly allocated into RAB Asset categories in accordance with definitions provided in chapter 9 of the Appendix B, Instructions and Definitions (Refer to Section C below). RAB values for each of the RAB Asset categories are inclusive of Capital Contributions. Total capital contributions for each relevant regulatory year are provided at DRAB13.</li> </ul>  |
| <b>DRAB1201-DRAB1210</b>             | <ul style="list-style-type: none"> <li>▪ Ergon Energy currently does not own, control or operate any Dual Function Assets.</li> <li>▪ Although Variable Codes DRAB0801 – DRAB0807 in relation to RAB Asset 'Easements' are shaded orange, to allow for blacked out data input, these cells have been populated. Ergon Energy has the ability to report Easements, and necessarily they are not included in the remaining categories.</li> </ul>   |
|                                      | <p>In accordance with the instructions and definitions, Ergon Energy has only included RAB values for those services where the AER has approved a RAB or RAB equivalent. Therefore, for Alternative Control Services, Ergon Energy has only reported RAB assets that provide Alternative Control Street lighting Services, consistent with the classification of service, and RAB that was approved for this category of service in Ergon Energy's 2010-15 Distribution Determination. No RABs have been approved for any of Ergon Energy's other categories of Alternative Control Services (Quoted and Fee Based Services).</p>   |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Population of Actual Information in templates, including Source.       | <p>For 2014-15, annual Standard Control Services values and Alternative Control Services values (street lighting) are sourced from the AER's Preliminary Determination RFM for Ergon Energy.</p> <p>The Regulatory Asset Base is referred to in Schedule 6.2 Regulatory Asset Base, clause 6.2.1 of the NER. Clause 6.2.1 (establishment of opening regulatory asset base for a regulatory control period of the NER) states at paragraph (b):</p> <p><i>The values to be used for completing the roll forward model must be established in accordance with this clause and clauses S6.2.2 and S6.2.3.</i></p> <p>S6.2.3 refers to the Roll forward of regulatory asset base within the same regulatory control period. It states at paragraph b)</p> <p><i>Roll forward model to comply with this clause.</i></p> <p>The roll forward model referred to in clause 6.5.1 must provide for that value to be established in accordance with the requirements of this clause.</p> <p>Therefore, in reporting a RAB within the regulatory period Ergon Energy understands that it must be in accordance with the RFM. The RFM inserts Forecasts (eg. Estimates) for the last year of the prior regulatory control period and adjusts for the difference between estimate and actual in the last year of the current regulatory control period.</p> <p>Consistent with this approach, Ergon Energy has also replaced the Standard Control Services values and Alternative Control Services values (street lighting) for the regulatory years 2010-11 to 2013-14 inclusive with those set out in the AER's Preliminary Determination RFM for Ergon Energy.</p> <p>This approach ensures there is no misalignment of the values provided in the RIN and those adopted by the AER in its Preliminary Determination for the purposes of setting the opening RAB for 1 July 2015.</p> |
| Methodology and assumption's applied in relation to Actual Information | <p>As noted above, Ergon Energy has aligned the actual RAB information for the 2014-15 regulatory year, and each of the prior years of the 2010-15 regulatory control period, to the AER's Preliminary Determination RFM for Ergon Energy. In doing so, Ergon Energy has taken the following approach for:</p> <ul style="list-style-type: none"> <li>▪ 2010-11 to 2013-14 inclusive additions and disposals – these are set equal to the actual capex and disposal values accepted by the AER in its Preliminary Determination RFM. The value of disposals reflects a gross proceeds of sales basis.</li> </ul> <p>2010-11 to 2014-15 opening RAB, closing RAB, Inflation addition, Straight line depreciation and Regulatory depreciation – these are set equal to the actual values accepted by the AER in its Preliminary Determination RFM.</p> <p>Whilst the 2014-15 closing RAB value includes 2014-15 additions and disposals (which are expressed as estimates in accordance with the capex and disposal values for 2014-15 in the AER's Preliminary Determination RFM), Ergon Energy has reported this value as an actual in</p>  |

| Variable   | Addressing Basis of Preparation Requirements  |           |       |                              |                         |  |                          |  |                         |                                      |                         |
|--|---|-----------|-------|------------------------------|-------------------------|--|--------------------------|--|-------------------------|--------------------------------------|-------------------------|
|  | <p>the RIN template. The use of estimated 2014-15 additions and disposals (as per the AER's Preliminary Determination RFM) instead of actual 2014-15 additions and disposals results in a 1% impact on the closing 2014-15 RAB, which in accordance with AASB1031 is considered immaterial. There is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values</p> <ul style="list-style-type: none"> <li>▪ Asset lives – remaining lives used to roll forward the RAB during the 2010-11 to 2014-15 regulatory years has been updated to reflect the remaining lives adopted by the AER in the Preliminary Determination RFM for Ergon Energy.</li> <li>▪ 2009-10 actuals – the true-up for 2009-10 actual Capex is recognised as part of the roll forward of the asset base to 1 July 2015 for the 2015-20 regulatory control period (i.e. in the 2014-15 regulatory year, consistent with the operation of the AER's RFM and with the AER's Preliminary Determination RFM).</li> <li>▪ Ergon Energy has recognised the 2014-15 "Return on Difference – Net Capex" values and 2014-15 "Difference Between Actual and Forecast Net Capex" values, which are based on the difference between the forecast capex in 2009-10 and the actual capex in 2009-10, in the "Actual Additions (Recognised in RAB)" value (DRAB0105, DRAB0205 through to DRAB1105) for each form of control. This has been achieved by adding the "Difference Between Actual and Forecast Net Capex" amount and the "Return on Difference – Net Capex" to the 2014-15 Actual Additions (Recognised in RAB)" value, as this was considered the most appropriate place to recognise these values in order for their inclusion in the final closing value. The 2014-15 "Return on Difference – Net Capex" values and 2014-15 "Difference between Actual and Forecast Net Capex" values are considered to be actual values and have been recognised as such in the RIN templates. For completeness, the table below provides the individual values recognised in the RIN (for SCS) in DRAB0105:</li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Parameter</th> <th>Value</th> </tr> </thead> <tbody> <tr> <td>Actual additions for 2014-15</td> <td style="text-align: right;"><b>\$893,236,023.88</b></td> </tr> <tr> <td>2014-15 "Difference Between Actual and Forecast Net Capex" (for 2009-10)</td> <td style="text-align: right;"><b>-\$132,782,463.84</b></td> </tr> <tr> <td>2014-15 "Return on Difference – Net Capex" (for 2009-10)</td> <td style="text-align: right;"><b>-\$78,339,546.12</b></td> </tr> <tr> <td>Actual additions (recognised in RAB)</td> <td style="text-align: right;"><b>\$682,114,013.92</b></td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>▪ Street light contributions – contributions are netted out from the Alternative Control Services (street lighting) RAB</li> </ul> <p>The above updates replace previously reported RAB figures for Standard Control Services and Alternative Control Services from 2010-11 to 2013-14 inclusive and by default has an impact on the Network Services RAB calculations. These updated values will be provided to the AER in a</p> | Parameter | Value | Actual additions for 2014-15 | <b>\$893,236,023.88</b> | 2014-15 "Difference Between Actual and Forecast Net Capex" (for 2009-10) | <b>-\$132,782,463.84</b> | 2014-15 "Return on Difference – Net Capex" (for 2009-10) | <b>-\$78,339,546.12</b> | Actual additions (recognised in RAB) | <b>\$682,114,013.92</b> |
| Parameter  | Value   |           |       |                              |                         |  |                          |  |                         |                                      |                         |
| Actual additions for 2014-15   | <b>\$893,236,023.88</b>   |           |       |                              |                         |  |                          |  |                         |                                      |                         |
| 2014-15 "Difference Between Actual and Forecast Net Capex" (for 2009-10) | <b>-\$132,782,463.84</b>  |           |       |                              |                         |  |                          |  |                         |                                      |                         |
| 2014-15 "Return on Difference – Net Capex" (for 2009-10)                 | <b>-\$78,339,546.12</b>   |           |       |                              |                         |  |                          |  |                         |                                      |                         |
| Actual additions (recognised in RAB)                                     | <b>\$682,114,013.92</b>   |           |       |                              |                         |  |                          |  |                         |                                      |                         |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>restated historical RIN submission, if required.</p> <p>Ergon Energy asset categories (as reported in the roll forward model and Annual Performance RIN's) have been directly mapped to the required economic benchmarking RAB asset categories, with the exception of some non-network asset categories (see below).</p> <p>For some non-network asset categories (buildings, motor vehicles and plant and equipment), the AER definitions require Ergon Energy to split assets between short and long-life assets categories. Ergon Energy does not report data on this disaggregated basis. However, asset additions are readily determined from the asset register along with their lives. This information was used to apportion the relevant opening balances, additions and disposals to the required short and long-life categories</p> <ul style="list-style-type: none"> <li>▪ Ergon Energy has apportioned total buildings, motor vehicles and plant &amp; equipment attributable to short and long life categories on the basis of asset addition for each asset. Asset additions are readily determined from the asset register along with the associated asset lives. With motor vehicles (as an example) heavy vehicles and a % of total vehicle additions was determined. This was then used to split total vehicle Capex between short and long lives. The same process was used for buildings and for plant &amp; equipment. RAB disposals are allocated between short and long lived assets based on asset additions to these categories.</li> <li>▪ Roll-forward RAB values for 2014-15 are determined using the AER-approved RAB RFM used in the AER's 2010-15 Final Distribution Determination for Ergon Energy and the AER's 2015-20 Preliminary Determination.</li> </ul> |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Page 26 of the Instructions and Definitions document issued by the AER in November 2013 states:</p> <p>"When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for the Variables in Table 4.2 [renamed table 3.3.2] it must do so; otherwise Ergon Energy must provide Estimated Information."</p> <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) for 2010-11 to 2013-14, consistent with the RAB values adopted by the AER in the Preliminary Determination RFM for Ergon Energy.</p> <p>However, 2014-15 additions and disposals in this table are set equal to the capex and disposal values accepted by the AER in its Preliminary Determination RFM for 2014-15. The values are therefore the best estimates available at the time of the Preliminary Determination and are the values that the AER has used in setting the 1 July 2015 opening RAB.</p>   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Refer to Basis of Preparation for Template 3. Opex, which will discuss any changes in accounting policies impacting capex or opex (if at all) for the regulatory year. |

**Table 2: Annual Value Roll Forward – Network Services**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements                             | Ergon Energy has prepared the information for the Network Services RAB in accordance with the definition of Network Services set out in Appendix B, Instructions and Definitions. Further detail on how the information provided by Ergon Energy is consistent with the requirements and definitions of Network Services is discussed below.  |
| Population of Actual Information in templates, including Source. | As defined by the AER for the purposes of the Economic Benchmarking RIN, Network Services are a subset of Standard Control Services excluding Connection Services, Type 5-7 Metering Services, Fee Based and Quoted Services and Street Lighting Services. In the case of Ergon Energy, consistent with the AER's definition of Network Services, we assume it is also necessary to exclude gifted assets (since these are all related to connection services) and also any assets included in the Network Services category that are not funded by Ergon Energy i.e. Network Services funded via capital contributions.  |
| <b>DRAB0101-DRAB0107</b>   | Standard Control Services data is sourced from the AER's Preliminary Determination RFM (as discussed in the previous section above). Connection Services data is captured within the Ergon Energy "Customer Initiated Capital Works" (CICW) expenditure category. Specifically, CICW expenditure includes:  |
| <b>DRAB201-DRAB1107</b>  | <ul style="list-style-type: none"> <li>▪ All new shared network assets associated with new small and large customer connections, including new subdivisions;</li> <li>▪ New connections for Standard Asset Customers; and</li> <li>▪ Testing and commissioning of all new shared network assets and connection assets.</li> </ul>   |
| <b>DRAB1201-DRAB1210</b>   | <p>For 2014-15, the annual CICW values are sourced from the 2014-15 AER Annual Performance RIN provided by Ergon Energy and to the AER.</p> <p>As indicated above, CICW expenditure incorporates a portion of shared network expenditure (either funded by Ergon Energy or funded via capital contributions). To be consistent with the AER's definition of Network Services, we assume it is necessary for any Ergon Energy-funded shared network to be reported in the Network Services category, but any gifted assets and shared network not funded by Ergon Energy to be excluded. In order to derive the net value of shared network expenditure to be included in Network Services (and hence, the value of CICW expenditure to be removed from the Standard</p> |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>Control Services asset additions), it is necessary to:</p> <ul style="list-style-type: none"> <li>▪ identify the total amount of CICW expenditure related to the shared network;</li> <li>▪ identify that portion of the CICW shared network expenditure that is not funded by Ergon Energy (i.e. capital contributions associated with the shared network) so that only this portion is removed from Network Services; and</li> <li>▪ identify the amount of gifted assets (i.e. which relate to connection assets)</li> </ul> <p>The net result of the above (i.e. total CICW expenditure related to connection assets (i.e. not shared) plus customer capital contributions to the shared network, plus gifted assets) represents that portion of CICW expenditure that is required to be removed from Standard Control Services asset additions in order to determine the amount attributable to Network Services.</p> <p>Actual data associated with Street Lighting Services (to be removed from Standard Control Services data) is available from the AER's Preliminary Determination for Ergon Energy.</p> <p>No adjustment is necessary in relation to Fee Based and Quoted Services since this expenditure is already excluded from the Standard Control Services data.</p> <p>For 2014-15, the value of gifted assets is sourced from the Ellipse General Ledger, and the 2014-15 AER Annual Performance RIN lodged by Ergon Energy to the AER reported the aggregated amounts for cash and gifted contributions.</p> <p>Capital contributions data is available from the 2014-15 AER Annual Performance RIN lodged by Ergon Energy to the AER.</p> <p>Network Services funded via capital contributions are required to be estimated.</p> |
| Methodology and assumption's applied in relation to Actual Information | <p>To be consistent with the AER's definition of Network Services, expenditure related to Type 5-7 Metering Services and Street Lighting Services was removed from the Standard Control Services data.</p> <p>Adjustments to annual CICW expenditure were made to determine the net amount of shared network expenditure to remain in the Network Services data (and hence, the amount of expenditure required to be removed from Standard Control Services asset additions for Type 5-7 metering, connection assets, gifted assets and shared network assets funded via capital contributions)</p> <p>The resultant CICW expenditure to be excluded from the Standard Control Services asset additions category was attributed to the AER individual asset categories and removed from the Network Services RAB calculations</p> <p>The remaining expenditure represents the annual additions to the Network Services category by asset type.</p> <p>The opening Network Services RAB was rolled-forward (by the annual additions to Network Services) consistent with the AER's roll-forward process to derive the Network Services RAB for the 2014-15 year.</p>  |

| Variable | Addressing Basis of Preparation Requirements   |
|----------|--|
|          | <p>Ergon Energy does not separately identify expenditure or assets related to Network Services. While it is possible to make some adjustments to the Standard Control Services data to identify a partial measure of the Network Services component (e.g. remove gifted assets), calculations are required to derive the complete Network Services data. In particular, it is necessary to identify the portion of CICW that relates to connection services and is therefore required to be excluded from the Standard Control Services data in order to derive the Network Services additions. In order to do so, it is necessary to calculate the:</p> <ul style="list-style-type: none"> <li>▪ portion of annual CICW expenditure that relates to the shared network; and</li> <li>▪ portion of the CICW shared network expenditure that is not funded by Ergon Energy i.e. shared network provided via capital contributions.</li> </ul> <p>Changes made to the baseline Standard Control Services RAB data in 2014-15 have also been reflected in the Network Services RAB data for 2014-15 (e.g. updates to disposals, asset lives and recognition of 2009-10 capex actuals true-up)</p> <p>This calculation process, including;</p> <ul style="list-style-type: none"> <li>▪ how the resultant values are attributed to the AER's asset categories;</li> <li>▪ how these values represent actuals rather than estimates, and</li> <li>▪ the RAB roll-forward process is outlined below.</li> </ul> <hr/> <p><b><i>Calculating the portion of CICW that relates to Network Services (i.e. the shared network).</i></b></p> <p>Ergon Energy does not separately identify the proportion of CICW expenditure attributable to Network Services. As a consequence, it is necessary to calculate these values.</p> <p>For the 2014-15 Economic Benchmarking RIN, Ergon Energy has relied on analysis (including sampling a range of CICW projects) in order to determine the portion of expenditure attributable to shared network by customer category.</p> <p>For 2005-06 to 2009-10 years- value are based on analysis conducted in 2007-08 for the 2010-15 regulatory determination process (contained in Ergon Energy (2009), "Forecasts – Customer Initiated Capital Works – Standard Control Services", June document).</p> <p>For 2010-11 to 2014-15 years – values of the portions are based on expenditure forecasts prepared for the 2015-20 regulatory determination process.</p> <p>Whilst the use of expenditure forecasts prepared for the 2015-20 regulatory determination process do not represent actual values observed by Ergon Energy in 2014-15, the use of these values will not result in an impact of more than 1% on the closing 2014-15 Network Services RAB, which in accordance with AASB1031 is considered immaterial. Ergon Energy has confirmed this by</p> |

| Variable | Addressing Basis of Preparation Requirements   |
|----------|--|
|          | <p>performing sensitivity analysis using highly implausible scenarios (i.e. setting the portion of CICW that relates to Network Services to the two logical extreme values of 0% and 100%). The fact that the extreme values of 0% and 100% do not result in a material impact on the 2014-15 closing network services RAB means that there is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values. Ergon Energy therefore considers that this calculation will result in values that are actuals for the purposes of the RIN template.</p> <p><b><i>Calculating the portion of shared network CICW expenditure that was funded via capital contributions</i></b></p> <p>Ergon Energy's capital contribution policy is set out in the AER approved, Ergon Energy Capital Contributions Policy (2005). The policy sets out circumstances in which a capital contribution may be required and details how the capital contribution to be charged to a customer is calculated. In particular:</p> <p>Contributions may be required from developers of subdivisions and other small CICW customers (Standard Asset Customers).</p> <p>Ergon Energy allows for contributions to be provided via cash contributions i.e. Ergon Energy undertakes the required work, or gifted i.e. the works are undertaken by the customer and the assets that are built gifted to Ergon Energy.</p> <p style="padding-left: 40px;">Note: all gifted assets are assumed to relate to specific connection assets (rather than any shared network), since only Ergon Energy can undertake work on the shared network. Therefore, all gifted assets are excluded from the Network Services category.</p> <p>It is necessary to determine the value of developer and other customer cash capital contributions attributable to the shared network.</p> <p><i>Developer capital contributions attributable to the shared network</i></p> <p>For developer cash contributions, Ergon Energy's Capital Contribution Policy requires developers to fully fund any required shared network works. Ergon Energy has not previously captured the breakdown of costs to identify the shared network components of developer contributions, and accurate data is not available.</p> <p>However in 2014-15, actual capital contribution data for Domestic and Rural, Subdivision and Commercial and Industrial customers was available. Customer contributions from developers were calculated as the proportion of subdivision capital contributions to total capital contributions for 2014-15. Customer contributions from small customers was calculated be the proportion of Domestic and Rural, and Commercial and Industrial capital contributions to total capital contributions for 2014-15</p> <p>Ergon Energy has applied this value for all years from 2007-08 onwards (and hence replaced the estimates previously used) as it considers it the best available data on the breakdown between developer and small customer capital contributions.</p> <p>As discussed previously, Ergon Energy sampled a range of subdivision projects during 2007-08 and in August 2014 in order to calculate the</p> |



| Variable | Addressing Basis of Preparation Requirements   |
|----------|--|
|          | <p>associated shared network component. The latest analysis concluded that approximately 10% of subdivision expenditure during the year could be attributed to the shared network.</p> <p>Whilst the use of a sampled range of subdivision projects during 2007-08 and in August 2014 does not represent actual values observed by Ergon Energy in 2014-15, the use of these values will not result in an impact of more than 1% on the closing 2014-15 Network Services RAB, which in accordance with AASB1031 is considered immaterial. Ergon Energy has confirmed this by performing sensitivity analysis using highly implausible scenarios (i.e. setting the proportion of developer capital contributions attributable to the shared network to the two logical extreme values of 0% and 100%). The fact that the extreme values of 0% and 100% do not result in a material impact on the 2014-15 closing network services RAB means that there is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values. Ergon Energy therefore considers that this calculation will result in values that are actuals for the purposes of the RIN template.</p> <p><i>Other customer capital contributions attributable to the shared network</i></p> <p>For other customer cash contributions, Ergon Energy's Capital Contribution Policy requires customers to make a contribution to shared network costs. The contribution differs depending on the customer's location (East, West or Mount Isa). Ergon Energy has not previously captured the breakdown of costs to identify the shared network components of other customer cash contributions, and accurate data is not available.</p> <p>As a result, Ergon Energy has calculated the proportion of other customer cash contributions attributable to shared network works based on a sample of data.</p> <p>A sample of individual customer price book applications provided during 2012-13 was examined to determine the value of any capital contribution attributable to the shared network. The sample is considered representative of capital contributions in 2014-15 and hence a more recent sample was not considered to be necessary</p> <p>The shared network values were derived on the basis of the capital contribution formula and associated shared network proportions contained in Ergon Energy's Capital Contributions Policy.</p> <p>The sample outcomes were weighted by the number of customers in each of the three regions (East, West and Mount Isa) in 2014-15 to derive the average proportion of other customer cash contributions attributable to the shared network.</p> <p>Ergon Energy applied this percentage (9.1%) to an estimate of other customer cash contributions to derive the associated annual other customer contribution to the shared network.</p> <p>Whilst the use of a sample of individual customer price book applications provided during 2012-13 do not represent actual values observed by Ergon Energy in 2014-15, the use of these values will not result in an impact of more</p> |

| Variable | Addressing Basis of Preparation Requirements   |
|----------|--|
|          | <p>than 1% on the closing 2014-15 Network Services RAB, which in accordance with AASB1031 is considered immaterial. Ergon Energy has confirmed this by performing sensitivity analysis using highly implausible scenarios (i.e. setting the portion of average proportion of other customer cash contributions attributable to the shared network to the two logical extreme values of 0% and 100%). The fact that the extreme values of 0% and 100% do not result in a material impact on the 2014-15 closing network services RAB means that there is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values. Ergon Energy therefore considers that this calculation will result in values that are actuals for the purposes of the RIN template.</p> <p><b><i>Assigning the value of the connection services portion of CICW expenditure to asset categories</i></b></p> <p>Once the connection services portion of annual CICW expenditure is determined (i.e. the outcome of the above estimates), it is necessary to attribute these annual values to the AER asset categories.</p> <p>Ergon Energy has assigned the connection services portion of annual CICW expenditure to asset classes based on an apportionment process. This is based on the percentage split of asset categories for CICW expenditure from the Ellipse Project Accounting module.</p> <p>The Project Accounting module provides a detailed breakdown of annual capital expenditure by type of expenditure. It is then possible to map this expenditure to Ergon Energy's asset register and to the AER asset categories. Using this process, Ergon Energy has attributed annual CICW expenditure to the AER asset categories for each of the five years 2010-11 to 2014-15. The average of these five years for each of the asset categories has then been used to attribute the connection services portion of CICW expenditure to the AER categories for the 2014-15 reporting period.</p> <ul style="list-style-type: none"> <li>▪ Ergon Energy has adopted this allocation process in its AER Annual Performance RIN's provided by Ergon Energy and accepted by the AER for the past four years (2010/11 to 2013-14). Ergon Energy considers that this represents the best approach available on the basis that:</li> <li>▪ No actual information is available in relation to the CICW connection services by asset type;</li> <li>▪ The breakdown of CICW capital expenditure by asset type is expected to provide a reasonable proxy of the distribution of connection services expenditure; and</li> <li>▪ The attribution process has been used by Ergon Energy in developing AER Annual Performance RIN's provided by Ergon Energy and accepted by the AER.</li> </ul> <p>The remaining value of Standard Control Services additions by asset class effectively represents the annual Network Services additions.</p> <p><b><i>Network Services RAB roll-forward</i></b></p> <p>Ergon Energy has adopted the AER's roll-forward model to determine the</p> |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
|  | <p>Network Services RAB for 2014-15.</p> <p>Consistent with the SCS and ACS RIN values described earlier in this document, 2010-11 to 2013-14 inclusive network services additions and disposals are calculated (using the approach outlined above) based on the actual SCS capex and disposal values accepted by the AER in its Preliminary Determination RFM for 2014-15. The value of disposals reflects gross proceeds of sales basis.</p> <p>2010-11 to 2014-15 opening RAB, closing RAB, Inflation addition, Straight line depreciation and Regulatory depreciation for network services are calculated based on the network services additions and disposal values in accordance with calculations within the RFM adopted by the AER in its Preliminary Determination.</p> <p>Whilst the 2014-15 closing network services RAB value includes 2014-15 additions and disposals (which are expressed as estimates consistent with SCS capex and disposal values for 2014-15 in the AER's Preliminary Determination RFM), Ergon Energy has reported this value as an actual in the RIN template. The use of estimated 2014-15 additions and disposals (as per the AER's Preliminary Determination RFM) instead of actual 2014-15 additions and disposals results in a 1% impact on the closing 2014-15 network services RAB, which in accordance with AASB1031 is considered immaterial. There is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values.</p> |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's</p> | <p>Page 26 of the Instructions and Definitions document issued by the AER in November 2013 states:</p> <p>“When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for the Variables in Table 4.2 [renamed table 3.3.2] it must do so; otherwise Ergon Energy must provide Estimated Information.”</p> <p>Ergon Energy has provided ‘Actual Information’ (as per the AER’s defined term) for 2010-11 to 2013-14, consistent with the RAB values adopted by the AER in the Preliminary Determination RFM for Ergon Energy.</p> <p>However, 2014-15 network services additions and disposals in this table are calculated based on the SCS capex and disposal values accepted by the AER in its Preliminary Determination RFM for 2014-15. The values are therefore based on the best estimates available at the time of the Preliminary Determination.</p>  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| best estimates.  |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Refer to Basis of Preparation for Template 3. Opex, which will discuss any changes in accounting policies impacting capex or opex (if at all) for the regulatory year. |

### Table 3.3.3 – Total Disaggregated RAB Asset Values

Template 3.3, table 3.3.3 requires Ergon Energy to report Average RAB Asset values that have been disaggregated into the asset categories identified. The values must be calculated as the average of the opening and closing RAB values for the relevant Regulatory Year for each of the RAB Assets and should be directly reconcilable to the opening and closing values in template 3.3, table 3.3.2 for the relevant categories.

In addressing the minimum Basis of Preparation requirements for variables for 'Total Disaggregated RAB Asset Values', Ergon Energy notes that for the relevant Regulatory Year, variables DRAB01201 through DRAB01210 represent the average of the opening and closing RAB values for each of the Asset Category values reported in template 3.3 table 3.3.2, and are therefore implicitly addressed in responses contained in comments made in section 3.3.2 above in relation to Asset Value Roll Forward (by service).

#### Capital Contributions

Capital Contributions are required to be reported in template 3.3 Assets (RAB), including as a separate entry at DRAB13. In addressing the minimum Basis of Preparation requirements in relation to DRAB13 Capital Contributions, Ergon Energy makes the following comments:

**Table 3: Total disaggregated RAB asset values – Capital contributions**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements                             | As all data entry fields are shaded yellow, indicating mandatory data input fields, all cells have been populated.   |
| <b>DRAB13</b>  | <p>RAB values for each of the Standard Control Services RAB Asset categories in the worksheet are inclusive of Capital Contributions. Ergon Energy notes the value provided at DRAB13 is the total value, for "estimated value of capital contributions or contributed assets" for each relevant regulatory year.</p> <p>Refer to the comments in section 4.2 above in relation to Asset Value Roll Forward (by service) with regards to splitting between Network Services, Standard Control Services and Alternative Control Services.</p> |
| Population of Actual Information in templates, including Source. | Data used to populate this table was extracted from the 2014-15 AER Annual Performance RIN lodged by Ergon Energy to the AER.  |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| Methodology and assumption's applied in relation to Actual Information  | For 2014-15 the Ergon Energy 2014-15 AER Annual Performance RIN and general ledger separately reported/recorded the capital contribution revenue earned for Standard Control Services. Ergon Energy has not separately reported the value of contributions for Alternative Control Services as the associated RAB is exclusive of contributions. |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term).  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | No accounting policies adopted by Ergon Energy have impacted on capital contributions received.  |

### Table 3.3.4 – Asset Lives

The AER also requires Ergon Energy to report asset lives in relation to all RAB Assets, including estimated service life of new assets, and estimated residual service lives.

Where RAB Assets categories comprise of a number of assets, asset lives for the whole category must be calculated by weighting the lives of individual assets within that category, using weightings in order of preference stipulated in the AER's Instructions and Definitions). The RAB is the AER's preferred asset value measure for weighting lives, but replacement costs is considered an acceptable proxy if disaggregation of the RAB to the relevant level is not possible (and capacity shares are then a further proxy to replacement cost shares).

#### **Asset Lives – Estimated Service Life of New Assets**

Template 3.3, table 3.3.4.1 requires Ergon Energy to report the current expected service life of new assets, where:

- new assets are assets installed in the most recent regulatory reporting year; and
- the expected service life of new assets is the estimated period after installation of a new asset during which the asset will be capable of delivering the same effective service as it could at its installation date, which may not align with the asset's financial or tax life.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Estimated Service Lives of New Assets

**Table 4: Asset Lives – Estimated Service Life of New Assets**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements   | <p>As all data entry fields are considered mandatory data input fields and have been populated.</p> <p>Asset lives reported, are estimated service lives of new assets installed in the relevant regulatory reporting year</p>  |
| Population of Actual Information in templates, including Source.             | Data was sourced from Ergon Energy's fixed asset register. Asset lives in the fixed asset register are based upon engineering expectations and are reviewed on a regular basis.   |
| Methodology and assumption's applied in relation to Actual Information       | <p>A mapping exercise was employed on data obtained from the fixed asset register whereby data was grouped into the RAB Asset categories required by the AER, in accordance with category definitions provided in Chapter 9.</p> <p>Where RAB Asset categories contained assets of differing lives, a weighted average estimated life was calculated based on replacement cost using the formulae prescribed by the AER (equation 1, weighted average asset life calculation).</p>  |
| <b>DRAB1401-<br/>DRAB1409</b>  | <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 4, table 3.3.4.1.</p> <p>The estimated service lives for new assets for 2010-11 were based on the standard lives in the AER's Preliminary Determination RFM for Ergon Energy. A weighted average of the RFM standard lives, weighted using the 2010-11 Capex as-incurred values from the AER's Preliminary Determination RFM for Ergon Energy, was performed for each of the RIN asset classes.</p> <p>The estimated service lives for new assets for 2011-12 to 2014-15 inclusive will not reconcile to the standard lives in the AER's Preliminary Determination RFM. This is because the AER does not calculate estimated service lives for new assets for each year of the 2010-15 regulatory control period in its Preliminary Determination RFM. The estimated service lives for new assets presented for 2011-12 to 2014-15 inclusive are calculated in a consistent manner to that used in the previous RIN submissions for 2012-13 and 2013-14, as outlined earlier in this table.</p> |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Asset lives reported are a non-financial data set, and accordingly this requirement is not applicable.  |

**Asset Lives – Estimated Residual Service Life**

Template 3.3, table 3.3.4.2 requires Ergon Energy to report estimated residual service lives of assets. A current estimation is required, of the weighted average remaining time expected that a RAB Asset category will deliver the same effective service as that asset class did at its installation date.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Estimated Residual Service Lives.

**Table 5: Asset Lives – Estimated Residual Service Life**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| Consistency with Notice requirements  | <p>All data entry fields are shaded yellow, indicating mandatory data input fields and accordingly, have been populated.</p> <p>Asset lives reported, are estimated service lives of new assets installed in the relevant regulatory reporting year</p>  |
| Population of Actual Information in templates, including Source.  | Data was sourced from Ergon Energy's fixed asset register. Asset lives in the fixed asset register are based upon engineering expectations and are reviewed on a regular basis.  |
| Methodology and assumption's applied in relation to Actual Information  | <p>A mapping exercise was employed on data obtained from the fixed asset register whereby data was grouped into the RAB Asset categories required by the AER, in accordance with category definitions provided in Chapter 9.</p> <p>Where RAB Asset categories contained assets of differing lives, a weighted average estimated life based on replacement cost was calculated using the formulae prescribed by the AER (equation 1, weighted average asset life calculation).</p>   |
| <p><b>DRAB1501-<br/>DRAB1509</b></p> <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.3, table 3.3.4.2.</p> <p>Page 28 of the Instructions and Definitions document issued by the AER in November 2013 states":</p> <p>"When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for the Variables in Table 4.4.2 (now renamed table 3.3.4.2) it must do so; otherwise Ergon Energy must provide Estimated Information."</p> <p>The estimated residual service lives for 2010-11 were based on the remaining lives as at 1 July 2010 in the AER's Preliminary Determination RFM for Ergon Energy. A weighted average of the RFM remaining lives, weighted using the 1 July 2010 RAB values from the AER's Preliminary Determination RFM for Ergon Energy, was performed for each of the RIN asset classes.</p> <p>The estimated residual service lives for 2011-12 to 2014-15 inclusive will not reconcile to the remaining lives in the AER's Preliminary Determination RFM. This is because the AER does not calculate estimated residual service lives for each year of the 2010-15 regulatory control period in its Preliminary Determination RFM. The estimated residual service lives presented for 2011-12 to 2014-15 inclusive are calculated in a consistent manner to that used in the previous RIN submissions for 2012-13 and 2013-14,</p> |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Changes in Accounting Policies (Financial information - Actual or Estimated) | as outlined earlier in this table.<br>Asset lives reported are a non-financial data set, and accordingly this requirement is not applicable. |



# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.4 Operational Data

1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the Australian Energy Regulators (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.4 Operational Data of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.4 Operational Data (Actual, Estimated or Consolidated) in Ergon Energy's completed 2014-15 BMRIN Templates.

Enquiries or further communications should be directed to:

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## Template 3.4 Operational Data

The AER requires operational data to form the output measures for examining the efficiency with which DNSPs transform inputs into outputs. The data being collected is required to form 'output' measures, and includes energy delivery, customer numbers and maximum demand.

### Table 3.4.1 – Energy Delivery

Specially, in template 3.4, table 3.4.1 the AER requires Ergon Energy to report Energy Delivered, being the amount of electricity transported out of its network in the relevant regulatory year (GWh). It is required to be energy delivered as metered or estimated at the customer charging locations rather than the import location from the Transmission Network Service Provider (TNSP).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Total Energy Delivery (DOPED01). Of note, DOPED01 represents the sum of energy delivered disaggregated by chargeable quantity (template table 5.1.1), by customer type or class (template table 5.1.4).

**Table 1: Energy Delivery**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements   | DOPED01 entry fields are shaded yellow, indicating mandatory data fields, and accordingly data for the 2014-15 regulatory year has been populated.<br><br>Total Energy Delivered reported is the total metered or estimated energy delivered at the customer charging locations (rather than the import location from the TNSP). |
| Population of Actual Information in templates, including Source.   | All data was sourced from a summary of monthly billing data files sourced from Netbill / FACOM via the STC and other Pricing files   |
| Methodology and assumption's applied in relation to Actual Information   | Ergon Energy employed a methodology whereby kWhs for energy delivery were summated from monthly billing data files into annual totals. As the source file captured data in kWhs the results were converted to GWhs.  |
| <b>DOPED01</b> Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 5, table 5.1.1.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)   | Energy Delivered data is a non-financial data set, and accordingly this requirement is not applicable.   |

### Energy Grouping – Delivery by Chargeable Quantity

Template 3.4, table 3.4.1.1 requires Ergon Energy to report energy delivered by chargeable quantity in accordance with the AER category breakdowns, as defined in Chapter 9 of Instructions and Definitions (Appendix B).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables in relation to Energy delivered, grouped by chargeable quantity.

**Table 2: Energy Grouping – Delivery by Chargeable Quantity**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <p>Consistency with Notice requirements</p> <p><b>DOPED0201-</b></p>  | <p>Entry fields are shaded yellow indicating mandatory data fields, and accordingly data for the 2014-15 regulatory year has been populated.</p> <p><i>'Energy Delivered where time of use is not a determinant'</i> (DOPED0201) relates only to energy delivered that was not charged for peak, shoulder or off-peak periods.</p> <p>Ergon Energy introduced network tariffs reflecting shoulder, on-peak, and off-peak time charging periods, however no customers (or their retailer) had requested a tariff change to opt into these tariffs during 2014-15.</p> <p>Therefore, no disaggregation has been provided for time of use variables (DOPED0202 – DOPED0204)</p> <p>This is consistent with the AER's clarification received on 28 April 2014. In this clarification, the AER stated where Ergon Energy does not charge for energy delivery on a peak, off peak or shoulder basis then zeros should be entered against these variables in table 3.4.1.1.</p> |
| <p><b>DOPED0206</b></p> <p>Population of Actual Information in templates, including Source.</p>   | <p>All data was sourced from a summary of monthly billing data files sourced from Netbill / FACOM via the STC and other Pricing files</p>  |
| <p>Methodology and assumption's applied in relation to Actual Information</p>   | <p>Ergon Energy employed a methodology whereby kWhs for energy delivery were summated from monthly billing data files into annual totals and disaggregated into various categories. As the source file captured data in kWhs the results were converted to GWhs.</p>   |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.1.1.</p>   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Energy's best estimates.   |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Energy delivered data is a non-financial data set, and accordingly this requirement is not applicable. |

### **Energy Received from TNSP and other DNSPs by Time of Receipt**

Template 3.4, table 3.4.1.2 requires Ergon Energy to report energy input (received) into its network as measured at supply points from the TNSP and other DNSPs, by time of receipt as defined in Chapter 9 of Instructions and Definitions (Appendix B).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Energy Received.

**Table 3: Energy Received from TNSP and Other DNSPs by time of Receipt**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements                                   | All entry fields are shaded yellow indicating mandatory data fields, and have been populated for all regulatory years.<br><br><i>'Energy Received from TNSP and other DNSPs not included in the above categories'</i> (DOPED0304) relates only to energy received that was unable to be allocated to peak, shoulder or off-peak periods.<br><br>In this regard, a wholesale time of use schedule does not exist as relevant to Energy Received. Accordingly, no disaggregation has been provided for time of use variables (DOPED0301-DOPED0303).<br><br>This is consistent with the AER's clarification received on 28 April 2014. In this clarification, the AER stated if Ergon is not billed for energy it receives on a peak, off peak or shoulder basis then zeros should also be entered against these variables in table 3.4.1.2. |
| <b>DOPED0301-<br/>DOPED0304</b>  |   |
| Population of Actual Information in templates, including Source.       | Source is TNSP (PLQ) monthly billing files which are checked to metering data from Meter Data Agents (MDAs) and DNSP (Energex) monthly billing files. These billing files are checked to data from MDA.   |
| Methodology and assumption's applied in relation to Actual Information | Energy delivered to the Mount Isa distribution network (which includes Cloncurry but not the 220kV connected Carpentaria Mineral Province mines) is included in this aggregation given derogations which include this as part of the AER-regulated Ergon Energy regulated network. There is no TNI in any AEMO documentation servicing this area of the network.  |
| Population of Estimated Information in Templates, including why        | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 5, table 3.4.1.2.   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> |  |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>Energy Received data is a non-financial data set, and accordingly this requirement is not applicable.</p> |

### ***Energy Received from Embedded Generation by Time of Receipt***

Template 3.4, table 3.4.1.3 requires Ergon Energy to report energy delivered into its network from (residential and non-residential) Embedded Generation by time of receipt, in accordance with the AER category breakdowns defined in Chapter 9 of Instructions and Definitions (Appendix B).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables in Energy Received from Embedded Generation

**Table 4: Energy Received into DNSP system from Embedded Generation by Time of Receipt**

| Variable                                    | Addressing Basis of Preparation Requirements  |
|---|---|
| <p>Consistency with Notice requirements</p> | <p><i>'Energy Received from embedded generation not included in above categories from non-residential embedded generation (DOPED0404) relates only to energy received that was unable to be allocated to peak, shoulder or off-peak periods.</i></p>  |
| <p><b>DOPED0401-<br/>DOPED0408</b></p>      | <p>In this regard, a wholesale time of use schedule does not exist in relation to Energy Received. Accordingly, no disaggregation has been provided for time of use variables DOPED0401- DOPED0403.</p> <p>Similarly, data for variables DOPED0405 – DOPED0407 in relation to energy received from Embedded Generation (residential) has not been recorded by Ergon Energy and accordingly, has been entered as '0'.</p> <p>This is consistent with the AER's clarification received on 28 April 2014. In this clarification, the AER stated if Ergon Energy is not billed for energy it receives on a peak, off peak or shoulder basis then zeros should also be entered against these variables in table 3.4.1.3.</p> |
|   | <p>All other entry fields shaded yellow indicating mandatory data</p>   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Population of Actual Information in templates, including Source.   | <p>fields, have been populated.</p> <p>Energy received from embedded generation not included in above categories from residential embedded generation (DOPED0408) has been populated for 2014-15 regulatory period.</p>  |
| Methodology and assumption's applied in relation to Actual Information   | <p>Energy data for non-residential generators was sourced by Ergon Energy from National Electricity Market (NEM) settlements metering. All meters are interrogated by Australian Energy Market Operator (AEMO) accredited MDAs and passed to Ergon Energy LNSP in accordance with Chapter 7 of the NER.</p> <p>This data is automatically stored in the Ergon Energy DNSP central data repository (SMDB) for analysis by the various Ergon Energy Asset Development planning groups.</p> <p>An aggregate load measurement point (LMP) was setup to cater for requirements. Only the energy received channel (B) is used in the aggregation. This aggregate LMP is up dated when new and replacement measured data has been received from the MDAs. The aggregate definition is maintained, as is all Ergon Energy aggregate LMPs, in line with new installations of embedded generation impacting on the Ergon Energy network.</p> <p>DOPED0408 (residential) data was sourced from the Network Billing system (Netbill) using a Network Tariff Code specific to residential Embedded Generation. Data is inclusive of Tier 1 (EEQ) and Tier 2 (market customer) premises.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best | <p>Energy received in to the network from larger installations of embedded generation is recorded on a half hour basis.</p> <p>DOPED0408 (residential) data represents the sum of all KWh recorded with a Network Tariff Code specific to Embedded Generation with a Residential Customer Classification Code, from the Netbill data source, and includes kWh recorded for Ergon Energy owned solar PV on residential customer (host roof) in relation to the Magnetic Island Solar Cities project.</p>  |
| Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.1.3.  |  |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| estimates.   |   |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Energy Received data is a non-financial data set, and accordingly this requirement is not applicable. |

### Energy Grouping – Customer Type or Class

Template 3.4, table 3.4.1.4 requires Ergon Energy to report energy delivered in accordance with customer type or class categories as defined in the Information and Definitions at Appendix B.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables in Energy delivered by customer type or class.

**Table 5: Energy Grouping – Customer Type or Class**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Consistency with Notice requirements  | <p>Ergon Energy confirms the category breakdown is consistent with the customer types reported in Table 3.4.2.1 Customer numbers, with the exception that Other Customer Class Energy Deliveries includes Unmetered energy delivered (which in table 3.4.1.4 is separately reported for customer numbers).</p> <p>All entry fields are shaded yellow indicating mandatory data fields, and accordingly have been populated for all regulatory years</p>   |
| Population of Actual Information in templates, including Source.  | <p>Ergon Energy has sourced information from:</p> <ul style="list-style-type: none"> <li>▪ Monthly Network Billing (Netbill) files provided by the STC.</li> <li>▪ Note: these sources were adopted also for Template 3.1, table 2.2 Revenue Grouping by customer class or type</li> </ul>  |
| <b>DOPED0501-</b><br><b>DOPED0505</b><br>Methodology and assumption's applied in relation to Actual Information | <p>Historically, Ergon Energy's Network Tariffs have not been aligned to a specific customer class and therefore it was necessary to apply a mapping table to obtain the disaggregation required.</p> <p>In 2014-15 new tariff structures identified Residential and Business in our Volume tariffs, and we can identify energy usage (with some small assumptions), to disaggregation required. Section 8.3.3 of the 2014-15 Pricing Proposal explains this more fully, but in part it states :</p> <p><b>“Classifying customers as either residential or business”</b></p> <p>The current distinction (2013-14) in tariffs in this class between Volume Small (less than 26 MWh p.a.) and Volume Large (more than 26 MWh p.a. and less than 100 MWh p.a.) customers will be replaced with tariffs for residential and business tariffs. This will ensure tariffs reflect residential and business customers' different load shapes. Load shapes refer to the amount of electricity customers' use at different times of the day.”</p> <p>The disaggregation for all other variables is also based on Actual data except for approximately 6% of Actual values. This is caused</p> |



| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
|   | by billings for 2013-14 (for quarterly billing, rebills and adjusted bills on old tariff structures) being included in 2014-15 data; and will not be required for future RIN's. As there is no evidence that any valid alternatives exist that would clearly arrive at a materially different position from the estimated values. Ergon Energy therefore considers that this calculation will result in values that are actuals for the purposes of the RIN table. |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.1.4.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Energy delivered data is a non-financial data set, and accordingly this requirement is not applicable.   |

## Table 3.4.2 – Customer Numbers

The AER requires information to be reported on Ergon Energy's distribution customers in its network during a year. In addition to Notice requirements, on 4 February 2014 the AER provided the following clarification in relation to Customer Numbers:

*The definition (in Chapter 9 of the Instructions and Definitions) and the corresponding explanation in section 6.2.1 of the explanatory statement exclude 'deactivated' NMIs. A 'deactivated' NMI is equivalent to a NMI that is 'extinct'. This is a NMI with a status code of 'X' in accordance with AEMO's MSATS CATS procedure.*

*The definition includes (as explained in the explanatory statement) de-energised NMIs (status code 'D'). For the avoidance of doubt, our definition of customer numbers includes NMIs with status codes 'A' (Active) and 'D' (Not energised). Our definition does not include NMIs with status codes 'X' (Extinct) or 'G' (Greenfield site).*

### Distribution Customer Numbers By Customer Type or Class

Template 3.4, table 3.4.2.1 requires Ergon Energy to report Customer Numbers in accordance with the customer type or class categorisations as defined in the Instructions and Definitions at Appendix B of the RIN.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Distribution Customer numbers by customer type or class. Of note, DOCPN01 *total customer numbers* represents the sum of variables DOPCN0101 to DOPCN0106, and is therefore implicitly addressed in the responses below

**Table 6: Distribution Customer Numbers by Customer Type or Class**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
|  | <p>Consistency with Notice requirements</p> <p>All entry fields are shaded yellow indicating mandatory data fields, and accordingly have been populated for the 2014-15 regulatory year.</p> <p>Ergon Energy confirms the category breakdown is consistent with the customer types reported in Table 3.4.1.4 Energy grouping - customer type or class (refer section above), with the exception that Unmetered customer numbers are reported separate to "Other Customer" class (in table 3.4.1.4 they are combined as 'other').</p> <p>'Other Customer Numbers' (DOPCN0106) was utilised only where customers were unable to be allocated to the other customer classes.</p> <p>Ergon Energy notes that DOCPN01 does NOT reconcile to DOPCN02 in Distribution Customer Numbers by Network Location, given DOCPN01 includes transmission or unknown (unclassified) feeder classes.</p>  |
| <p><b>DOPCN0101-</b><br/><b>DOPCN0106</b><br/><b>DOCPN01</b></p> | <p>Population of Actual Information in templates, including Source.</p> <p>Ergon Energy has sourced customer numbers data from the Market Transaction system (NEMLink). Counts are of unique National Metering Identifiers (NMIs) that are identified as having Ergon Energy as their DNSP.</p>   |
|  | <p>Methodology and assumption's applied in relation to Actual Information</p> <p>Distribution Customers (except for unmetered customer numbers) represent the average number of active NMIs in the network the relevant regulatory, calculated as the average number of NMIs on the first day of the regulatory year and on the last day of the regulatory year. Of note:</p> <ul style="list-style-type: none"> <li>▪ Each NMI has been counted as a separate customer;</li> <li>▪ Both energized and de-energised NMIs are counted; and</li> <li>▪ Extinct and Greenfield site NMIS are excluded.</li> </ul> <p>Residential data is identified by the NMI Customer Classification Code (CCC), whilst Voltage, Demand &amp; Unmetered splits were identified by the Network Tariff Types.</p> <p>For Unmetered customers, data presents the sum of unmetered connections (excluding public lighting connections) in the network and the energy usage for billing purposes is calculated using an assumed load profile. Specifically, public lighting customers were not counted as unmetered customers</p> |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.2.1. |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Customer numbers data is a non-financial data set, and accordingly this requirement is not applicable.  |

**Distribution Customer Numbers by Network Location**

Template 3.4, table 3.4.2.2 requires Ergon Energy to report Customer Numbers in accordance with the customer locations on the network, as defined in the Instructions and Definitions at Appendix B of the RIN. The locations are: Urban, Short Rural Long Rural.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for customer numbers by network location. Of note, DOCPN02 *total customer numbers* represents the sum of variables DOPCN0202 to DOPCN0204, and is therefore implicitly addressed in the responses below.

**Table 7: Distribution Customer Numbers by Network Location**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Consistency with Notice requirements<br><br><b>DOPCN0201-<br/>DOPCN0204<br/>DOPCN02</b> | All entry fields are shaded yellow indicating mandatory data fields, and accordingly have been populated for all regulatory years, with the exception of 'DOOPCN0201' for CBD Network - Ergon Energy does not have any feeders classified as CBD.<br><br>Ergon Energy notes that DOPCN02 does NOT reconcile to DOPCN01 in Distribution Customer Numbers by Network Location, given DOCPN01 includes transmission or unknown (unclassified) feeder classes. No category was provided for these customers in DOPCN0201-DOPCN0204. |
| Population of Actual Information in templates, including                                | Ergon Energy has sourced customer numbers data from the Market Transaction system (NEMLink). Counts are of unique   |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Source.   | NMIs that are identified as having Ergon Energy as their LNSP.  |
| Methodology and assumption's applied in relation to Actual Information  | <p>Distribution Customers represents the average number of active NMIs in the network the relevant regulatory, calculated as the average number of NMIs on the first day of the regulatory year and on the last day of the regulatory year. Of note:</p> <ul style="list-style-type: none"> <li>▪ Each NMI has been counted as a separate customer;</li> <li>▪ Both energized and de-energised NMIs are counted; and</li> <li>▪ Extinct and Greenfield site NMIS are excluded.</li> </ul> <p>In order to disaggregate data by feeder types (Urban, Short Rural and Long Rural), Ergon Energy, a NMI was identified as being attached to a feeder which in turn enabled the identification of the required feeder classes.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.2.2.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Customer numbers data is a non-financial data set, and accordingly this requirement is not applicable.  |

### Table 3.4.3 – System Demand

The AER requires Ergon Energy to provide back cast System Demand data where it has calculated historical Weather Adjustment Maximum Demand statistics. Where specified by orange shading, if Ergon Energy does not have historical data, it may be estimated or cells blacked out (not provided) rather than produce unnecessarily burdensome estimates, and where it is illogical to enter '0'.

#### **Annual System Maximum Demand (Zone Substation) (MW)**

Specifically, template 3.4 table 3.4.3.1 requires Ergon Energy to report coincident and non-coincident Maximum Demand at the Zone Substation level, as raw (or unadjusted) and Weather Adjusted at the 10% and 50% Probability of Exceedance (POE) levels.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to annual system maximum demand (zone substation) MW variables.

**Table 8: Annual System Maximum Demand (Zone Substation) (MW)**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements   | <p>Variables DOPSD0102, DOPSD0103, DOPSD0105 and DOPSD0106 have been populated by Ergon Energy.</p> <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated.</p>   |
| <p>Population of Actual Information in templates, including Source.</p> <p><b>DOPSD0101-</b></p> <p><b>DOPSD0106</b></p> | <p>Data has been sourced from Substation Investment Forecasting Tool (SIFT).</p> <p>The SIFT database is maintained for the purpose of producing network demand forecasts of zone and bulk supply substations as well as Transmission Connection Points (TCPs). Access to the environment is secure and provided only to those persons who require access in order to conduct and manage the load forecasting process, and planning studies, with any changes to the datasets tracked and recorded.</p> <p>The database is updated annually with substation demand data from the Statistical Metering Database (SMDB) which acquires its demand data from a variety of sources including:</p> <ul style="list-style-type: none"> <li>▪ AEMO accredited Meter Data Agents (MDA) for: <ul style="list-style-type: none"> <li>○ All NEM meter data file formatted (MDFF) data for Transmission Connection Points (and hence Ergon Energy System Total Demand) and market customer meter data;</li> <li>○ Dedicated type 4 metering on distribution feeders/power transformers;</li> </ul> </li> <li>▪ Type 4 meter data of non-market customer as interrogated by the Ergon Energy's accredited MDA;</li> <li>▪ Supervisory Control and Data Acquisition (SCADA) at the Bulk Supply Points and Zone-Substations (ZSS);</li> <li>▪ Other sources of metered data used by Ergon Energy were: <ul style="list-style-type: none"> <li>○ NULEC recloser downloads;</li> <li>○ Maximum Demand Indicator (MDI) readings, and</li> <li>○ Simulations of maximum demand based on premises consumption records (billing) and network topology when the above sources are unavailable.</li> </ul> </li> </ul> |
| Methodology and assumption's applied in relation to Actual Information   | <p>In order to obtain Weather-adjusted variables, Ergon Energy has employed the following methodology:</p> <ul style="list-style-type: none"> <li>▪ Constructing a multivariate maximum demand equation for each season of Summer or Winter. Variables in the equation include maximum temperature, minimum temperature and variables for Saturday, Sunday and public holidays.</li> <li>▪ Daily historical BOM temperatures are passed through each equation and maximum annual demand is obtained. The listing of annual peak demand is made for all set of consistent</li> </ul>   |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
|   | <p>temperature records from each associated weather station.</p> <ul style="list-style-type: none"> <li>50 POE and 10 POE measured from histogram of annual peak demands.</li> </ul> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.3.1.                                |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.  |

### ***Annual System Maximum Demand (Transmission Connection Point) (MW)***

Template 3.4, table 3.4.3.2 requires Ergon Energy to report coincident and non-coincident Maximum Demands at the Zone Substation level, as raw (or unadjusted) and Weather Adjusted at the 10% and 50% POE levels.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to annual system maximum demand (transmission connection point) MW variables.

**Table 9: Annual System Maximum Demand (Transmission Connection Point) (MW)**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements                             | The orange cells associated with Variable Codes DOPSD0108, DOPSD0109 and DOPSD0111 and DOPSD0112 have been populated.                |
| <b>DOPSD0107-<br/>DOPSD0112</b>                                  | All other entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year. |
| Population of Actual Information in templates, including Source. | Data has been sourced from the Substation Investment Forecasting Tool (SIFT). Refer to Table 8 above.                                |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Methodology and assumption's applied in relation to Actual Information  | <p>In order to obtain Weather adjusted variables, Ergon Energy has employed a methodology involving:</p> <ul style="list-style-type: none"> <li>▪ Constructing a multivariate maximum demand equation for each season of Summer or Winter. Variables in the equation include maximum temperature, minimum temperature and variables for Saturday, Sunday and public holidays.</li> <li>▪ Daily historical BOM temperatures are passed through each equation and maximum annual demand is obtained. The listing of annual peak demand is made for all set of consistent temperature records from each associated weather station.</li> <li>▪ Weather station selected by referral to associated Zone Substation weather station. Where a transmission connection point has multiple Zone Substations attached, the most common weather station is selected for the transmission connection point weather correction.</li> <li>▪ 50 POE and 10 POE measured from histogram of annual peak demands.</li> </ul> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.3.2.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.   |

### **Annual System Maximum Demand (Zone Substation) (MVA)**

Template 3.4, table 3.4.3.3 requires Ergon Energy to report coincident and non-coincident Maximum Demands as raw (or unadjusted) and Weather Adjusted at the 10% and 50% POE levels.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to annual system maximum demand (zone substation) MVA variables.

**Table 10: Annual System Maximum Demand (Zone Substation) (MVA)**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements   | The orange cells associated with Variable Codes DOPSD0202, DOPSD0203 and DOPSD0205 and DOPSD0206 have been populated.<br><br>All other entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.             |
| Population of Actual Information in templates, including Source.             | Data has been sourced from Substation Investment Forecasting Tool (SIFT). Refer to Table 8 above.   |
| Methodology and assumption's applied in relation to Actual Information       | Weather adjustment MVA data have been obtained by multiplying raw MVA by the ratio of (MW temperature adjusted value to raw MW value) for the same regulatory year.   |
| <b>DOPSD0201-<br/>DOPSD0206</b>  | Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.   |

**Annual System Maximum Demand (Transmission Connection Point) (MVA)**

Template 3.4, table 3.4.3.4 requires Ergon Energy to report coincident and non-coincident Maximum Demands as raw (or unadjusted) and Weather Adjusted at the 10% and 50% POE levels.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to annual system maximum demand (transmission connection point) MVA variables

**Table 11: Annual System Maximum Demand (Transmission Connection Point) (MVA)**

| Variable          | Addressing Basis of Preparation Requirements   |
|-------------------|--|
| <b>DOPSD0207-</b> | Consistency with Notice requirements   |
|                   | The orange cells associated with variable DOPSD0208, DOPSD0209 and DOPSD0211 and DOPSD0212 have been |



| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <b>DOPSD0212</b>  | populated.<br><br>All other entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.             |
| Population of Actual Information in templates, including Source.  | Data has been sourced from Substation Investment Forecasting Tool (SIFT). Refer to Table 8 above.  |
| Methodology and assumption's applied in relation to Actual Information  | Weather adjustment MVA data has been obtained by multiplying raw MVA by the ratio of (MW temperature adjusted value to raw MW value) for the same regulatory year. |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.3.4.              |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.  |

### **Power Factor Conversion between MVA and MW**

Template 3.4, table 3.4.3.5 requires Ergon Energy to report the power factor to allow for conversion between MVA and MW measures for each voltage. Ergon Energy is required to provide a power factor for each voltage level and for the network as a whole.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Power Factor Conversion variables.

**Table 12: Power Factor Conversions (Overall Network)**

| Variable                             | Addressing Basis of Preparation Requirements  |
|--------------------------------------|---|
| Consistency with Notice requirements | DOPSD0301 is shaded yellow indicating a mandatory data field, and has been populated for the 2014-15 regulatory year.   |
| <b>DOPSD0301</b>                     | Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates from 2013/14. Therefore, care should be taken when reviewing variable data for 2013-14 and 2014-15 |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
|   | against prior submissions.   |
| Population of Actual Information in templates, including Source.  | Ergon Energy extracted power factor data from kW and kVA information stored in the Ergon Energy DNSP central data repository (Statistical Metering Database (SMDB)), which extracts this information from metering units across a significant proportion of Zone Substations over half hourly intervals.   |
| Methodology and assumption's applied in relation to Actual Information  | DOPSD0301 ' <i>average overall power factor conversion</i> ' is required to represent the total MW divided by the total MVA.<br><br>The overall network power factor was derived from a coincident summation of kW and kVA at all the transmission network connections points (native) in the Ergon Energy network, with the peak demand power factor calculated from this data set at the time of the native system maximum demand. |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to DOPSD0301 contained in template 3.4, table 3.4.3.5.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.  |

**Table 13: Power Factor Conversions (Remaining Voltage Levels)**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements                             | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.<br><br>With the reissuance of templates by the AER for the 2014-15 year, where variables are not relevant to Ergon Energy, these have not been populated. |
| <b>DOPSD0302-</b><br><b>DOPSD0314</b>                            |  |
| Population of Actual Information in templates, including Source. | Ergon Energy extracted power factor data from kW and kVA information stored in the SMDB, which extracts this information from metering units across a significant proportion of feeders and averages the data over half hourly intervals   |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Methodology and assumption's applied in relation to Actual Information  | <p>Ergon Energy developed a software system to calculate the average peak power factor (the power factor at peak demand for all of the aforementioned metering points with data stored in the SMDB at the different voltage levels required by the Notice. Basic data cleansing was performed by eliminating all feeders with peak power factors less than 0.4 and greater than 0.99.</p> <p>Some volatility exists in the metering sources for the 6.6kV power factor calculation, hence significant change in power factor from 13-14. However, because of the very small amount of network supplied at 6.6kV, it is considered that such volatility is immaterial and therefore this data has still been considered as Actual Information.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template 3.4, table 3.4.3.5.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Data in relation to Maximum Demand is a non-financial data set, and accordingly this requirement is not applicable.   |

***Demand Supplied (for Customers Charged on this Basis) (MW)***

Template 3.4, table 3.4.3.6 is required to be completed, where Ergon Energy charges customers for Maximum Demand supplied. Ergon Energy is required to report Maximum Demand amounts for customers that are charged based upon their Maximum Demand as measured in MW – split between Contracted and Measured.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Maximum Demand Supplied (MW)

**Table 14: Demand Supplied (for Customers Charged on this Basis) (MW)**

| Variable                             | Addressing Basis of Preparation Requirements  |
|--------------------------------------|---|
| <b>DOPSD0401</b><br><b>DOPSD0402</b> | <p>All entry fields are shaded yellow indicating mandatory data fields however it is noted in the Notice that population is only required where Ergon Energy charges customers for Maximum Demand supplied.</p> <p>In instances where Ergon Energy cannot distinguish between</p> |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Population of Actual Information in templates, including Source.  | contracted and measured Maximum Demand, demand supplied was allocated to contracted Maximum Demand.<br><br>Ergon Energy has sourced data from the Network Billing system (Netbill).   |
| Methodology and assumption's applied in relation to Actual Information  | <p>Network Use of System (NUOS) charges classed as Network DUOS Capacity Charge (NDCC) were used to identify the Contracted demand proportions for Individually Calculated Customer (ICC), Connection Asset Customer (CAC) and Embedded Generator (EG) type connections.</p> <p>NUOS charges classed as Network DUOS Actual Demand Charge (NDADC) were used to identify the Measured demand proportions for ICC, CAC and EG type connections.</p> <p>All Standard Asset Customer (SAC) - Large connections are noted to only have either an Actual Demand charge or a Threshold Demand charge and therefore were reported under the Contracted Demand split. In the case of the Threshold Demand we have used the actual read maximum demand as we have deemed that the demand below the applicable threshold is charged at a zero amount it and as such should still be counted as charged.</p> <p>ICC, CAC and EG type connections are charged (and hence accounted for) on a monthly basis. The summated values entered in these RIN variables are the summation of the monthly chargeable quantities.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Demand Supplied (contracted and measured) (MW) is supplied as Actual Information (defined term).  |
| Changes in Accounting Policies (Financial - Actual or Estimated)  | Data in relation to Demand Supplied is a non-financial data set, and accordingly this requirement is not applicable.  |

### **Demand Supplied (for Customers Charged on this Basis) (MVA)**

Template 3.4, table 3.4.3.7 is required to be completed, where Ergon Energy charges customers for demand supplied. Ergon Energy is required to report Maximum Demand amounts for customers that are charged based upon their Maximum Demand as measured in MVA – split between Contracted and Measured.

**Table 15: Demand Supplied (for Customers Charged on this Basis) (MVA)**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <p>Consistency with Notice requirements</p> <p><b>DOPSD0403</b></p>                             | <p>All entry fields are shaded yellow indicating mandatory data fields however it is noted in the Notice that population is only required where Ergon Energy charges customers for Maximum Demand supplied. This was also confirmed following AER review of Ergon Energy’s initial submission of the previous Benchmarking RIN, in which Ergon Energy had calculated (using a conversion factor) data on an ‘MVA measure’ basis.</p> <p>Ergon Energy commenced charging customers on a kVA (MVA) basis as of 1 July 2014. Where previous years information was not available in regards to MVA measures of Demand Supplied for contracted and Measured demand and “zeroes” were entered. This is consistent with the clarification received from the AER on 8 April 2014, which stated “zeros should be entered into table 3.4.3.7. The correct response to table 3.4.3.7 is to input the demand for which customers are charged. This should be on the basis of the units of measurement upon which the customers were charged. If Ergon only charges customers for demand on the basis of MWs then 0s should be input into table 3.4.3.7.”</p> |
| <p><b>DOPSD0404</b></p> <p>Population of Actual Information in templates, including Source.</p> | <p>Ergon Energy has sourced data from the Network Billing system (Netbill).</p>  |
| <p>Methodology and assumption’s applied in relation to Actual Information</p>                   | <p>Network Use of System (NUOS) charges classed as Network DUOS KVA Capacity Charge (NDKVACC) were used to identify the Contracted demand proportions for Individually Calculated Customer (ICC), Connection Asset Customer (CAC) and Embedded Generator (EG) type connections.</p> <p>NUOS charges classed as Network DUOS KVA Actual Demand Charge (NDKVAADC) was used to identify the Measured demand proportions for ICC, CAC and EG type connections.</p> <p>ICC, CAC and EG type connections are charged (and hence accounted for) on a monthly basis. The summated values entered in these RIN variables are the summation of the monthly chargeable quantities.</p>  |
| <p>Population of Estimated Information in Templates, including why Estimates are</p>            | <p>Ergon Energy has provided ‘Actual Information’ (as per the AER’s defined term) in relation to Demand Supplied</p>   |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| <p>required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>(contracted and measured) (MVA).</p>   |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>Data in relation to Demand Supplied is a non-financial data set, and accordingly this requirement is not applicable.</p> |

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.5 Physical Assets

1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the Australian Energy Regulators (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.5 Physical Assets of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.5 Physical Assets (Actual, Estimated or Consolidated) in Ergon Energy's completed 14-15 BMRIN Templates.

Enquiries or further communications should be directed to:

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## Template 3.5 Physical Assets

The AER requires a quantity measure of the capital service flow used by the DNSP into the production process for economic benchmarking. However, this cannot be directly observed. Only the quantity of the stock of capital can be observed at any point in time. Therefore, it is necessary to use proxy measures of capital service flow.

The AER requires data on the quantities and capacities of physical assets. Capacities are required to be reported in MVA-kms for lines and cables and in MVA for transformers, to be used as a measure of the capital service flow.

### Table 3.5.1 - Network Capacities Variables

Specifically, Template 3.5 Table 3.5.1 requires Ergon Energy to report capacity variables for its whole network. In this context, the network is to include overhead power lines and towers, underground cables and pilot cables that transfer electricity from the regional bulk supply points supplying areas of consumption to individual zone substations, to distribution substations and to customers. Network is also to include distribution feeders and the low voltage distribution system, but exclude the final connection from the mains to the customer and also wires or cables for public lighting, communication, protection or control and for connection to unmetered loads.

#### **Overhead Network Length of Circuit at each Voltage**

Template 3.5 Table 3.5.1.1 requires the Length of Circuit at each voltage to be reported for overhead portion of the network. Of note, on 3 December 2013 the AER provided clarification to NSPs in regard to completion of variables in Table 3.5.1.1:

*....variables contained within Tables 6.1.1 [and 6.1.3] do not include the length or capacity of service lines. The correct, compliant completion of Tables 6.1.1 and 6.1.3 is to report the circuit length and circuit capacity excluding the circuit length and circuit capacity of service lines.*

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to overhead network circuit lengths, for each voltage level. Of note, DPA01 – ‘Total overhead circuit km’ represents the sum variables DPA0101 to DPA0108, and is therefore implicitly addressed in the table below.

**Table 1: Overhead Network Length of Circuit at each Voltage**

| Variable                              | Addressing Basis of Preparation Requirements  |
|---------------------------------------|---|
| Consistency with Notice requirements  | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.  |
| <b>DPA0101-<br/>DPA0114<br/>DPA01</b> | Circuit length has been calculated from the line length (measured in kilometers) of lines in service (the total length of feeders including all spurs), where each Single Wire Earth Return (SWER) line, single-phase line, and three phase line counts as one line.<br><br>A double circuit line has been counted as two lines.<br><br>Circuit length does not take into account vertical components such as sag or customer side elements such as service lines.<br><br>Ergon Energy notes that the AER has used different variable |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Population of Actual Information in templates, including Source.   | <p>numbers associated with this table in its revised templates for 2013-14 and 2014-15. Therefore, care should be taken when reviewing variable data for 2013-14 and 2014-15 against prior submissions.</p> <p>Consistent with the clarification received from the AER, Ergon Energy has reported against those asset categories previously reported against and have left blank any categories that are not relevant to its business. [DPA0102, DPA0104, DPA0109, DPA0113]</p>   |
| Methodology and assumption's applied in relation to Actual Information   | <p>Overhead Network length data of circuits at each voltage level was sourced by Ergon Energy from its Smallworld Oracle Replicated (SOREP) Spatial database. This database is replicated from the Smallworld geographic information system (GIS) electrical data store.</p> <p>Scripts were run against the 2014-15 RIN snapshot of Smallworld data, to extract the number and length of conductors, broken down by operating voltage.</p> <p>Conductors with operating voltages which didn't align with any prescribed categories were placed in the "Other Overhead Voltages" group.</p> <p>Conductors with an operating voltage of 12.7kV and 19.1kV were placed in the SWER category.</p> <p><b>Explanation for variance</b></p> <p>It is noted that there has been an increase in the length of LV distribution conductor of 1800km or roughly 1.4%. This increase is statistically small but significant in comparison to previous years values and variances.</p> <p>Investigation of the issue has found a number of sources for the variance in the form of projects designed to improve data quality.</p> <p>The largest of these is the LV Population exercise which alone accounts for 1025Km of added conductor.</p> <p>Multiple other projects were found which were individually small but combined to add to the total</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in Template 3.5, Table 3.5.1.1.</p>  |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| estimates.   |   |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Physical Assets data is a non-financial data set, and accordingly this requirement is not applicable. |

### **Underground Network Circuit Length at Each Voltage**

Template 3.5 Table 3.5.1.2 requires the Length of Circuit at each voltage to be reported for Underground portion of Ergon Energy's network.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Underground network circuit lengths, for each voltage level. Of note, DPA02 – 'Total underground circuit km' represents the sum variables DPA0201 to DPA0207, and is therefore implicitly addressed in the table below.

**Table 2: Underground Network Circuit Length at each Voltage**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements                                   | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Circuit length has been calculated from the cable length (measured in kilometers) of cables in service (the total length of feeders including all spurs), where each single-phase line, and three phase line counts as one cable.</p> <p>A double circuit line has been counted as two lines.</p> <p>Circuit length does take into account vertical components such as end lengths.</p> <p>Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates for 2013-14 and 2014-15. Therefore, care should be taken when reviewing variable data for 2013-14 and 2014-15 against prior submissions.</p> |
| <b>DPA0201-<br/>DPA0212<br/>DPA02</b>                                  | <p>Consistent with the clarification received from the AER, Ergon Energy has reported against those asset categories previously reported against and have left blank any categories that are not relevant to its business. [DPA0202, DPA0204, DPA0210].</p>   |
| Population of Actual Information in templates, including Source.       | Underground Network length data of circuits at each voltage level was sourced by Ergon Energy from its SOREP Oracle Spatial database. This database is replicated from the Smallworld GIS electrical data store.  |
| Methodology and assumption's applied in relation to Actual Information | <p>Scripts were run against the 2014-15 RIN snapshot of Smallworld data, to extract the number and length of conductors, broken down by operating voltage.</p> <p>Conductors with operating voltages which didn't align with any prescribed categories were placed in the "Other Underground</p>  |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Voltages" group.<br>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in Template 3.5, Table 3.5.1.2. |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Physical Assets data is a non-financial data set, and accordingly this requirement is not applicable.   |

### **Estimated Overhead Network Weighted Average Capacity by Voltage Class (MVA)**

Template 3.5, Table 3.5.1.3 requires Ergon Energy to provide estimated typical or weighted average capacities for each of the listed overhead voltage classes prescribed by the AER, under normal circumstances taking account of limits imposed by thermal or by voltage drop considerations as relevant. Capacity is to be provided in an MVA measure.

The AER requires this information to calculate an overall MVA x km 'carrying capacity' for each overhead voltage class under normal circumstances.

On 4 February 2014, the AER also provided (at Ergon Energy's request) the following clarification with regards to requirements in respect of reporting requirements for Tables 6.1.3:

*We are not requesting separate weighted average capacities for summer and winter. We are requesting the weighted average capacity for the whole network in summer if the majority of that network experiences maximum demand in summer. Conversely, we are requesting the weighted average capacity for the whole network in winter if the majority of that network experiences maximum demand in winter. ....*

*That is, we are requesting the weighted average MVA capacity circuit capacity calculated using the capacities (under system normal conditions) at the time of overall system Maximum Demand.*

Further to this, on 3 December 2013, the AER provided the following clarification to NSPs:

*....variables contained within [Tables 6.1.1 and] 6.1.3 do not include the length or capacity of service lines. The correct, compliant completion of Tables 6.1.1 and 6.1.3 is to report the circuit length and circuit capacity excluding the circuit length and circuit capacity of service lines.*

*A stakeholder has asked whether two sets of lines that run on different sets of poles (or towers) but share the same easement should count as one route or two for the variable DOEF0301. We confirm that in this instance the lines are to be counted separately. The correct, compliant response to the variable DOEF0301 where two sets of lines share the same easement but run on separate sets of poles (or towers) is to count these lines as separate routes when reporting total route line length.*

Note in reissuing templates to Ergon Energy for use in 2013-14 and 2014-15, AER has renamed tables 6.1.1 and 6.1.3 as table 3.5.1.1 and 3.5.1.3 respectively.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables relating to estimated Overhead network weighted average capacities (MVA).

**Table 3: Estimated Overhead Network Weighted Average Capacity by Voltage Class (MVA)**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Consistency with Notice requirements</p>  | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Where two sets of lines run on different sets of poles (or towers) but share the same easement these are counted as separate routes for the variable DOEF0301.</p> <p>Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates for 2013-14 and 2014-15. Therefore, care should be taken when reviewing variable data for 2013-14 and 2014-15 against prior submissions.</p> <p>Consistent with the clarification received from the AER, Ergon Energy has reported against those asset categories previously reported against and have left blank any categories that are not relevant to its business. [DPA0303, DPA0308, DPA0312].</p> |
| <p>Population of Actual Information in templates, including Source.</p> <p><b>DPA0301-</b></p> <p><b>DPA0313</b></p>                       | <p>Ergon Energy has provided Actual data for all overhead network circuits with the exception of variable [DPA0301] Overhead low voltage distribution lines.</p> <p>Ergon Energy has sourced data from, and made reference to the following standards or guidelines, in order to complete variables for Estimated Overhead Network Weighted Average Capacity, by Voltage Class (MVA):</p> <ul style="list-style-type: none"> <li>▪ SOREP Oracle Spatial database (replicated SmallWorld GIS electrical datastore);</li> <li>▪ Australian Standards;</li> <li>▪ IEC Standards;</li> <li>▪ ESAA D(b)5; and</li> <li>▪ Ergon Energy Plant Rating Guidelines.</li> </ul>   |
| <p>Methodology and assumption's applied in relation to Actual Information</p>  | <p>Data in relation to Table 3.5.1.1 'Overhead network length of circuit at each voltage' was used. A methodology was employed whereby for lines interacting with more than one climate zones, the lowest rating was applied. Summer ratings were calculated.</p> <p>Voltage drop and thermal limits of circuit components other than overhead lines and cables have not been considered when establishing the capacities of lines.</p>  |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual</p> | <p>Ergon Energy has provided 'Estimated Information' (as per the AER's defined term) in relation to variable [DPA0301] Overhead low voltage distribution lines contained in Template 3.5, Table 3.5.1.3.</p> <p>When sourcing data in relation to overhead low voltage</p>   |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | <p>distribution line was discovered that that 57.6% of LV lines were not included in the assessment of the weighted average MVA capacity, as these have unknown characteristics. Further, it was noted that these lines are most probably older LV lines (eg. Imported from legacy systems at the time of SmallWorld implementation) that is likely to have smaller capacities thus potentially over reporting this data.</p> <p>Discussions with the auditors, we came to a conservative assumption to use a small copper conductor (0.080") as the construction of the 57.6% LV lines that were not included.</p> <p>On this basis Ergon Energy considers that the best estimate has been provided.</p> |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Overhead network weighted average capacities reported are a non-financial data set, and accordingly this requirement is not applicable.   |

**Estimated Underground Network Weighted Average Capacity by Voltage Class (MVA)**

Template 3.5, Table 3.5.1.4 requires Ergon Energy to provide estimated typical or weighted average capacities for each of the listed underground voltage classes prescribed by the AER, under normal circumstances taking account of limits imposed by thermal or by voltage drop considerations as relevant. Capacity is to be provided in an MVA measure.

The AER requires this information to calculate an overall MVA x km 'carrying capacity' for each voltage class under normal circumstances. Refer also to abovementioned additional guidance received from AER (4 February 2014) in regard to Table 3.5.1.4.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables in relation to estimated Underground network weighted average capacities (MVA).

**Table 4: Estimated Underground Network Weighted Average Capacity by Voltage Class (MVA)**

| Variable                                       | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements           | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Ergon Energy notes that the AER has changed the variable numbers associated with this table in its revised templates for 2013-14 and 2014-15. Therefore, care should be taken when reviewing variable data for 2013-14 and 2014-15 against prior submissions.</p> |
| <b>DPA0401-<br/>DPA0413</b>                    | Consistent with the clarification received from the AER, Ergon Energy has reported against those asset categories previously reported against and have left blank any categories that are not relevant to its business. [DPA0402, DPA0404, DPA0407, DPA0411].  |
| Population of Actual Information in templates, | Ergon Energy has sourced data from, and made reference to the following standards or guidelines, in order to complete  |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| including Source.   | <p>variables for Estimated Underground Network Weighted Average Capacity, by Voltage Class (MVA) :</p> <ul style="list-style-type: none"> <li>▪ SOREP Oracle Spatial database (replicated SmallWorld GIS electrical datastore);</li> <li>▪ Olex cable manufacturer catalogue calculations;</li> <li>▪ Australian Standards;</li> <li>▪ IEC Standards; and</li> <li>▪ Ergon Energy Plant Rating Guidelines</li> </ul>  |
| Methodology and assumption's applied in relation to Actual Information  | <p>Data in relation to Table 3.5.1.2 'Underground circuit length each voltage' was used. Of note, the following assumptions were applied.</p> <ul style="list-style-type: none"> <li>▪ Cables with similar characteristics given the same rating;</li> <li>▪ Cables ambient air temperature calculated from spatial analysis with Ergon Energy Climate Zones;</li> <li>▪ Cables ground temperature calculated from spatial analysis with 9 BOM Weather stations (nearest);</li> <li>▪ Unknown Voltage &amp; Phase attributes calculated from cable characteristics;</li> <li>▪ Cables ratings assumed 2 adjacent cables, 900mm depth, Cyclic Rating Factor =1, Solid Bonded &amp; TR=2.0;</li> <li>▪ Summer &amp; Winter Ratings were calculated.</li> </ul> <p>Voltage drop and thermal limits of circuit components other than overhead lines and cables have not been considered when establishing the capacities of cables.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in Template 3.5 Table 3.5.1.4.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Underground network weighted average MVA capacity reported is a non-financial data set, and accordingly this requirement is not applicable.   |

## Table 3.5.2 – Transformer Capacities Variables

The AER requires information pertaining to the capacity of Ergon Energy's installed Distribution and Zone Substation transformers. Information is required in relation to distribution transformer capacity both owned by Ergon Energy, and owned by its high voltage customers. Cold spare capacity (included in total capacity) is also required to be separately reported for both Distribution and Zone Substation transformers.

**Distribution Transformer Total Installed Capacity**

Specifically, Template 3.5 Table 3.5.2.1 requires Ergon Energy to report total installed Distribution Transformer capacity both owned by Ergon Energy and by high voltage customers. Cold spare capacity included in Ergon Energy’s total capacity is to also be separately identified.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Distribution transformer total installed capacity.

**Table 5: Distribution Transformer Total Installed Capacity**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| <p>Consistency with Notice requirements</p> <p><b>DPA0501-<br/>DPA0503</b></p> | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Distribution transformer capacity owned by Ergon Energy (DPA0501) - the reported data is the nameplate continuous rating including forced cooling.</p> <p>Where the transformer capacity owned by the customers connected at high voltage (DPA0502) was not available, Ergon Energy reported the summation of individual Maximum Demands of high voltage customers whenever they occur (i.e. the summation of single annual Maximum Demand for each customer) as a proxy for delivery capacity within the high voltage customers. This is consistent with the Instructions and Definition document issued by the AER in November 2013, which states</p> <p style="padding-left: 40px;"><i>“When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for Distribution Transformer capacity owned by High Voltage Customers it must do so; otherwise Ergon Energy must provide Estimated Information.”</i></p> <p>DPA0503 Cold Spare Capacity represents the total capacity of spare transformers owned by Ergon Energy but not currently in use. Cold Spare Capacity is included in Distribution transformer capacity owned by Ergon Energy (DPA0501).</p> |
| <p>Population of Actual Information in templates, including Source.</p>        | <p>The source data for Distribution transformer capacity owned by High Voltage was obtained from the DCOS and billed summary file (Netbill &amp; FACOM).</p> <p>The total capacity of installed distribution transformers was sourced from a Current State Assessment database which each year stores the amount of distribution transformer capacity connected to each distribution feeder. The installed distribution transformer capacity is stored in Ergon Energy’s corporate database.</p> <p>The source of the distribution transformer cold capacity is detailed in the table below</p>   |
| <p>Methodology and</p>   | <p>For Distribution transformer capacity owned by, ICC &amp; CAC</p>  |



| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| assumption's applied in relation to Actual Information  | <p>customers were taken from the annual DCOS file after removing those metered at low voltage (415 line etc.). Following, the maximum of actual charged maximum demand for each year or authorised demand was taken for each connection point. (Note: a connection point must have capacity of at least the authorised demand). The DCOS totals were then added to the of SACHV connections.</p> <p>DCOS numbers were used for SAC HV as no reliable, consistent, like for like, data for SAC High voltage connections is available over the required period. However, given that SACHV is less than 2% of totals, this was considered an acceptable estimation.</p> <p>The data is obtained from monthly billing files received from Service Transaction Centre using Netbill, and other files produced for Pricing purposes.</p> <p>A conversion factor was used to present the figures in MVA.</p> <p>The distribution transformer cold capacity was added to the installed capacity values. Refer to Table 6 below, for source and methodology employed for Cold Spare Capacity variables.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | <p>Ergon Energy is unable to provide Actual Information for Distribution transformer capacity owned by High Voltage Customers therefore Estimated Information has been presented in accordance with the Instruction at Table 3.5.2 Transformer Capacities Variables. This is consistent with the Instructions and Definition document issued by the AER in November 2013, which states</p> <p style="text-align: center;"><i>“When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for Distribution Transformer capacity owned by High Voltage Customers it must do so; otherwise Ergon Energy must provide Estimated Information.”</i></p>   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Capacity of installed distribution transformers is a non-financial data set, and accordingly this requirement is not applicable.   |

The following comments relate to cold spare capacity reporting as relevant to both variables DPA0503 (distribution transformer cold spare capacity) and DPA0605 (zone substation transformer cold spare capacity).

**Table 6: Cold Spare Capacity (Distribution Transformer and Zone Substation)**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| <b>DPA0503</b> Consistency with Notice requirements | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory period |
| <b>DPA0605</b>                                      | Cold Spare Capacity represents the total capacity of spare  |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
|   | transformers owned by Ergon Energy but not currently in use. Cold Spare capacity is included in the total Distribution transformer capacity owned by Ergon Energy (DPA0501), and total zone substation transformer capacity (DPA0604).   |
| Population of Actual Information in templates, including Source.  | Relevant to DPA0503 and DPA0605, Cold Spare capacity data was sourced from the Ellipse Production table files using a Mincom Ellipse Reporting (MERS). A snap shot report has been designed to run on early the first day of each month. The report used for the data in this regulatory period was taken on the 1/7/2015.   |
| Methodology and assumption's applied in relation to Actual Information  | In order to obtain the Cold Spare Capacity values required for this report the Stock On Hand (SOH) value for each identified stock code was required early on the first day of the new regulatory period. This data was obtained from a snapshot report that was run on at the end of the 2014-15 financial year.<br><br>To calculate the Cold Spare Capacity value in MVA stock on hand value for the regulatory year was multiplied by the Capacity of the item which could be obtained from the Stock Code's description. |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' in accordance with the AER's defined term.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Cold spare capacity is a non-financial data set, and accordingly this requirement is not applicable.   |

### **Zone substation Transformer Capacity**

Template 3.5, Table 3.5.2.2 requires Ergon Energy to report transformer capacity for intermediate level transformation capacity in either one or two steps. For example, high voltages such as 132 kV, 66 kV or 33kV at the Zone Substation level to the distribution level of 22 kV, 11 kV or 6kV.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Zone Substation transformer capacity variables.

**Table 7: Zone Substation Transformer Capacity**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <b>DPA0601-</b> Consistency with Notice requirements | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory |

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| <b>DPA0605</b>  | <p>year.</p> <p>Measures are the summation of normal assigned continuous capacity/rating (with forced cooling or other capacity improving factors included). They include both energised transformers and cold spare capacity.</p> <p>The assigned rating must be (if available) the rating determined from results of temperature rise calculations from testing, else the nameplate rating is reported.</p> <p>For zone substations where the thermal capacity of exit feeders is a constraint, thermal capacity of exit feeders is reported instead of transformer capacity.</p> <p>Cold Spare Capacity represents the total capacity of spare transformers owned by Ergon energy but not currently in use. Cold spare capacity is included in the total zone substation transformer capacity (DPA0604).</p> |
| Population of Actual Information in templates, including Source.  | 2014-15 totals are based on current corporate data extracted from Ellipse as a snapshot of the system at the end of the 2014-15 regulatory year.  |
| Methodology and assumption's applied in relation to Actual Information  | <p>Transformer asset data was extracted from the corporate database, categorised according to Table 3.5.2.2, and summated to obtain totals.</p> <p>Note that the small decline in DPA0603 as compared to 2013-14 is due to some transformers being taken out of service or re-classified as Powerlink owned.</p> <p>Refer to Table 6 above, for source and methodology employed for Cold Spare Capacity variables.</p>  |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' in accordance with the AER's defined term.   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Capacity of zone substation transformers is a non-financial data set, and accordingly this requirement is not applicable.   |

## Table 3.5.3 – Public Lighting

The AER requires Ergon Energy to report the number of public lighting luminaires and public lighting poles in its network. For both variables, Ergon Energy is required to report numbers that include both assets owned by Ergon Energy and assets operated and maintained, but not owned by Ergon Energy. Only poles that are used exclusively for public lighting are to be included.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to variables for Public Lighting.

**Table 8: Public Lighting**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <p>Consistency with Notice requirements</p>   | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Only poles that are used exclusively for public lighting are to be included.</p> <p>Consistent with clarification received from the AER following reissuance of templates for the 2014-15 regulatory year, Ergon Energy has reported against those asset categories previously reported against and have left blank any categories that are not relevant to its business. [DPA0703].</p>  |
| <p>Population of Actual Information in templates, including Source.</p>   | <p>Public Lighting data has been sourced from, 'Lightmap' the Public Lighting Management software.</p>   |
| <p>Methodology and assumption's applied in relation to Actual Information</p> <p><b>DPA0701-</b></p> <p><b>DPA0703</b></p>  | <p>For Public Lighting Luminaries a methodology was employed whereby Pivot tables were developed from the Lightmap extract to identify Public Lighting assets that were established in the database at the end of each regulatory year (financial year).</p> <p>For Public lighting Poles a methodology was employed whereby Pivot tables were developed from the Lightmap extract to identify Public Lighting assets that did not have Network Wires attached and as such were Street Light Only Poles (with wires). Data with Null values was a combination of new subdivisions and lights located in Isolated regions. The Isolated lights were excluded.</p> <p>It is assumed that the Lightmap data is an accurate record of actual assets.</p> |
| <p>Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are</p> | <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in template in Table 3.5.3 (Public Lighting).</p>   |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Ergon Energy's best estimates.   |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | <p>Public lighting data reported is a non-financial data set, and accordingly this requirement is not applicable.</p> <p>In the 2014-15 financial year Ergon Energy completed an external audit on all Streetlights which is in the process of being compiled and validated. The new software program Lightmap by Geomatic Technologies was introduced in 2014-15 and will be the future source of all Public Lighting asset counts. The outcomes of the audit have resulted in a notable change in quantities reported due to improved quality of data.</p> |

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.6 Quality of Service

1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the Australian Energy Regulators (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.6 Quality of Service of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (2014-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.6 Quality of Service (Actual, Estimated or Consolidated) in Ergon Energy's completed 14-15 BMRIN Templates.

Enquiries or further communications should be directed to:

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## Template 3.6 Quality of Service

The AER requires data on service quality for economic benchmarking, particularly because increases in measured efficiency may otherwise be achieved at the expense of service quality in either the short-term or the longer term. Accordingly, the AER are collecting data in relation to the Reliability of Ergon Energy's network (both inclusive and exclusive of Major Event Days (MEDs)), estimates of Energy Not Supplied, as well as System Losses and Capacity Utilisation.

The AER notes Whole of Network SAIDI and SAIFI are to be the system wide SAIDI and SAIFI, and that they don't require information by individual feeder categories within Ergon Energy's network.

### Table 3.6.1 - Reliability

Specifically, in Template 3.6 Table 3.6.1 Ergon Energy is required to report reliability data in relation to the System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) for unplanned outages on a Whole of Network basis. Data is required to be reported in accordance with the definitions provided in the AER's Service Target Performance Incentive Scheme (STPIS)<sup>1</sup> unless otherwise specified. Performance is required to be reported both inclusive and exclusive of excluded outages as per STPIS, and also then inclusive or exclusive of Major Event Days (MEDs) allowable under the Scheme.

In recent years Ergon Energy has developed and implemented a software application to link between the SCADA and the FDRstat to automatically and accurately create outage event records. The progressive implementation of this enhanced capability has highlighted limitations in the Ergon Energy Reliability Reporting Application. The reporting application classifies an outage event as sustained for the purpose of reliability performance reporting based on the elapsed time between the first customer interrupted and the last customer restored. All interruptions within the event classified as sustained contribute to the reported SAIDI and SAIFI performance. As a result any momentary supply interruptions within an outage event contribute to the SAIDI and SAIFI performance. The over reporting affected has a minimal impact on the accuracy of the reported performance for 2014-15, with the most pronounced effect observed in the Short Rural SAIFI with a 1.18% inaccuracy. Because effect on accuracy is low and the inaccuracy results in over reporting against STPIS, Ergon Energy believes it is not material.

10 sustained events have been identified as consisting of momentary interruptions to customers. When considering the average customer interruption duration these events are identified as having an average duration of 1 minute or less.

#### **Reliability - Inclusive of Major Event Days (MED)**

Template 3.6 Table 3.6.1.1 requires Ergon Energy to report System Average Interruption Duration Index (SAIDI) and System Average Interruption Frequency Index (SAIFI) in accordance with the definitions provided in Chapter 9 of the RIN Information and Definitions.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Reliability statistics (inclusive of MEDs).

---

<sup>1</sup> AER, *Electricity distribution network service providers Service target performance incentive scheme*, November 2009



**Table 1: Reliability Performance (Inclusive of MEDs)**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements   | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Data is reported in accordance with the definitions provided in the AER's <i>STPIS</i> unless otherwise noted.</p> <p>Data represents Actual performance only in relation to unplanned interruptions, as defined in the AER's <i>STPIS</i> scheme.</p> <p>In the absence of specification, Whole of Network statistics were assumed to encompass the Summation of Urban, Short Rural &amp; Long Rural (Customer Minutes, Customer Interruptions and Customer Numbers).</p>  |
| Population of Actual Information in templates, including Source.   | Ergon Energy has sourced data from its internal outage management and asset management systems.  |
| <p>Methodology and assumption's applied in relation to Actual Information</p> <p><b>DQS0101-</b></p> <p><b>DQS0104</b></p>   | <p>Refer to Table 2: Reliability Performance (Inclusive of MEDs) – Specific Variable Responses below for methodologies specific to each variable. The following comments are made across all variables.</p> <p>The regulatory (financial) year 2014-15 Major Event Day Threshold (tMed 8.25) was calculated utilising 5 years of Daily SAIDI data using the required <i>STPIS</i> methodology.</p> <p>The distribution customer numbers utilised, Ergon Energy notes that:</p> <ul style="list-style-type: none"> <li>▪ Average number of customers (the number of distribution customers is calculated as the average of the number of customers at the beginning of the reporting period and the number of customers at the end of the reporting period) was used as the denominator for the calculation as per the formula outlined in Appendix A of the AER's <i>STPIS</i> scheme.</li> </ul> <p>Completed Unplanned Sustained Interruptions are included.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all Reliability statistics.  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| estimates.   |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Reliability information reported is a non-financial data set, and accordingly this requirement is not applicable |

The following comments are made in relation to specific Reliability variables, provided in Template 3.6 Table 3.6.1.1 (Reliability performance inclusive of MEDs). Comments detail the specific scripting utilised to extract data used by Ergon Energy in providing Actual Information.

**Table 2: Reliability Performance (Inclusive of MEDs) – Specific Variable Responses**

| Variable  | Definition  |
|---|---|
| Whole of network unplanned SAIDI (DQS0101)                              | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Years 2014-15 (Between 1 July and 30 June)</p> <p>SAIDI calculation - Customer Minutes DIVIDED BY Average Number of Customers</p> <p>Inclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul>  |
| Whole of network unplanned SAIDI - excluding excluded outages (DQS0102) | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (between 1 July and 30 June)</p> <p>SAIDI calculation - Customer Minutes DIVIDED BY Average Number of Customers.</p> <p>Inclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> </ul> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul> |
| Whole of network unplanned SAIFI (DQS0103)                              | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (Between 1 July and 30 June)</p> <p>SAIFI calculation - Customers Interrupted DIVIDED BY Average Number of Customers</p> <p>Inclusive of the following exclusions:</p>  |

| Variable  | Definition   |
|---|--|
|   | <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul>  |
| Whole of network unplanned SAIFI - excluding excluded outages (DQS0104) | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Years 2014-15 (between 1 July and 30 June)</p> <p>SAIFI calculation - Customers Interrupted DIVIDED BY Average Number of Customers</p> <p>Inclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> </ul> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul> |

### Reliability - Exclusive of MEDs

Table 3.6.1.2 requires Ergon Energy to report SAIDI and SAIFI in accordance with the definitions provided in Chapter 9 of the information and definitions document in Appendix B to the Notice.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Reliability statistics (exclusive of MEDs).

**Table 3: Reliability Performance (Exclusive of MEDs)**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements                             | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory years.</p> <p>Data is reported in accordance with the definitions provided in the AER's <i>STPIS</i> unless otherwise noted.</p> <p>Data represents actual performance only in relation to unplanned interruptions, as defined in the AER's <i>STPIS</i> scheme.</p> <p>In the absence of specification, Whole of Network statistics were assumed to encompass the Summation of Urban, Short Rural &amp; Long Rural (Customer Minutes, Customer Interruptions and Customer Numbers).</p> |
| <b>DQS0105-<br/>DQS0108</b>                                      |  |
| Population of Actual Information in templates, including Source. | Ergon Energy has sourced data from its internal outage management (FeederStat) and asset management systems.   |
| Methodology and assumption's applied in relation to Actual       | Refer to Table 4: Reliability Performance (Exclusive of MEDs) – Specific Variable Responses below for methodologies specific to each variable. The following comments are made across all  |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| Information   | <p>variables.</p> <p>The regulatory (financial) year 2014-15 Major Event Day Threshold (tMed 8.25) was calculated utilising 5 years of Daily SAIDI data using the required STPIS methodology.</p> <p>The distribution customer numbers utilised, Ergon Energy notes that</p> <ul style="list-style-type: none"> <li>Average number of customers (the number of distribution customers is calculated as the average of the number of customers at the beginning of the reporting period and the number of customers at the end of the reporting period) was used as the denominator for the calculation as per the formula outlined in Appendix A of the AER's STPIS scheme.</li> <li>Only Completed Unplanned Sustained (Interruptions greater than one minute) Interruptions are included.</li> </ul> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all Reliability statistics   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Reliability information reported is a non-financial data set, and accordingly this requirement is not applicable.  |

The following comments are made in relation to specific Reliability variables, provided in Template 3.6 Table 3.6.1.2 (Reliability performance exclusive of MEDs). Comments detail the specific scripting utilised to extract data used by Ergon Energy in providing Actual Information

**Table 4: Reliability Performance (Exclusive of MEDs) – Specific Variable Responses**

| Variable                                   | Definition   |
|--|--|
| Whole of network unplanned SAIDI (DQS0105) | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (Between 1 July and 30 June)</p> <p>SAIDI calculation - Customer Minutes DIVIDED BY Average Number of Customers:</p> <p>Inclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>Generation (Exemption clause: 3.3 (a) (2 or 3))</li> </ul> |

| Variable  | Definition  |
|---|---|
|   | <ul style="list-style-type: none"> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> </ul>   |
| Whole of network unplanned SAIDI - excluding excluded outages (DQS0106) | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (between 1 July and 30 June)</p> <p>SAIDI calculation - Customer Minutes DIVIDED BY Average Number of Customers</p> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul>   |
| Whole of network unplanned SAIFI (DQS0107)                              | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (Between 1 July and 30 June)</p> <p>SAIFI calculation - Customers Interrupted DIVIDED BY Average Number of Customers</p> <p>Inclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> </ul> |
| Whole of network unplanned SAIFI - excluding excluded outages (DQS0108) | <p>Completed Sustained Unplanned Interruptions</p> <p>Feeder Categories: Whole of Network</p> <p>Financial Year 2014-15 (between 1 July and 30 June)</p> <p>SAIFI calculation - Customers Interrupted DIVIDED BY Average Number of Customers</p> <p>Exclusive of the following exclusions:</p> <ul style="list-style-type: none"> <li>▪ STPIS MED's</li> <li>▪ Generation (Exemption clause: 3.3 (a) (2 or 3))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5))</li> <li>▪ Jurisdictional obligation or right (Exemption clause: 3.3 (a) (7))</li> </ul>  |

### Table 3.6.2 – Energy Not Supplied

Template 3.6 able 7.2 requires Ergon Energy to estimate the raw (not normalized) energy not supplied due to unplanned customer interruptions based on average customer demand (multiplied by the number of customers interrupted and the duration of the interruption).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Energy Not Supplied. Of note, Total Energy not Supplied (variable DQS02) represents the total of Planned and Unplanned Energy Not Supplied respectively, and is therefore implicitly addressed in the responses below.

**Table 5: Energy Not Supplied**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| <p>Consistency with Notice requirements</p> <p><b>DQS0201</b></p> <p><b>DQS0202</b></p> <p><b>DQS02</b></p> | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.</p> <p>Although not specified, Planned and Unplanned outage data has been utilised on a Whole of Network basis (Urban, Short Rural and Long Rural). The outage data represents the normalised interruption data resulting from the exclusion of excluded events listed in Chapter 9 of the Economic Benchmark RIN Instructions and Definitions. Additionally Ergon Energy has excluded the influences of MEDs from the outage data from which the energy not supplied is derived. The exclusion of MEDs is not specifically listed in the excluded events in Chapter 9 and is not specifically considered in Chapter 7 Quality of Service. Ergon Energy has however interpreted the removal of the influences of MEDs is part of the general excluded events that are normally considered.</p> <p>This approach is consistent with the AER clarification received on 9 September 2014, which stated by 'normalized' energy not supplied the AER meant energy not supplied adjusted to reflect normal operating circumstances. The AER does not mean energy not supplied inclusive of Excluded Outages.</p> <p>Approach 3 in Chapter 7 section 7.1 of the Instructions and Definitions has been applied to estimate the energy not supplied as a result of a customer interruption. Approach 3 states "average consumption of customers on the feeder based on their billing history" has been applied</p> |
| <p>Population of Actual Information in templates, including Source.</p>                                     | <p>Ergon Energy utilised a combination of customer outage data sourced from the Ergon Energy Outage Management System (FdrSTAT) and Netbill billing customer consumption data.</p> <p>The Outage Management System data provided by Ergon Energy's Performance Reporting group represented both Unplanned and Planned interruption data grouped by distribution feeder. The interruption data used as the basis for the derivation of the Energy Not Supplied is noted to INCLUDE:</p> <ul style="list-style-type: none"> <li>▪ Sustained Interruption Events as defined in the National STPIS 2009</li> <li>▪ Normal</li> <li>▪ Service Fuse or Beyond</li> </ul> <p>and to EXCLUDE</p> <ul style="list-style-type: none"> <li>▪ STPIS MED day exclusions</li> </ul>   |

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| Methodology and assumption's applied in relation to Actual Information  | <ul style="list-style-type: none"> <li>▪ Public Safety Isolation (Exemption clause: 3.3 (a) (7))</li> <li>▪ Generation (Exemption clause: 3.3 (a) (2))</li> <li>▪ Shared Transmission (Exemption clause: 3.3 (a) (5)).</li> </ul> <p>The aggregated regulatory year feeder interruption data provided:</p> <ul style="list-style-type: none"> <li>▪ Network type as defined in the National STPIS 2009</li> <li>▪ Customers interrupted resulting from Planned events</li> <li>▪ Duration of Interruption resulting from Planned events</li> <li>▪ Customers interrupted resulting from Unplanned events</li> <li>▪ Duration of Interruption resulting from Unplanned events</li> </ul> <p>Ergon Energy has estimated the energy not supplied due to unplanned and planned customer interruptions based on average customer consumption per minute per feeder, multiplied by the customers interrupted and the duration of the interruption for each customer.</p> <p>Customer minutes off supply are calculated by multiplying the duration of the interruption by the number of customers interrupted. This information is sourced from the Outage Management System (FdrSTAT).</p> <p>Customer minutes off supply are then multiplied by the average consumption per affected feeder, to determine an estimate of Energy Not Supplied.</p> <p>This calculation was performed for both Planned and Unplanned interruptions, with Total Energy Not supplied being the sum of DQS0201 and DQS0202.</p> |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | <p>By definition, Ergon Energy has provided 'Estimated Information' in relation to all variables contained in Template 3.6 Table 3.6.2.</p> <p>Historical feeder connectivity is not captured by Ergon Energy, and therefore current connectivity is assumed. Consumption is identified for all feeders and was multiplied by the customer minutes. Where there is no current connectivity an average consumption across all feeders was used.</p> <p>This is consistent with the Instructions and Definition document issued by the AER in November 2013, which states</p> <p><i>“When completing the templates for Regulatory Years subsequent to the 2013 Regulatory Year, if Ergon Energy can provide Actual Information for energy not supplied it must do so; otherwise Ergon Energy must provide Estimated Information..”</i></p>   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | <p>Energy Not Supplied is a non-financial data set, and accordingly this requirement is not applicable.</p>  |

## Table 3.6.3 – System Losses

The AER requires Ergon Energy to report system losses, being the proportion of energy lost in distribution of electricity from the transmission network to Ergon Energy customers. The AER provides equation 2 for the purpose of calculating distribution losses.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments relative to Template 3.6 Table 3.6.3 – System Losses

**Table 6: System Losses**

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| Consistency with Notice requirements   | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.<br><br>System losses are calculated in accordance with Equation 2 in the Instructions and Definitions at Appendix B to the Notice. |
| Population of Actual Information in templates, including Source.   | In order to calculate System Losses, data has been sourced from corporate sources, as detailed in the BOPs for Template 3.4 Operational data – see Energy Received and Energy Delivery.   |
| Methodology and assumption's applied in relation to Actual Information   | All data provided in relation to System Losses is Actual information which is calculated using the following formula:<br><br>[Energy Received – Energy Delivery] <i>divide</i> Energy Received.   |
| <b>DQS03</b> Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to variable DQS03 contained in Template 3.6, Table 3.6.3.  |
| Changes in Accounting Policies (Financial information - Actual or Estimated)   | System Losses reported are a non-financial data set, and accordingly this requirement is not applicable.  |

## Table 3.6.4 – Capacity Utilisation

The AER requires information in relation to Capacity utilisation, as a measure of the capacity of zone substation transformers that is utilised each year.

Specifically, Template 3.6 Table 3.6.4 requires Ergon Energy to report the sum of non-coincident Maximum Demand at the zone substation level divided by summation of zone substation thermal capacity.



In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to capacity utilisation.

**Table 7: Capacity Utilisation**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Consistency with Notice requirements  | <p>All entry fields which are shaded yellow indicating mandatory data fields have been populated for all regulatory years.</p> <p>For the purpose of this measure, capacities used are the summation of normal assigned continuous capacity/rating (with forced cooling or other capacity improving factors included).</p> <p>The assigned rating must be (if available) the rating determined from results of temperature rise calculations from testing, else the nameplate rating is reported.</p> <p>For zone substations where the thermal capacity of exit feeders is a constraint, thermal capacity of exit feeders is used instead of transformer capacity.</p> |
| Population of Actual Information in templates, including Source.  | Ergon Energy has sourced data in order to report capacity utilisation from the same sources as those reported for DOPSD0201 and DPA0604.  |
| <b>DQS04</b>  | Methodology and assumption's applied in relation to Actual Information  |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates. | <p>This data was determined by dividing the Non-coincident Summated Raw System Annual Maximum Demand provided as per DOPSD0201 by the Total zone substation transformer capacity as per DPA0604, not including the Cold Spare Capacity.</p> <p>Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables contained in Template 3.6 Table 3.6.4.</p>   |
| Changes in Accounting Policies (Financial information - Actual or Estimated)  | Capacity utilisation data is a non-financial data set, and accordingly this requirement is not applicable   |

# Economic Benchmarking Regulatory Information Notice Basis of Preparation



Template 3.7 Environment  
1 July 2014 to 30 June 2015



## Foreword

In response to requirements of the Australian Energy Regulator's (AER) Economic Benchmarking Regulatory Information Notice (RIN), and specific to the information presented in Template 3.7 Environment and Template 3.7.4 Weather Stations of Ergon Energy's completed 2014-15 Economic Benchmarking RIN templates (14-15 BMRIN Templates), Schedule 1 paragraph 1.2 of the Notice requires Ergon Energy to provide a Basis of Preparation demonstrating how Ergon Energy has complied with the Notice, in respect of:

- each variable in each of the worksheets in the Economic Benchmarking Data Templates; and
- other information prepared in accordance with the requirements of the Notice and the RIN Instructions and Definitions at Appendix B to the Notice.

Schedule 2 paragraph 2.2 of the Notice requires the Basis of Preparation to provide, at a minimum, for each variable and any other information, commentary that:

- demonstrates how the information provided is consistent with the requirements of the Notice;
- explains the source from which Ergon Energy obtained the information provided; and
- explains the methodology Ergon Energy applied to provide the required information, including any assumptions Ergon Energy made.

In circumstances where Ergon Energy cannot provide input for a Variable using Actual Information and therefore must provide input using Estimated Information, Ergon Energy must also comment as to:

- why an estimate was required, including why it was not possible to use Actual Information; and
- the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is a best estimate, given the information sought in this Notice.

Over and above this, Appendix B, Instructions and Definitions section 1.1.2 note (5) requires an additional minimum requirement for the Basis of Preparation for variables that contain Financial Information (Actual and Estimated) where accounting policies adopted by Ergon Energy have materially changed during any of the Regulatory Years covered by the Notice. In such instances, the relevant Basis of Preparation must include an explanation as to the:

- nature of the change; and
- impact of the change on the information provided in response to the notice.

Section 1.1.1 of the Appendix B, Instructions and Definitions also indicates which variables may not be applicable to Ergon Energy as displayed by yellow, orange, or blue shading in the Economic Benchmarking data Templates

This Basis of Preparation document should be read in conjunction with the information presented in Template 3.7 Environment (Actual, Estimated or Consolidated) in Ergon Energy's completed 14-15 BMRIN Templates.

Of note, the AER no longer requires information in relation to Weather Stations.

Enquiries or further communications should be directed to:

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## Template 3.7 Operating Environment

The AER requires information on operating environment factors to account for exogenous circumstances that may cause differences in productivity across networks. These include variables relating to Density, and Terrains affecting Ergon Energy's network.

### Table 3.7.1 – Density Factors

Specifically for Template 3.7 Table 3.7.1 the AER requires Ergon Energy to provide information in relation to density factors affecting its operating environment. Data is required in relation to Customer Density, Energy Density and Demand Density of Ergon Energy's network (all defined terms in Appendix B, Instructions and Definitions).

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to Density factors variables.

**Table 1: Density Factors**

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Consistency with Notice requirements   | All entry fields which are shaded yellow indicating mandatory data fields have been populated for the 2014-15 regulatory year.   |
| Population of Actual Information in templates, including Source.   | Refer to responses provided in relation to the source for each numerator/denominator input as noted below.   |
| Methodology and assumption's applied in relation to Actual Information   | <p>Values were obtained by calculation as required in Instructions and Definitions for variables:</p> <ul style="list-style-type: none"> <li>▪ Customer Density (DOEF0101) = Total Number of Customers (DOPCN01) / Route Line Length of the Network (DOEF0301)</li> <li>▪ Energy Density (DOEF0102) = Total MWh (DOPED01)/ Total number of customers of the network (DOPCN01)</li> <li>▪ Demand Density (DOEF0103) = kVA non-coincident Maximum Demand (Zone Substation) (DOPSD0201)/ Total number of Customers of the Network (DOPCN01)</li> </ul> <p>Further information on the methodology employed to determine each numerator or denominator input is available in Table 4: Routine Line Length, as well as in the relevant sections of the BOP for Operational data for DOPCN01, DOPED01, DOPSD0201.</p> |
| <b>DOEF0101-<br/>DOEF0103</b>  |  |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are | Ergon Energy has provided 'Actual Information' (as per the AER's defined terms) in relation to all 2014-15 variables contained in Template 3.7 Table 3.7.1.  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| Ergon Energy's best estimates.   |  |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Density factor data is non-financial data, and accordingly this requirement is not applicable. |

### Table 3.7.2 – Terrain Factors

In Table 3.7.2, the AER requires information in relation to terrain factors affecting Ergon Energy's network operating environment. Specifically, the AER seeks to understand the Rural and Tropical proportions of the network, splits of vegetation maintenance spans by feeder category, average maintenance span cycles for those feeder categories, and number of trees and defects per span. The AER are also seeking information pertaining to the kilometers of standard vehicle accessible network and spans in bushfire risk.

The AER notes that for certain variables (DOEF0202-204 and DOEF0208-0214), where Ergon Energy has Actual Information, it is required to report available data. However, where Actual Information is not available, Estimate Information is required for the Regulatory Year.

For Average Vegetation maintenance Span Cycles (DOEF0206-DOEF0207) information (Actual or Estimate) is required.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following general comments in relation to Terrain Factors variables.

**Table 2: Terrain Factors**

| Variable  | Addressing Basis of Preparation Requirements  |
|---|---|
| Consistency with Notice requirements  | DOEF0201 (rural proportion) and DOEF0205 (total spans) are shaded yellow indicating they are mandatory data fields, and accordingly have been populated for the 2014-15 regulatory year.<br><br>Similarly, vegetation maintenance span cycles variables (DOEF0206-DOEF0207) have been provided as Actual Information for the 2014-15 regulatory year. |
| <b>DOEF0201-</b><br>Population of Actual Information in templates, including Source.  | Refer responses in Table 3: Terrain Factors –Specific Variable Responses, for more information on sources of data.  |
| <b>DOEF0214</b><br>Methodology and assumption's applied in relation to Actual Information   | Refer responses in Table 3: Terrain Factors –Specific Variable Responses, for more information on methodologies used.   |
| Population of Estimated Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates.<br>How Estimated Information has been produced, | Ergon Energy has provided 'Actual Information' (as per the AER's defined term) in relation to all variables in table 3.7.2  |

| Variable   | Addressing Basis of Preparation Requirements  |
|--|---|
| including reasons why Estimates are Ergon Energy's best estimates.           |   |
| Changes in Accounting Policies (Financial information - Actual or Estimated) | Data reported in relation to Terrain Factors is non-financial and therefore this requirement is not applicable. |

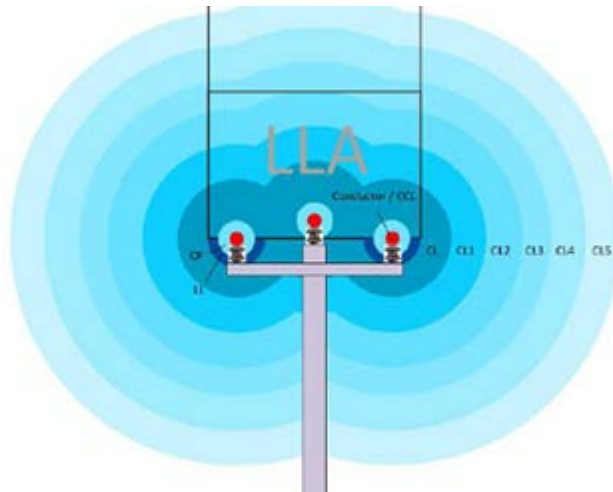
The following comments are made in relation to specific Terrain Factors variables, provided in Template 3.7 Table 3.7.2. These include comments in relation to the source, and methodologies and assumptions used by Ergon Energy in providing Actual or Estimated Information (as relevant).

**Table 3: Terrain Factors – Specific Variable Responses**

|   | Addressing Basis of Preparation Requirements   |
|---|--|
| <b>Rural proportion (DOEF0201)</b>  | <p>Data in relation to the Rural Proportion (rural short and rural long) of Ergon Energy's network (kms) has been sourced from Smallworld. Of note, Ergon Energy's rural vegetation zones – and therefore the rural vegetation management program costs – include some isolated systems and sub-transmission networks which has been excluded from the rural proportion.</p> <p>Information provided is Actual for the 2014-15 reporting year. With regards to the rural proportion variable DOEF0201, Ergon Energy notes the AER guidance provided on 7 February 2014, which clarified the classification of sub-transmission and low voltage lines into short or long rural (since feeder classifications are only applied to high voltage lines):</p> <p><i>The intention of this variable is to measure the rural proportion of a DNSP's network and our definition for a rural customer is a customer with dependent feeder classifications. For consistency the correct compliant response to DOEF0201 is to report the route line length of feeders classified as either short rural or long rural divided by the total route feeder line length (this is the total feeder route line length for all CBD, urban, short rural and long rural feeders).</i></p> |
| <b>Urban and CBD and Rural vegetation maintenance spans (DOEF0202-DOEF0203)</b> | <p>Urban and Rural vegetation maintenance spans data has been derived on the basis described below using ROAMES data relating to vegetation intrusions into nominated clearance bands.</p> <p>Total completed spans figures for Urban Vegetation Zones and Total completed spans and for Rural Vegetation Zones where reported (Ergon Energy has no CBD feeder categories).</p> <p>Total vegetation maintenance spans (DOEF0204) are the sum of DOEF0202 and DOEF0203. Information provided is Actual Information for the 2014-15 year on the basis of:</p>  |
| <b>Total vegetation maintenance spans (DOEF0204)</b>                            | <p>ROAMES inspection data from Cycle 2 &amp; 3 network capture between March 2014 and August 2015 has been used to determine value</p> <p>The calculation of Maintenance Spans from the total spans is the basis of the number of spans in which ROAMES recorded intrusions into clearance spaces that would normally be targeted for Urban and Rural treatment as detailed below:</p> <p><b>Urban</b></p> <p>Maintenance spans are spans with intrusions into the CL1 and CL2 clearance space where:</p>  |

**Addressing Basis of Preparation Requirements**

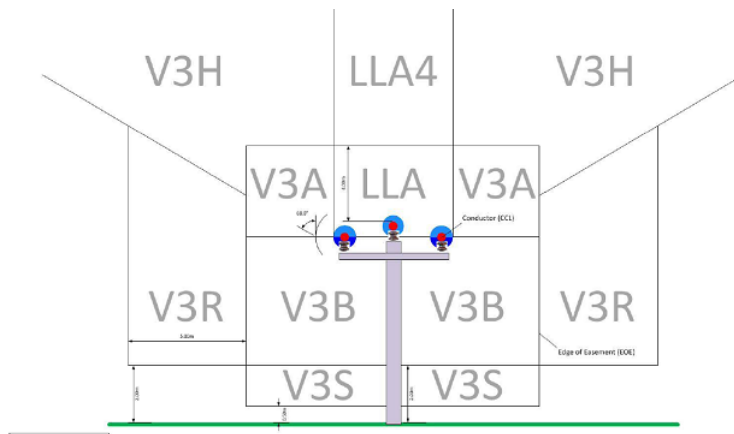
- CL1 is the nominated minimum clearance space (voltage dependant) plus 1 metre
- CL2 is the nominated minimum clearance space (voltage dependent) plus 2 metres



**Rural**

Maintenance spans are spans with intrusions into the V3B and V3A clearance space where:

- V3B is the nominated area from 2 metres above ground to conductor height which accounts for the maintenance space for chemical and mechanical treatment in rural areas
- V3A is the nominated area from conductor height to clearance space for the maintenance space for mechanical treatment in rural areas.



Ergon Energy considers this is the best estimate using the available data.

As per AER clarifications provided on 3 December 2013, Ergon Energy confirms that for vegetation maintenance span variables DOEF0202 to DOEF0205, data does not include spans in the network service area where a DNSP is not responsible for the vegetation management associated with the span.

**Total number of spans (DOEF0205)**

Total number of spans for 2014-15 in respect of Ergon Energy’s network has been sourced from Smallworld. Information provided for 2014-15 is considered Actual Information (as per the AER defined term).

On 3 December 2013, the AER clarified that DOEF0205 requests the number of spans

| Addressing Basis of Preparation Requirements  |   |
|---|---|
|   | <p>within a DNSP's network irrespective of whether they are vegetation management spans. Accordingly, Ergon Energy confirms DOEF0205 does not include service line spans. It is the total number of spans, excluding service line spans.</p>  |
| <p><b>Average urban and CBD vegetation maintenance span cycle (DOEF0206)</b></p> <p><b>Average rural vegetation maintenance span cycle (DOEF0207)</b></p>                             | <p>2014-15 average maintenance span cycle data was calculated based on data sourced from the June monthly report for the Annual Vegetation Management Program (June 2013) taken from the Ellipse database (i.e. 2014-15 data was found in the June 2015 report).</p> <p>A methodology was employed whereby:</p> <ul style="list-style-type: none"> <li>▪ Average urban vegetation maintenance span cycle = (Sum of treated Urban vegetation zones cycle duration [Maintenance Schedule Task] / total number of Urban Vegetation Zones treated during regulatory (financial) year);</li> <li>▪ Average rural vegetation maintenance span cycle = (Sum of treated rural vegetation zones cycle duration [Maintenance Schedule Task] / total number of rural Vegetation Zones treated during regulatory (financial) year)</li> </ul> <p>(Ergon Energy has no CBD feeder categories).</p> <p>Notwithstanding that the number of maintenance spans is estimated data in 2014-15, the maintenance span cycle data provided for 2014-15 is considered Actual Information in accordance with AER requirements.</p>  |
| <p><b>Average number of trees per urban and CBD vegetation maintenance span (DOEF0208)</b></p> <p><b>Average number of trees per rural vegetation maintenance span (DOEF0209)</b></p> | <p>On 7 February 2014 the AER provided additional guidance to NSPs regarding the definition of a 'Tree' for the purposes of measuring the average number of trees per vegetation maintenance span for variables DOEF0208 and DOEF0209. The AER noted it considered a tree to be:</p> <p><i>a perennial plant (of any species including shrubs) that is:</i></p> <ul style="list-style-type: none"> <li>▪ <i>equal to or greater in height than 3 metres (measured from the ground) in the relevant reporting period; and</i></li> <li>▪ <i>of a species which could grow to a height such that it may impinge on the vegetation clearance space of power lines.</i></li> </ul> <p>In providing this clarification the AER noted this definition was not provided as part of the economic benchmarking RIN and that DNSPs may have applied a different, compliant definition in collecting data.</p> <p>Information provided for 2014-15 is considered Actual in accordance with AER requirements.</p> <p>For 2014-15 information Ergon Energy has sourced data from its Remote Observation Automated Modelling Economic Simulation (ROAMES) LiDAR program. ROAMES seeks to enable Ergon Energy with remote observation capability initially by flying over the network assets in an aerial vehicle equipped with sensor system, processing the resulting data and providing reporting and visualisation back to the business.</p> <p>For Urban vegetation areas, the number of trees was interpreted as number of "intrusions" found within 2.0 metres of the Clearance Zone. From field assessments, this proximity is found to contain almost all trees inspected and treated by vegetation contractors. A methodology was then employed for 2014-15, such that:</p> <ul style="list-style-type: none"> <li>▪ Average number of trees per urban vegetation maintenance span= (Total number of intrusions recorded as occurring within 2.0m from the captured conductor location [as reported at time of analysis] / Total number of ROAMES - reported spans [as reported</li> </ul> |



**Addressing Basis of Preparation Requirements**

at time of analysis])

For Rural vegetation zones, the number of trees was interpreted as number of “intrusions” found within the treatment corridor as well as those found outside the corridor which could potentially impact on the network upon failure (i.e. potential “hazard” or “danger” trees).

- Average number of trees per rural vegetation maintenance span= (Total number of intrusions recorded as occurring within 2.0m from the captured conductor location [as reported at time of analysis] / Total number of ROAMES - reported spans [as reported at time of analysis])

Information provided for 2014-15 is considered Actual in accordance with AER requirements.

**Average number of defects per urban and CBD vegetation maintenance span (DOEF0210)**

ROAMES inspection data using the latest reported data for each Vegetation Zone across Cycles 2 and 3.

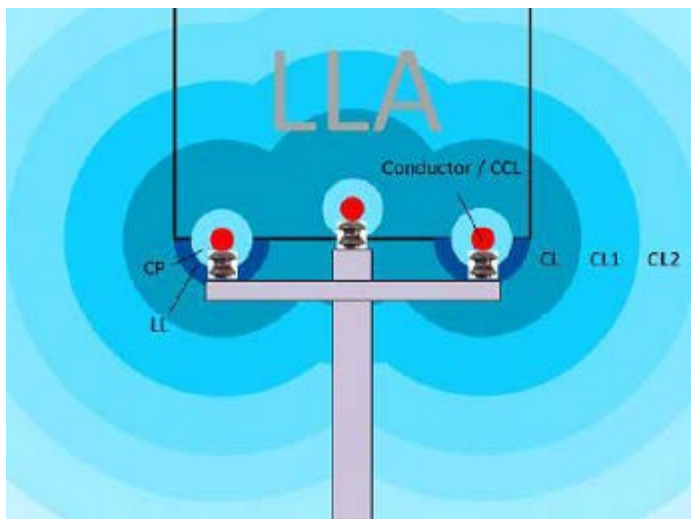
The assessment of the number of maintenance spans is described above. The assessment of defects is on the basis of ROAMES information regarding vegetation intrusions into clearance space that Ergon Energy considers a vegetation defect to exist when referenced to clearance band specification and described below:

**Defect**

- Close Proximity (CP) vegetation intrusions as defined by clearance band specification in relation to proximity to overhead conductor
- Live Line (LL) vegetation intrusions as defined by clearance band specification in relation to proximity to overhead conductor and which require treatment using live line working techniques
- Clearance Band (CL) vegetation intrusions as defined by clearance band specification in relation to the minimum accepted clearance space (voltage dependant) for maintenance purposes

**Average number of defects per rural vegetation maintenance span (DOEF0211)**

The diagram below displays the representation of What Ergon Energy classifies as defects.



The ratio of vegetation across all latest data for each Vegetation Zone as described above has been applied for the total number of maintenance spans completed in the 2014-15 vegetation program.

Information provided for 2014-15 is considered Actual in accordance with AER requirements.

### Addressing Basis of Preparation Requirements

|   |  |
|---|--|
| <b>Tropical proportion (DOEF0212)</b>     | <p>For 2014-15, the tropical proportion of Ergon Energy’s network was based on network data sourced from the Smallworld GIS. The number of spans occurring within hot humid summer and warm humid summer regions (as defined by the BOM Climatic Zones map) was assessed using .shp files sourced from the BOM website.</p> <p>Information provided for 2014-15 is considered Actual in accordance with the AER’s requirements.</p>  |
| <b>Standard vehicle access (DOEF0213)</b> | <p>For 2014-15, an assessment of data sourced from Smallworld was required. A query was undertaken to return line length within 50m of the centreline of selected road reserves which were deemed to be suitable for two wheel drive vehicles. The reserves selected were: Highway; Local Connector Road; Main Road; Roundabout, intersection; Sealed Road; Unsealed Road.</p> <p>Information provided for 2014-15 is considered Actual in accordance with the AER’s requirements.</p>   |
| <b>Bushfire risk (DOEF0214)</b>           | <p>For 2014-15 the number of spans found occurring within High Bushfire Risk Areas, as defined by spatial data previously obtained from the Queensland Rural Fire Service was ascertained through an assessment an assessment of data sourced from the Smallworld GIS.</p> <p>Significant variation in number of spans within high bushfire risk areas from the previous year is due to utilisation of a new and improved bushfire risk spatial data source provided by the Queensland Government as part of the State Planning Policy (2013).</p> <p>Information provided for 2014-15 is considered Actual in accordance with the AER’s requirements.</p> |

## Table 3.7.3 – Service Area Factors

The AER requires information in Template 3.7, Table 3.7.3 in relation to Ergon Energy's' route Line Length of lines in its network. This is required to be based on the distance between line segments and to not include vertical components such as line sag. The route Line Length does not necessarily equate to the circuit length as the circuit length may include multiple circuits.

In addressing the minimum Basis of Preparation requirements, Ergon Energy makes the following comments in relation to route line length.

**Table 4: Routine Line Length**

| Variable  | Addressing Basis of Preparation Requirements   |
|---|--|
| <p>Consistency with Notice requirements</p> <p><b>DOEF0301</b></p>            | <p>All mandatory data entry fields shaded yellow, and have been populated for each of the 2014-15 regulatory year.</p> <p>Route Line length of lines is based on the distance between line segments. It does not include vertical components such as line sag.</p> <p>The route Line Length does not equate to the circuit length as the circuit length includes multiple circuits. The circuit length is reported excluding the circuit length of service lines.</p> <p>Following AER clarifications provided in relation to variable DOEF0301 which noted the intent of this variable is to measure the aggregate distance between poles and/or towers, Ergon Energy confirms that where:</p> <ul style="list-style-type: none"> <li>▪ two sets of lines that run on different sets of poles (or towers) share the same easement the lines are counted separately;</li> <li>▪ there are multiple circuits on a span, the length of each span is considered only once; and</li> <li>▪ a span shares multiple voltages, the length of the span is also considered only once; and</li> <li>▪ captures the length of both underground cables and overhead lines</li> </ul> |
| <p>Population of Actual Information in templates, including Source.</p>       | <p>Ergon Energy has sourced data from its SOREP Oracle Spatial database. This database is replicated from the Smallworld GIS electrical data store.</p>  |
| <p>Methodology and assumption's applied in relation to Actual Information</p> | <p>For 2014-15 a methodology was employed whereby data was obtained for the current regulatory year (2014-15) by overlaying all conductors and cables in the system and then dissolving all the conductors and cables which overlapped, into one line segment. The route length of the conductors was then calculated using Feature Manipulation Engine (FME).</p> <p>Variations noted were the results of a number of data cleansing and improvement exercises and a change in methodology to better exclude service line lengths.</p>  |
| <p>Population of Estimated</p>  | <p>Ergon Energy has provided 'Actual Information' (as per the</p>  |

| Variable   | Addressing Basis of Preparation Requirements   |
|--|--|
| <p>Information in Templates, including why Estimates are required and why it is not possible to provide Actual Information in templates. How Estimated Information has been produced, including reasons why Estimates are Ergon Energy's best estimates.</p> | <p>AER's defined term) in relation to all variables contained in Template 3.7 Table 3.7.3.</p>                     |
| <p>Changes in Accounting Policies (Financial information - Actual or Estimated)</p>  | <p>Route Line Length reported is a non-financial data set, and accordingly this requirement is not applicable.</p> |