

RIN Response and Basis of Preparation

Provision of information for 2015/16 required in the AER's Regulatory Information Notice of 3 February 2016

October 2016



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Overview and structure

Overview

This document demonstrates that Ausgrid has complied with the requirements of the Regulatory Information Notice (RIN) issued by the Australian Energy Regulator on 3 February 2016. We understand that the purpose of the RIN is to monitor the compliance of Ausgrid with the distribution determination; publish reports relating to the financial or operational performance of Ausgrid; prepare for the making of future distribution determinations to apply to Ausgrid; and assist in determining whether information obtained should be disclosed.

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

The RIN requires Ausgrid to prepare a Basis of Preparation. By this, the AER means that for every variable in the Templates, Ausgrid must explain the basis upon which we prepared information to populate the input cells. The Basis of Preparation must be a separate document (or documents) that Ausgrid submits with its completed Templates.

In this document Ausgrid provides the information specified in Schedule 1 of the RIN, including the basis of preparation for worksheets 2.11 to 9.5, in accordance with the AER's instructions.

AER's Instructions

The AER requires the Basis of Preparation to follow a logical structure that enables auditors, assurance practitioners and the AER to clearly understand how Ausgrid has complied with the requirements of the Notice.

To do this, Ausgrid has structured the document with a separate section to match each of the worksheets titled '2.11 Labour' to '9.5 TUoS' in the Templates.

Ausgrid has structured these sections with subheadings for each subject matter table in each worksheet. For example, for the worksheet '8.4 Opex', Ausgrid explains its Basis of Preparation for the Variables under the heading '8.4.1 Operating & Maintenance Expenditure – By Purpose', '8.4.2 Operating & Maintenance Expenditure – By Purpose – Margins only' and '8.4.3 Operating & Maintenance Expenditure – Explanation of Material Difference'.

The AER has set out what must be in the Basis of Preparation. This is set out below:

| | Requirements in Basis of Preparation |
|---|--|
| 1 | Demonstrate how the information provided is consistent with the requirements of the Notice |
| 2 | Explain the source from which Ausgrid obtained the information provided |
| 3 | Explain the methodology Ausgrid applied to provide the required information, including any assumptions Ausgrid made |
| 4 | In circumstances where Ausgrid cannot provide Actual Information, explain: (i) why it was not possible for Ausgrid to provide Actual Information; (ii) what steps Ausgrid is taking to ensure it can provide the information in the future; (iii) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in this Notice. |

Basis of Preparation

Worksheet 2.11 – Labour

2.11.3 Labour/Non-Labour Expenditure Split

Compliance with requirements of the notice

The information reported in Table 2.11.3 is consistent with the requirements of AER's Annual Regulatory Reporting RIN issue on 3 February 2016 and are derived from the audited statutory financial statements and in accordance with our Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 has been based on an extraction of actual financial data directly or via TM1 from our SAP financial system (Ausgrid's financial accounting and reporting system), and they have been verified against Statutory Accounts. Ausgrid also has in place finance policies and Statement of Accounting Treatments (SATs), company policies & procedures, standard accounting and reporting systems, a centralised finance function and qualified employees who are able to manage the requirements.

Methodology and assumptions

Table 2.11.3.1 Opex

Table 2.11.3.1 Opex has been prepared in accordance with Ausgrid's CAM.

Costs relating to operating expenditure listed in table 2.11.3.1 have been extracted from SAP via the TM1 cube for 2015/16 according to cost elements allocated to Standard Control Services.

In-house labour expenditure is equivalent to total labour expenditure less labour expenditure outsourced to related parties and labour expenditure outsourced to unrelated parties. This definition was provided to Ausgrid, by Kaye Johnston from the Australian Energy Regulatory on 15 February 2016.

Labour expenditure includes wages, salaries, overtime payments, bonuses, allowances, incentive payments, superannuation contributions, taxes (e.g. payroll and fringe benefits taxes), termination and redundancy payments, workers compensation, labour hire costs, training and study assistance, purchases made on behalf of employees (e.g. protective clothing). This is as per the labour expenditure definition set out in Appendix F of the Annual Regulatory Reporting RIN.

Related party costs relates to transactions between Ausgrid, Endeavour Energy and Essential Energy in 2015/16. From 1 July 2015 to 31 December 2015, Ausgrid operated under a Networks NSW (NNSW) operating model which comprised of Ausgrid, Endeavour Energy and Essential Energy (DNSPs), having separate Boards with common Directors, a common Chairman and common Chief Executive Officer. Various agreements including the Umbrella Cooperation Agreement, and Procurement and Services Joint Venture Agreement, were established to facilitate cooperation between the DNSPs to enable the identification and delivery of reform and other efficiency measures by acting collectively and co-operatively. Following the enactment of the *Electricity Network Assets (Authorised Transactions) Act 2015* the joint board arrangements for Ausgrid, Endeavour Energy and Essential Energy ceased effective 31 December 2015, as directed by the Ministerial Order from the Treasurer.

Uncontrollable non-labour expenditure as defined in Appendix F of the Annual Regulatory Reporting RIN issued on 3 February 2016 relates to all non-labour expenditure over which Ausgrid has no control. Uncontrollable non-labour expenditure is imposed by an independent (that is, not related party to Ausgrid) government body (federal, state or local) so Ausgrid has no ability to influence any amount of the expenditure incurred by the manner in which Ausgrid operates its business. Such costs include solar feed in tariff payments, jurisdictional levies/taxes and local government rates. According to the above definition, Ausgrid has included the following cost categories listed below as uncontrollable non-labour expenditure for standard control services.

| | Standard Control Services |
|-------------------------------------|----------------------------------|
| 722315 - Foreign Exchange Derivates | (2,227.27) |
| 730300 - Government Audit Fee | 400,444.12 |
| 736040 - Water Rates Expense | 1,193,091.95 |
| 736065 - Payment under GCSS | 14,480.00 |
| 736080 - Municipal Rates | 7,503,384.50 |
| 778910 - Land Tax Equivalent | 18,108,896.03 |
| | |
| Total Uncontrollable costs | 27,218,069.34 |

Table 2.11.3.2 Capex

Table 2.11.3.2 Capex has been prepared in accordance with Ausgrid's CAM.

Costs relating to capital expenditure reported in table 2.11.3.2 are sourced from Ausgrid's Corporate Reporting System Business Intelligence (BI). This system reports information directly out of SAP.

In-house labour expenditure is equivalent to total labour expenditure less labour expenditure outsourced to related parties and labour expenditure outsourced to unrelated parties. This definition was provided to Ausgrid, by Kaye Johnston from the Australian Energy Regulatory on 15 February 2016.

Labour expenditure includes wages, salaries, overtime payments, bonuses, allowances, incentive payments, superannuation contributions, taxes (e.g. payroll and fringe benefits taxes), termination and redundancy payments, workers compensation, labour hire costs, training and study assistance, purchases made on behalf of employees (e.g. protective clothing). This is as per the labour expenditure definition set out in Appendix F of the Annual Regulatory Reporting RIN.

Related party costs relates to transactions between Ausgrid, Endeavour Energy and Essential Energy in 2015/16. From 1 July 2015 to 31 December 2015, Ausgrid operated under a Networks NSW (NNSW) operating model which comprised of Ausgrid, Endeavour Energy and Essential Energy (DNSPs), having separate Boards with common Directors, a common Chairman and common Chief Executive Officer. Various agreements including the Umbrella Cooperation Agreement, and Procurement and Services Joint Venture Agreement, were established to facilitate cooperation between the DNSPs to enable the identification and delivery of reform and other efficiency measures by acting collectively and co-operatively. Following the enactment of the *Electricity Network Assets (Authorised Transactions) Act 2015* the joint board arrangements for Ausgrid, Endeavour Energy and Essential Energy ceased effective 31 December 2015, as directed by the Ministerial Order from the Treasurer.

Uncontrollable non-labour expenditure as defined in Appendix F of the Annual Regulatory Reporting RIN issued on 3 February 2016 relates to all non-labour expenditure over which Ausgrid has no control. Ausgrid does not have any uncontrollable non-labour expenditure which is capitalised.

Note that the capex reported on table 2.11.3.2 does not agree to the capex reported in table 8.2.1 Capex by purpose due to Table 8.2.1 Capex by purpose includes capital contributions. Ausgrid does not record capital contributions as capital expenditure in its corporate reporting system – Business Intelligence (BI) as capital contributions are gifted assets (please refer to the BoP for table 8.2.5 Capital Contribution by purpose for more information) and therefore are directly added to the Fixed Asset register from customers and developers. Due to this misalignment cell D:36 in template 2.11 is reporting "Error".

Use of estimated information

Nil

Worksheet 3.6 – Quality of Services

3.6.5 Quality of supply metrics

This table was not applicable/no inputs required for Ausgrid.

3.6.6 Complaints – Technical quality of supply

Compliance with requirements of the notice

Section 3.6.6 of the annual RIN reporting template requires information on complaints – technical quality of supply.

Source of information

Quality of supply complaints data was sourced from the SAP system, and interrogated as per Ausgrid's - "Network Complaints for Network Performance Report V02" procedure instruction.

Methodology and assumptions

Quality of supply complaints data was sourced and interrogated as per Ausgrid's - "Network Complaints for Network Performance Report V02" procedure instruction.

The interrogated data for the RIN report is contained in the spreadsheet "Network Complaints Performance Report FY 1516 - Interrogated.xls", (see worksheet > "Report 1516 Corrected").

Use of estimated information

No instances of information that cannot be provided.

3.6.7 Customer service metrics

Compliance with requirements of the notice

Section 3.6.7.1 of the annual RIN reporting template requires information on number of connections made and the number of connections not provided on or before the agreed date.

Using the required reporting applications, data supplied is true and correct to the best of my ability. Call volumes provided are from our Emergency/Faults lines and have not excluded any major event days.

Source of information

Timely provision of services

Information relating to number of new and existing connections, provided by the licence holder is sourced from SAP, and analysed as per Ausgrid's – "IDO Procedure Compliance Report N3.9 (C1)" procedure instruction.

Information relating to the number of connections not provided on or before the agreed date is sourced from the Network Customer Investigations Group annual "GSL Report - Financial Year to end June 2016" report. The report lists all payments under the GSL scheme; this year the only payments made related to street lighting, so there are no listings for connection-related payments. The report is attached regardless.

Street lights - average monthly number "out"

The Source of data is initially entered into the SAP PM (Plant Maintenance) database and then placed into the Business Objects Universe on a nightly basis. Using the Business Objects Universe, a report is then executed on a monthly basis to extract all customer raised street lighting jobs. These jobs have a notification of type "ML". All jobs will be displayed within the count.

1,788.5 = (21,462 / 12) ("NOT HELD" and "HELD")

1,228.2 = (14,737 / 12) ("NOT HELD")

560.4 = (6,725 / 12) ("HELD")

Street lights - not repaired by "fix by" date

The Source of data is initially entered into the SAP PM (Plant Maintenance) database and then placed into the Business Objects Universe on a nightly basis. Using the Business Objects Universe, a report is then executed on a monthly basis to extract all customer raised street lighting jobs. These jobs have a notification of type "ML". This information is then uploaded to an Excel spreadsheet and a calculation is made to determine the number of days a "NOT HELD" job has taken to complete. Any "NOT HELD" jobs that are not completed within 8 days, has been considered as not being repaired by the "fix by" date and will be displayed within the count.

4,837 ("NOT HELD" and "HELD")
2,844 ("NOT HELD" Only)
1,993 ("HELD" Only)

Street lights - average number of days to repair

The Source of data is initially entered into the SAP PM (Plant Maintenance) database and then placed into the Business Objects Universe on a nightly basis. Using the Business Objects Universe, a report is then executed on a monthly basis to extract all customer raised street lighting jobs. These jobs have a notification of type "ML". This information is then uploaded to an Excel spreadsheet and a calculation is made to determine the number of days a "NOT HELD" job has taken to complete. Each jobs number of days to complete was then added up and the total was divided by the number of months (12), this was used to determine the average number of days to repair.

5.5 ("NOT HELD" Only)
30.9 ("HELD" Only)

Total number of street lights

The Source of data is initially entered into the SAP PM (Plant Maintenance) database. SAP transaction ZSD0014 is then used to extract the street lighting inventory for each month. The street lighting inventory that was extracted at the end of June 2016 was used to determine the total number of street lights.

250,961 ("RATE 1" and "RATE 2" only)

Refer to attached document "2016 – Requirements for Folio N4 Ver1-0.doc"

Call centre performance

The Ausgrid Contact Centre reporting is captured in a number of Genesys tables from 7.00am – 10.30pm and in an Alcatel Application (CCSupervision) from 10.30pm – 7.00am.

Business Objects is the reporting application that combines both the Genesys and Alcatel data and provides a combined result across all queues and call types.

Methodology and assumptions

Timely provision of services

'Number of connections made' is defined as the total number of connections provided by the Licence Holder for existing & new premises where the Licence Holder undertook the work.

Information is sourced from SAP, and analysed as per Ausgrid's – "IDO Procedure Compliance Report N3.9 (C1)" procedure instruction.

'Number of connections not made on or before agreed date' is defined as the number of connections not provided on or before the agreed date, where the connection was for a new or existing premises, and the Licence Holder undertook the work.

Information is sourced from the Network Customer Investigations Group annual "GSL Report - Financial Year to end June 2016" report. The report lists all payments under the GSL scheme; this year the only payments made related to street lighting, so there are no listings for connection-related payments. The report is attached regardless.

Street lighting

No assumptions were made.

Call centre performance

Once run in Business Objects, filters are applied to the report to exclude Network Enquiry and Internal Property calls, leaving our Emergency/Fault calls to be calculated and populated in the Annual RIN.

No assumptions have been made in this reporting period.

Use of estimated information

Timely provision of services and Street lighting

No estimations were made.

Call centre performance

In circumstances where Ausgrid cannot provide Actual Information, explain:

(i) why it was not possible for Ausgrid to provide Actual Information;

On Sunday 26th June, planned firewall upgrade work interrupted the Telephony call servers / Genesys application such that they failed over to DC2 and back to DC1. The resultant state of the Genesys application after the failovers meant that whilst subsequent call data was captured (for a period of 24 hours until it was written over) a portion of the data was unable to be written to the Genesys Database and hence reported on at a later date. The planned work was not expected to impact Genesys call reporting in such a way.

(ii) what steps Ausgrid is taking to ensure it can provide the information in the future;

The immediate steps which have been taken include:

- Ensuring that UXC are engaged with future similar changes to isolate the Telephony servers so the Genesys application does not failover and make call reporting unstable.
- Creation of a process for technical support staff (DS&T/UXC) to check the Genesys call reporting components daily to ensure they are stable, and if not, to write the appropriate call data to the database. The checking of the components is a manual step, the writing is automated.

(iii) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in this Notice.

On the days where the data is inaccurate, the data provided is only what has been captured by Genesys.

3.6.8 Network feeder reliability

Compliance with requirements of the notice

The information provided is consistent with the requirements of this Notice unless specified in the methodology and assumptions.

Source of information

Data used to populate tables has been taken from outage event records located in Ausgrid's Outage Management System (OMS) and its related reporting environment, Network Outage and Reporting Database (NORD).

Final outage event records are manually entered into OMS after outage events. Fields within each record are entered both automatically and manually and are subject to quality assurance checks.

Information for interruptions affecting single premises is sourced directly from OMS with completion information from Ausgrid's Customer Aided Service System (CASS) which interfaces to OMS. For other network events, supply restoration and other information is recorded by System Operators in the Sydney control room on Interruption Report Forms (blue forms), or by System Operators in the Newcastle control room on Line Impedance Data (LID) system reports, and on switching sheets. This information is reconciled into OMS post event. This information is validated against existing OMS records and manually entered into OMS as required by an Ausgrid officer.

OMS outage event records include the following fields:

- Date of event
- Time of interruption

- Time of restoration¹
- Event trigger
- Number of Customers Interrupted (CI)
- Number of Customer Minutes Interrupted (CMI)
- Feeder ID
- Event Hierarchy
- Exclusion Flag
- Exclusion Reason

OMS automatically calculates CI and CMI by combining the following information:

- Electrical connectivity details from Ausgrid's Graphical Information System (GIS)
- Interruption and restoration steps as recorded by System Operators
- National Metering Identifier (NMI) information from SAP, Customer Care Solution (CCS) and Business to Business (B2B) systems.

The automatic calculation of CI and CMI is based on NMIs and therefore excludes all unmetered supplies. CI and CMI calculations are automatic on the basis of manually entered interruption and switching steps. Information from SAP, CCS and B2B are used to exclude inactive NMIs (permanently disconnected) from the calculation of CI and CMI.

The reporting environment contains data extracted from OMS that has been cleansed to remove redundant data. Relevant calculations such as SAIDI and SAIFI are also added to records within the reporting environment. The reporting environment facilitates the extraction of information into a range of Business Objects reports. The reporting environment also contains reference tables maintained within NORD. One reference table contains feeder categorisation and is reviewed on an annual basis.

A report (*AER RIN DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.2 ANNUAL AER.xls*) for the 2016 regulatory year was generated from the reporting environment on 11/07/2016. Each report contains a list of outage events with the following key attributes:

- Feeder ID
- Zone
- Feeder Category
- Reporting Category
- Number of Customers Interrupted (CI)
- Number of Customer Minutes Interrupted (CMI)
- Feeder Category SAIFI²
- Exclusion Flag
- Unplanned and Planned Outages

Separate entries appear in the list if a single event affected multiple feeders. The report does not contain momentary interruptions of duration one minute or less.

The source data for planned interruptions is from two databases; LID for the Newcastle control room and Disconnect Reconnect Order System (DAROS) for the Sydney Control Room. For the 2016 regulatory year planned outages from both LID and DAROS were manually entered into OMS.

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

¹ Verified to be calculated in accordance with the assumptions below.

² SAIFI is expressed per 0.01 interruptions as per AER requirements.

² SAIFI is expressed per 0.01 interruptions as per AER requirements.

Methodology and assumptions

Key elements of the methodology:

1. A Business objects report AER RIN 2015 – 16 Daily Active NMI's & Daily Active NMI's Fed Ver 1.2 – Annual AER.xls has been extracted from the reporting environment on 11/07/16) for the 2016 regulatory year. The report contains the following key information (Events are classified as “excluded” in accordance with Clause 3.3 of the STPIS which aligns with the definitions in Appendix F).
 - a. An unplanned event list that details the CI and CMI for each event at feeder level.
 - b. An excluded event list that details the CI and CMI for each event at feeder level (verified against STPIS Clause 3.3 (a)).
 - c. A planned event list that details the CI and CMI for each event at feeder level.
2. Copy feeder event attributes directly from AER RIN 2015 – 16 Daily Active NMI's & Daily Active NMI's Fed Ver 1.2 into table 6.3.8 as per the table below:

| Outage event attribute | Table 3.6.8 |
|------------------------|--|
| Feeder | Feeder ID / name |
| Zone | Description of the service area for the feeder |
| Feeder category | Feeder classification |
| Customers Fed | Number of distribution customers (average) |
| Unplanned | Total number of unplanned outages |
| Planned | Total number of planned outages |

3. The table below details the calculation of some of the variables in Table 3.6.8 Network feeders

| Variable | Calculation |
|--|--|
| Unplanned Customer minutes off Supply – Including excluded events and MEDs | For the regulatory year: <ol style="list-style-type: none"> 1. Calculate the sum of the unplanned CMI MED for each feeder (a); 2. Calculate the sum of the excluded events CMI for each feeder (b); 3. Calculate the sum of the unplanned CMI exclusive of both MED and excluded events for each feeder (c); 4. Sum (a) + (b) + (c) for each feeder. |
| Unplanned Customer minutes off Supply – after removing excluded events and MED | For the Regulatory year: <ol style="list-style-type: none"> 1. Calculate the sum of the unplanned CMI exclusive of MED and excluded events for each feeder (c); |
| Unplanned interruptions SAIFI – Including excluded events and MEDs | For the regulatory year: <ol style="list-style-type: none"> 1. Calculate the sum of the unplanned SAIFI MED for each feeder (d); 2. Calculate the sum of the excluded SAIFI for each feeder (e); 3. Calculate the sum of the unplanned SAIFI exclusive of both MED and excluded events for each feeder (f); 4. Sum (d) + (e) + (f) for each feeder. |
| Unplanned interruptions SAIFI – after removing excluded events and MED | For the Regulatory year: <ol style="list-style-type: none"> 1. Calculate the sum of the unplanned SAIFI exclusive of both MED |

| | |
|--|--|
| | and excluded events for each feeder (f); |
| Planned Customer minutes off Supply – Including MEDs | For the regulatory year: 1. Calculate the sum of the planned CMI inclusive of MED for each feeder (g); |
| Planned Customer minutes off Supply – after removing MED | For the regulatory year: 1. Calculate the sum of the planned CMI exclusive of MED for each feeder (h); |
| Planned interruptions SAIFI – Including MEDs | For the regulatory year: 1. Calculate the sum of the planned SAIFI inclusive of MED for each feeder (i) ; |
| Planned interruptions SAIFI – after removing MED | For the regulatory year: 1. Calculate the sum of the planned SAIFI exclusive of MED for each feeder (j); |

Key Elements of the Methodology:

1. A Business Objects report (*AER RIN DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.2 ANNUAL AER.xls*) was extracted from the reporting environment on (11/07/2016) for the 2016 regulatory year. The report provides the summarised results for events as required for the templates and tables described. All the information is copied into the relevant RIN tables, with only minor modification to suit the RIN's formatting and consolidation requirements. The only "manual" processing is for Template 3.6.8. Table 1 whereby the line lengths, maximum demand and energy not supplied is provided from another source.
2. It is recognised that the feeder category and number of customers may change throughout the year and therefore that data is as at the end of the 2015/16 year.

Key assumptions used in methodology:

1. All outage event attributes are correctly entered in OMS.
2. Feeder category reference tables are accurate.
3. The NMI connectivity details in GIS are correct at the time of outages, or that any errors are managed through manual processes to determine the actual customers affected by an event, or by holding out outage event records in the OUTAGES_NOT_IN_OMS table until GIS updates are received.
4. SAIFI calculations are performed using daily customer counts. Ausgrid has consistently adopted this approach for the calculation of all reliability metrics because average customer counts do not result in stable metrics suitable for trend analysis due to the constant adding, removing and reconfiguring of feeders.
5. All unmetered customers are excluded from calculations.
6. All active customers are included in the calculation of reliability metrics. All inactive customers are excluded in the calculation of reliability metrics. The following assumptions regarding customer counting have been made:
 - Active = Energised + De-energised
 - Inactive = Extinct = Deactivated
 - De-energised_(AER) = Temporary disconnection_(AUSGRID)
 - Inactive_(AER) = Permanent disconnection_(AUSGRID)
 - (Compliant)
7. All customers connected to a three phase low voltage supply are interrupted for the entire duration of an event. This approach is adopted because the accurate determination of customers connected to each phase of a low voltage supply is currently not possible.
8. The 2016 TMED has been applied to 2016 regulatory year in 3.6.8 Network feeders as per the requirements of this notice.

9. 3.6.8 Network feeders only include feeder information where an outage has occurred being either Planned, Unplanned or Excluded.
10. The unplanned outage event data provided excludes the excluded events and TMED days.
11. For Distribution planning the maximum demand data (Template 3.6.8):
 - a. Feeder maximum demand was selected following procedure DOR-PCD-10006. Feeders with no available load data have been assumed to be 0MW.
 - b. A power factor of 0.9521 was used based on Ausgrid's system compensated power factor for summer 2015/16.
 - c. Nominal distribution voltages of 11,000V and 5,000V were used.
 - d. Average customer demand was calculated using a network load factor of 46.75%.
 - e. Energy not supplied unplanned is calculated by multiplying the number of customers, average customer demand (utilising average feeder demand derived from feeder maximum demand and estimated load factor, divided by the number of customers on the feeder) and unplanned customer minutes off supply (including excluding events and MEDs).
 - f. Energy not supplied planned is calculated by multiplying the number of customers, average customer demand (utilising average feeder demand derived from feeder maximum demand and estimated load factor, divided by the number of customers on the feeder) and planned customer minutes off supply.
12. For GIS length of distribution lines (Template 3.6.8):
 - a. The length of overhead and underground high voltage conductors provided in table 1 Network Feeder Reliability have been calculated using data recorded in Ausgrid's Geographic Information System, representing the normal state of the network on 1st July 2016.
 - b. The length includes all spurs. Individual phases are not separated but calculated as one length. The total does not take into account vertical displacement cause by vertical rises, changes in elevation, or line sag.

Use of estimated information

Refer to 'Key assumptions used in methodology' section above, in particular parts 4, 7 and 11 for details.

3.6.9 Network feeder reliability – Planned outages

Compliance with requirements of the notice

The information provided is consistent with the requirements of this Notice unless specified in the methodology and assumptions.

Source of information

Data used to populate tables has been taken from outage event records located in Ausgrid's Outage Management System (OMS) and its related reporting environment Network Outage and Reporting Database (NORD).

Final outage event records are manually entered into OMS after outage events. Fields within each record are entered both automatically and manually and are subject to quality assurance checks.

Information for interruptions affecting single premises is sourced directly from OMS with completion information from Ausgrid's Customer Aided Service System (CASS) which interfaces to OMS. For other network events, supply restoration and other information is recorded by System Operators in the Sydney control room on Interruption Report Forms (blue forms), or by System Operators in the Newcastle control room on Line Impedance Data (LID) system reports, and on switching sheets. This information is reconciled into OMS post event. This information is validated against existing OMS records and manually entered into OMS as required by an Ausgrid officer.

OMS outage event records include the following fields:

- Date of event
- Time of interruption
- Time of restoration³
- Event trigger
- Number of Customers Interrupted (CI)
- Number of Customer Minutes Interrupted (CMI)

³ Verified to be calculated in accordance with the assumptions below.

- Feeder ID
- Event Hierarchy
- Exclusion Flag
- Exclusion Reason

OMS automatically calculates CI and CMI by combining the following information:

- Electrical connectivity details from Ausgrid's Graphical Information System (GIS)
- Interruption and restoration steps as recorded by System Operators
- National Metering Identifier (NMI) information from SAP, Customer Care Solution (CCS) and Business to Business (B2B)

The automatic calculation of CI and CMI is based on NMIs and therefore excludes all unmetered supplies. CI and CMI calculations are automatic on the basis of manually entered interruption and switching steps. Information from SAP, CCS and B2B are used to exclude inactive NMIs (permanently disconnected) from the calculation of CI and CMI.

The reporting environment contains data extracted from OMS that has been cleansed to remove redundant data. Relevant calculations such as SAIDI and SAIFI are also added to records within the reporting environment. The reporting environment facilitates the extraction of information into a range of Business Objects reports. The reporting environment also contains reference tables maintained within the NORD. One reference table contains feeder categorisation and is reviewed on an annual basis.

A report (*AER RIN DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.2 ANNUAL AER.xls*) for the 2016 regulatory is generated from the reporting environment on 11/07/2016. Each report contains a list of outage events with the following key attributes:

- Feeder Category
- Reporting Category
- Feeder Category SAIDI⁴
- Feeder Category SAIFI⁵

Separate entries appear in the list if a single event affected multiple feeders. The report does not contain momentary interruptions of duration one minute or less.

The source data for planned interruptions is from two databases; LID for the Newcastle control room and Disconnect Reconnect Order System (DAROS) for the Sydney Control Room. For the 2015 regulatory year planned outages from both LID and DAROS were manually entered into OMS.

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

Methodology and assumptions

Key elements of the methodology:

1. A Business Objects report (*AER RIN DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.2 ANNUAL AER.xls*) was extracted from the reporting environment on (11/07/2016) for the 2016 regulatory year. The report provides the summarised results for events as required for the templates and tables described. All the information is copied into the relevant RIN tables, with only minor modification to suit the RIN's formatting and consolidation requirements see below:

| Outage event attribute | Table 3.6.9 Planned Minutes off Supply (SAIDI) |
|--|---|
| Planned outages SAIDI by feeder category | Planned minutes off supply (SAIDI) by feeder category |

| Outage event attribute | Table 3.6.9 Planned Interruptions to Supply (SAIFI) |
|------------------------|---|
|------------------------|---|

⁴ Verified to be calculated in accordance with the assumptions below.

⁵ SAIFI is expressed per 0.01 interruptions as per AER requirements.

| | |
|--|--|
| Planned outages SAIFI by feeder category | Planned interruptions to supply (SAIDI) by feeder category |
|--|--|

2. It is recognised that the feeder category and number of customers may change throughout the year and therefore that data is as at the end of the 2015/16 year.

Key assumptions used in methodology:

1. All outage event attributes are correctly entered in OMS.
2. Feeder category reference tables are accurate.
3. The NMI connectivity details in GIS are correct at the time of outages, or that any errors are managed through manual processes to determine the actual customers affected by an event, or by holding out outage event records in the OUTAGES_NOT_IN_OMS table until GIS updates are received.
4. All SAIDI and SAIFI calculations are performed using daily customer counts. Ausgrid has consistently adopted this approach for the calculation of all reliability metrics because average customer counts do not result in stable metrics suitable for trend analysis due to the constant adding, removing and reconfiguring of feeders.
5. All unmetered customers are excluded from calculations.
6. All active customers are included in the calculation of reliability metrics. All inactive customers are excluded in the calculation of reliability metrics. The following assumptions regarding customer counting have been made:
 - Active = Energised + De-energised
 - Inactive = Extinct = Deactivated
 - De-energised _(AER) = Temporary disconnection _(AUSGRID)
 - Inactive _(AER) = Permanent disconnection _(AUSGRID)
(Compliant)
7. All customers connected to a three phase low voltage supply are interrupted for the entire duration of an event. This approach is adopted because the accurate determination of customers connected to each phase of a low voltage supply is currently not possible.
8. The 2016 TMED has been applied to 2016 regulatory year in 3.6.9 Network Feeder reliability – planned outages as per the requirements of this notice.

Use of estimated information

Explain circumstances where Ausgrid cannot provide input for a variable using actual information, and therefore must provide estimated information:

(i) why an estimate was required, including why it was not possible for Ausgrid to provide actual information;

Some planned outages are restored at a time different to that originally expected. A laborious manual process is required to track and record these differences compared to the planned restoration time, therefore only the estimated restoration time is recorded in the system. Significant additional labour resources or IT system upgrades would be required to efficiently capture actual restoration times for planned events.

(ii) the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in the Notice.

The planned interruption durations are based on the original estimated restoration time which is recorded in the OMS. This is the best available consolidated information on planned outage durations. It is a conservative estimate and is estimated to increase the reported planned duration SAIDI by 10-15%.

(iii) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in this Notice.

As above.

Worksheet 4.1 – Public Lighting

4.1.4 Public lighting metrics by tariff

This table was not applicable/no inputs required for Ausgrid.

Worksheet 6.2 – Reliability and Customer Service Performance

6.2.1 Unplanned minutes off supply (SAIDI), 6.2.2 Unplanned interruptions to supply (SAIFI), and 6.2.4 Distribution customer numbers

Compliance with requirements of the notice

The information provided is consistent with the requirements of this Notice unless specified in the methodology and assumptions.

Source of information

Data used to populate tables has been taken from outage event records located in Ausgrid's Outage Management System (OMS) and its related reporting environment, Network Outage and Reporting Database (NORD).

Final outage event records are manually entered into OMS after outage events. Fields within each record are entered both automatically and manually and are subject to quality assurance checks.

Information for interruptions affecting single premises is sourced directly from OMS with completion information from Ausgrid's Customer Aided Service System (CASS) which interfaces to OMS. For other network events, supply restoration and other information is recorded by System Operators in the Sydney control room on Interruption Report Forms (blue forms), or by System Operators in the Newcastle control room on Line Impedance Data (LID) system reports, and on switching sheets. This information is validated against existing OMS records and manually entered into OMS as required by an Ausgrid officer.

OMS outage event records include the following fields:

- Date of event
- Time of interruption
- Time of restoration⁶
- Event trigger
- Number of Customers Interrupted (CI)
- Number of Customer Minutes Interrupted (CMI)
- Feeder ID
- Event Hierarchy
- Exclusion Flag
- Exclusion Reason

OMS automatically calculates CI and CMI by combining the following information:

- Electrical connectivity details from Ausgrid's Graphical Information System (GIS)
- Interruption and restoration steps as recorded by System Operators
- National Metering Identifier (NMI) information from SAP, Customer Care Solution (CCS) and Business to Business (B2B) systems.

The automatic calculation of CI and CMI is based on NMIs and therefore excludes all unmetered supplies. CI and CMI calculations are automatic on the basis of manually entered interruption and switching steps. Information from SAP, CCS and B2B are used to exclude inactive NMIs (permanently disconnected) from the calculation of CI and CMI.

The reporting environment contains data extracted from OMS that has been cleansed to remove redundant data. Relevant calculations such as SAIDI and SAIFI are also added to records within the reporting environment. The reporting environment facilitates the extraction of information into a range of Business Objects reports. The reporting environment also contains reference tables maintained within NORD. One reference table contains feeder categorisation and is reviewed on an annual basis.

⁶ Verified to be calculated in accordance with the assumptions below.

A report (*AER RIN DAILY ACTIVE NMIS & DAILY ACTIVE NMIS FED Ver 1.2 ANNUAL AER.xls*) for the 2016 regulatory year was generated from the reporting environment on 19/05/2016. Each report contains a list of outage events with the following key attributes:

- Feeder Category
- Reporting Category
- Feeder Category SAIDI⁷
- Feeder Category SAIFI⁸
- Exclusion Flag
- Customer numbers at start of the period
- Customer numbers at end of the period

Separate entries appear in the list if a single event affected multiple feeders. The report contains separate sections for unplanned, planned and excluded outage events. The report does not contain momentary interruptions of duration one minute or less.

Methodology and assumptions

Key elements of the methodology:

1. A Business objects report AER RIN Daily Active NMIs & Daily Active NMIs Fed Ver 1.2 – Annual AER.xls has been extracted from the reporting environment on 1/07/16) for the 2016 regulatory year. The report provides the summarised results for events as required for the templates and tables described. All the information is copied into the relevant RIN tables, with only minor modification to suit the RIN's formatting and consolidation requirements.
2. Feeder event attributes are copied directly from AER RIN Daily Active NMIs & Daily Active NMIs Fed Ver 1.2 into tables in 6.2 STPIS Reliability as per the table below. Events are classified as “excluded” in accordance with Clause 3.3 of the STPIS which aligns with the definitions in Appendix F.

| Outage event attribute | Table 6.2.1 Unplanned Minutes off Supply (SAIDI) |
|--|---|
| Total Unplanned SAIDI by feeder category and global | Total sustained minutes off supply by feeder category and whole network (a) |
| Total Unplanned SAIDI by feeder category and global – after removing excluded events and MED | Total sustained minutes off supply after removing excluded events (b) |
| Total of excluded events | Total of excluded events (a) – (b) |

| Outage event attribute | Table 6.2.2 Unplanned Interruptions to Supply (SAIFI) |
|--|--|
| Total Unplanned SAIFI by feeder category and global | Total sustained interruptions by feeder category and whole network (c) |
| Total Unplanned SAIFI by feeder category and global – after removing excluded events and MED | Total sustained interruptions after removing excluded events (d) |
| Total of excluded events by feeder category and global | Total of excluded events (c) – (d) |

As the MAIFI component of the STPIS scheme does not apply to Ausgrid, in accordance with the template instructions Ausgrid is not completing Table 6.2.3 – Unplanned Momentary Interruptions to Supply (MAIFI).

⁷ Verified to be calculated in accordance with the assumptions below.

⁸ SAIFI is expressed per 0.01 interruptions as per AER requirements.

| Outage event attribute | Table 6.2.4 Distribution Customer Numbers |
|---|--|
| Customer numbers at the start of period by feeder category and global | Customer numbers at the start of period by feeder category and whole network |
| Customer numbers at the end of period by feeder category and global | Customer numbers at the end of period by feeder category and whole network |

3. It is recognised that the feeder category and number of customers may change throughout the year and therefore that data is as at the end of the 2015/16 year.

Key assumptions used in methodology:

1. All outage event attributes are correctly entered in OMS.
2. Feeder category reference tables are accurate.
3. The NMI connectivity details in GIS are correct at the time of outages, or that any errors are managed through manual processes to determine the actual customers affected by an event, or by holding out outage event records in the OUTAGES_NOT_IN_OMS table until GIS updates are received.
4. All SAIDI and SAIFI calculations are performed using daily customer counts. Ausgrid has consistently adopted this approach for the calculation of all reliability metrics because average customer counts do not result in stable metrics suitable for trend analysis due to the constant adding, removing and reconfiguring of feeders.
5. All unmetered customers are excluded from calculations.
6. All active customers are included in the calculation of reliability metrics. All inactive customers are excluded in the calculation of reliability metrics. The following assumptions regarding customer counting have been made:
 - Active = Energised + De-energised
 - Inactive = Extinct = Deactivated
 - De-energised _(AER) = Temporary disconnection _(AUSGRID)
 - Inactive _(AER) = Permanent disconnection _(AUSGRID)
(Compliant)
7. All customers connected to a three phase low voltage supply are interrupted for the entire duration of an event. This approach is adopted because the accurate determination of customers connected to each phase of a low voltage supply is currently not possible.
8. The 2015 TMED has been applied to 2016 regulatory year in 6.2 STPIS Reliability as per the requirements of this notice.

Use of estimated information

Not applicable

6.2.3 Unplanned momentary interruptions to supply (MAIFI)

This table was not applicable/no inputs required for Ausgrid.

Worksheet 6.6 – STPIS Customer Service

6.6.1 Telephone answering

Compliance with requirements of the notice

Using the required reporting applications, data supplied is true and correct to the best of my ability. Call volumes provided are from our Emergency/Faults lines and have not excluded any major event days.

Source of information

The Ausgrid Contact Centre reporting is captured in a number of Genesys tables from 7.00am – 10.30pm and in an Alcatel Application (CCSupervision) from 10.30pm – 7.00am.

Business Objects is the reporting application that combines both the Genesys and Alcatel data and provides a combined result across all queues and call types.

Methodology and assumptions

Once run in Business Objects, filters are applied to the report to exclude Network Enquiry and Internal Property calls, leaving our Emergency/Fault calls to be calculated and populated in the Annual RIN.

No assumptions have been made in this reporting period.

Use of estimated information

In circumstances where Ausgrid cannot provide Actual Information, explain:

- (i) why it was not possible for Ausgrid to provide Actual Information;

On Sunday 26th June, planned firewall upgrade work interrupted the Telephony call servers / Genesys application such that they failed over to DC2 and back to DC1. The resultant state of the Genesys application after the failovers meant that whilst subsequent call data was captured (for a period of 24 hours until it was written over) a portion of the data was unable to be written to the Genesys Database and hence reported on at a later date. The planned work was not expected to impact Genesys call reporting in such a way.

- (ii) what steps Ausgrid is taking to ensure it can provide the information in the future;

The immediate steps which have been taken include:

- Ensuring that UXC are engaged with future similar changes to isolate the Telephony servers so the Genesys application does not failover and make call reporting unstable.
- Creation of a process for technical support staff (DS&T/UXC) to check the Genesys call reporting components daily to ensure they are stable, and if not, to write the appropriate call data to the database. The checking of the components is a manual step, the writing is automated.

- (iii) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in this Notice.

On the days where the data is inaccurate, the data provided is only what has been captured by Genesys.

Worksheet 6.7 – STPIS Daily Performance

6.7.1 Daily performance data – unplanned

Compliance with requirements of the notice

Using the required reporting applications, data supplied is true and correct to the best of my ability. Call volumes provided are from our Emergency/Faults lines and have not excluded any major event days.

Source of information

The Ausgrid Contact Centre reporting is captured in a number of Genesys tables from 7.00am – 10.30pm and in an Alcatel Application (CCSupervision) from 10.30pm – 7.00am.

Business Objects is the reporting application that combines both the Genesys and Alcatel data and provides a combined result across all queues and call types.

Methodology and assumptions

Once run in Business Objects, filters are applied to the report to exclude Network Enquiry and Internal Property calls, leaving our Emergency/Fault calls to be calculated and populated in the Annual RIN.

No assumptions have been made in this reporting period.

Use of estimated information

In circumstances where Ausgrid cannot provide Actual Information, explain:

- (i) why it was not possible for Ausgrid to provide Actual Information;

On Sunday 26th June, planned firewall upgrade work interrupted the Telephony call servers / Genesys application such that they failed over to DC2 and back to DC1. The resultant state of the Genesys application after the failovers meant that whilst subsequent call data was captured (for a period of 24 hours until it was written over) a portion of the data was unable to be written to the Genesys Database and hence reported on at a later date. The planned work was not expected to impact Genesys call reporting in such a way.

- (ii) what steps Ausgrid is taking to ensure it can provide the information in the future;

The immediate steps which have been taken include:

- Ensuring that UXC are engaged with future similar changes to isolate the Telephony servers so the Genesys application does not failover and make call reporting unstable.
- Creation of a process for technical support staff (DS&T/UXC) to check the Genesys call reporting components daily to ensure they are stable, and if not, to write the appropriate call data to the database. The checking of the components is a manual step, the writing is automated.

- (iii) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in this Notice.

On the days where the data is inaccurate, the data provided is only what has been captured by Genesys.

Worksheet 6.8 – STPIS Exclusions

6.8.1 STPIS exclusions

This table was not applicable/no inputs required for Ausgrid.

Worksheet 6.9 – STPIS – Guaranteed Service Level

6.9.1 Guaranteed service levels – Jurisdictional GSL scheme

Compliance with requirements of the notice

Section 6.9.1 of the annual RIN reporting template requires information relating to jurisdiction GSL scheme parameters.

We are required to make payments of \$15.00 for each street light fault which is not repaired within the designated time frame. The attached spreadsheet confirms the number of payment requests received and the number of payments made.

We are also required to make payments of \$80.00 under the Customer Service Standards for interruptions that exceed the Duration and Frequency criteria under our Licence conditions.

Source of information

Reliability of Supply and Streetlights

We receive an automated notification from SAP in regards to all eligible street light claims where repairs have not been carried out within the required time frame. Information of all eligible requests and payments made is recorded in our Lotus Notes claims database and the street light payment spreadsheet.

All claims for Duration and Frequency reliability are recorded on Lotus Notes data base. We also provide the information on a Quarterly basis for Ausgrid's Network Performance Reports.

Other GSL parameters

Information relating to number of new and existing connections, provided by the licence holder is sourced from SAP, and analysed as per Ausgrid's – "IDO Procedure Compliance Report N3.9 (C1)" procedure instruction.

Information relating to the number of connections not provided on or before the agreed date is sourced from the Network Customer Investigations Group annual "GSL Report - Financial Year to end June 2016" report. The report lists all payments under the GSL scheme; this year the only payments made related to street lighting, so there are no listings for connection-related payments. The report is attached regardless.

Information relating to the number of planned interruptions where four (4) business days' notice was not given is sourced from the NECF Breach Reporting application, with data extracted in the "Breach Report – Planned Events – 4 days' notice not given - FY1516" report.

Methodology and assumptions

Reliability of Supply and Streetlights

All information provided has been sourced from our dedicated data bases. Each claim is received in hard copy (claim form) and then input to the data base. Copies of all claims are also stored in TRIM.

We are then able to also export all the information from the data bases onto excel spreadsheets when/if required.

Other GSL parameters

'Number of connections made' is defined as the total number of connections provided by the Licence Holder for existing & new premises where the Licence Holder undertook the work.

Information is sourced from SAP, and analysed as per Ausgrid's – "IDO Procedure Compliance Report N3.9 (C1)" procedure instruction.

'Number of connections not made on or before agreed date' is defined as the number of connections not provided on or before the agreed date, where the connection was for a new or existing premises, and the Licence Holder undertook the work.

Information is sourced from the Network Customer Investigations Group annual "GSL Report - Financial Year to end June 2016" report. The report lists all payments under the GSL scheme; this year the only payments made related to street lighting, so there are no listings for connection-related payments. The report is attached regardless.

Information relating to the number of planned interruptions where four (4) business days' notice was not given is sourced from the NECF Breach Reporting application, with data extracted in the "Breach Report – Planned Events – 4 days' notice not given - FY1516" report.

Use of estimated information

Not applicable

6.9.2 Guaranteed service levels – AER GSL scheme

This table was not applicable/no inputs required for Ausgrid.

Worksheet 7.8 – Avoided TUoS Payments

7.8.1 Avoided TUoS payments

Compliance with requirements of the notice

Avoided TUoS payments are made by a DNSP in accordance with clause 5.5(h) of the NER, as per below.

“A Distribution Network Service Provider must pass through to a Connection Applicant the amount calculated in accordance with paragraph (i) for the locational component of prescribed TUoS services that would have been payable by the Distribution Network Service Provider to a Transmission Network Service Provider had the Connection Applicant not been connected to its distribution network (‘avoided charges for the locational component of prescribed TUoS services’).”

Source of information

The avoided TUoS reported in Table 7.8 of the Annual Reporting RIN Response 2015/16 is based on the SAP Financial systems.

Methodology and assumptions

The amount of avoided TUoS reported in the SAP Financial systems includes both actual payments and accruals.

The amount reported is based on invoices received if available, or an estimation, which is based on either assumed annual amount pro-rated monthly or preliminary metered data consumption. The calculation of estimated avoided TUoS payments is derived from SAS, which applies the metered data consumption to the relevant TransGrid transmission prices. The metered data is obtained from the Metering & Data Services team in Ausgrid.

Use of estimated information

Estimated amounts arise for new and smaller embedded generators. Due to the unpredictable nature of these embedded generators, the payments would be small and on an irregular basis, hence the payments are estimated and finalised at the end of the financial year.

Worksheet 7.10 – Jurisdictional Schemes

7.10.1 Jurisdictional scheme payments

Compliance with requirements of the notice

The information provided are the Jurisdictional Schemes, the Solar Bonus Scheme (SBS) and the Climate Change Fund (CCF) which are based on 6.18.7A (d) of the National Electricity Rules. These are specifically stated as the Jurisdictional schemes for NSW.

6.18.7A Recovery of jurisdictional scheme amounts

Jurisdictional schemes

(d) A scheme is a jurisdictional scheme if: NATIONAL ELECTRICITY RULES CHAPTER 6 VERSION 80 ECONOMIC REGULATION OF DISTRIBUTION SERVICES

*(1) the scheme is specified in paragraph (e); or
(2) the AER has determined under clause paragraph (l) that the scheme is a jurisdictional scheme, and the AER has not determined under paragraph (u) that the scheme has ceased to be a jurisdictional scheme.*

(e) For the purposes of paragraph (d)(1), the following schemes are jurisdictional schemes:

(1) schemes established under the following laws of participating jurisdictions:

(i) Electricity Feed-in (Renewable Energy Premium) Act 2008 (ACT);

(ii) Division 3AB of the Electricity Act 1996 (SA);

(iii) Section 44A of the Electricity Act 1994 (Qld);

(iv) Electricity Industry Amendment (Premium Solar Feed-in Tariff) Act 2009 (Vic);

(2) the Solar Bonus Scheme established under the Electricity Supply Act 1995 (NSW); and

(3) the Climate Change Fund established under the Energy and Utilities Administration Act 1987 (NSW).

Source of information

The amount reported in Table 7.10 for Solar Bonus Rebate and Climate Change Fund has been sourced from SAP Financials, SAP Business Intelligence (BI) Tariff Reports and Regulatory Accounting Income Statement Table 8.1.

Advice is received from the Minister for the Environment regarding Ausgrid contributions to the Climate Change Fund 2015/16.

Methodology and assumptions

In line with the definition of “Jurisdictional Scheme Payment” in Appendix F of the Regulatory Information Notice issued to Ausgrid on 3 February 2016, the amount reported in Table 7.10.1 represents the following:

Solar Bonus Rebate Scheme - the net difference between the Solar Bonus rebate paid to complying customers less the amount reimbursed via the Solar Bonus reimbursement scheme administered by Office of Environment and Heritage. The difference reported is Nil.

Climate Change Fund – the net difference between the amount contributed to the Climate Change Fund for 2015/16 as directed by the Minister for the Environment and Gazettal Notice and the amount recovered from the Ausgrid’s network use of system (NUOS) tariffs, i.e. the CCF component of the NUOS charges. The difference reported is \$2,457,187.

The CCF amount recorded does not include the interest or opening balance in the calculation and so does not align with the Control Mechanism used with the recovery of the jurisdictional schemes unders and overs account.

The annual amount reported for Solar Bonus rebate and Climate Change Fund in the Annual Reporting RIN represents both billed and accrued charges.

Use of estimated information

Nil

Worksheet 7.11 – Demand Management Incentive Scheme

7.11.1 DMIA – Projects submitted for approval

Compliance with requirements of the notice

All data in Table 7.11.1 is provided as per expenditure for ten (10) ongoing DMIA projects and three (3) new projects for which we incurred costs in 2015/16.

Source of information

Actual costs incurred are collected from individual project codes for DMIA activities in Ausgrid's SAP financial reporting system.

Methodology and assumptions

The amounts claimed are those booked to the DMIA project codes in the year. Costs include research and development, implementation, project management and other directly related costs.

Use of estimated information

Early project development costs and incorrect allocations (1.1% of total) were recorded in 2015/16 under a general DM Innovation project development code (Order 12920005). These costs have been allocated to their appropriate individual projects.

Worksheet 7.12 – Safety and Bushfire Related Expenditure

7.12.1 Safety and bushfire related asset group definitions and allocation basis

This table was not applicable/no inputs required for Ausgrid.

7.12.2 Bushfire related

This table was not applicable/no inputs required for Ausgrid.

7.12.3 Safety related

This table was not applicable/no inputs required for Ausgrid.

Worksheet 7.13 – Total Annual Retailer Charges

7.13.1 Total Annual Retailer Charges

Compliance with requirements of the notice

Clause 6B.B3.2(b) of Division 3 of Chapter 6B of the National Electricity Rules (NER), requires that “A Distribution Network Service provider must report the Total Annual Retailer Charges (TARC) to the AER, and the AER must publish on its website the TARC for each Distribution Network Service Provider”.

Source of information

The TARC figure reported in Table 7.13 of the Annual Reporting RIN Response 2015/16 is based on the 2015/16 Regulatory Annual Accounts to be lodged with AER.

Methodology and assumptions

By using the Annual Regulatory Accounts as the basis of the TARC Ausgrid believes that it satisfies the key points as per the definition under the National Electricity Rules 2010 (NER 2010) section 6B.B3.2(a) which states that the TARC is the “total annual amount of network charges billed by the distribution network service provider to all retailers as most recently reported by the distribution network service provider to the AER”.

In addition, in order to comply with this definition of the TARC, the calculation includes Network use of system (NUoS) charges, Type 5 & 6 Metering service charges, Solar Bonus Rebate (SBR) Expense and Ancillary Network Services – metering related services billed to Retailers. GST has also been included in the TARC.

Effective from 1 July 2015 Type 5 & 6 Metering service charges has been unbundled from the NUoS prices (i.e. Distribution standard control services) however remains billed to retailers. Ancillary Network Services – metering related services was referred to as Miscellaneous AER Service fees in Table 7.13 of the Annual Reporting RIN Response 2014-15.

As a result NUoS Charges, Type 5 & 6 Metering service charges, Ancillary Network Services – metering related services, SBR Expense and GST have been included in the TARC amount as we are of the opinion that this represents the true debt exposure to Ausgrid by Retailers. The information reported in Table 7.13 is consistent with this approach.

The methodology used to calculate the TARC has been done in a consistent manner to the previously reported TARC submitted to the AER.

Use of estimated information

Annual Revenue amount reported in the Annual Reporting RIN represents both billed and accrued charges.

Worksheet 8.1 – Income

8.1.1 Income Statement

Compliance with requirements of the notice

The information reported in Table 8.1.1 is consistent with the requirements of AER's Annual Regulatory Reporting RIN issue on 3 February 2016 and are derived from the audited statutory financial statements and in accordance with our Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 is based on an extraction of actual financial data from TM1 and the SAP financial system (Ausgrid's financial accounting and reporting system), which has been verified against Statutory Accounts. Ausgrid also has in place finance policies and Statement of Accounting Treatments (SATs), company policies & procedures, standard accounting and reporting systems, a centralised finance function and qualified employees who are able to manage the requirements.

Methodology and assumptions

Revenue shown in Table 8.1 has been prepared in accordance with Ausgrid's CAM. The revenue and expenditure categories reported in Table 8.1.1.1 & Table 8.1.1. 2 are in accordance with the revenue and costs categories listed in AER's Annual Reporting RIN, Appendix B, Table 8.1.1.

Revenue and expenditure categories listed in tables 8.1.1.1 and 8.1.1.2 have been extracted from SAP via the TM1 cube for 2015/16 according to cost elements for Standard Control and Alternative Control Services and has been reported in accordance with the definition of Standard Control Services and Alternative Control Services as set out in the AER Final Decision - Ausgrid Distribution Determination 2015/16 to 2018/19, April 2015; Attachment 13 – Classification of Services April 2015. The information shown in the adjustment column mainly relates to the unregulated business and also incorporates reclassification of some revenue and expense categories. Detail explanation of the revenue and expenditure in the adjustments column categories is highlighted below:

| Description | TOTAL adjustments | | | | | | |
|--|------------------------|---|--|--|--|--|--|
| | | | | | | | |
| | | | | | | | |
| | | Comments relating to Adjustments | | | | | |
| | | | | | | | |
| | | \$ | | | | | |
| Distribution revenue | 1,649,280,024 | Includes recognition of revenue relating to the distribution business excluding revenue relating to the unregulated business | | | | | |
| Cross boundary revenue | | | | | | | |
| Customer contributions | -11,296 | Customer Contributions associated with unregulated business | | | | | |
| Interest income | 0 | | | | | | |
| Jurisdictional scheme amounts | 204,957,927 | Jurisdictional scheme amounts not explicitly categorised in statutory accounts | | | | | |
| Profit from sale of fixed assets | 4,310,553 | | | | | | |
| TUOS revenue | 521,761,268 | TUOS relating to Distribution business not explicitly categorised in statutory accounts | | | | | |
| Pass through revenue (F-factor) | | | | | | | |
| Other revenue | -2,535,346,582 | Reclassification of other revenue in to the categories reported in the distribution business less miscellaneous revenue | | | | | |
| Total revenue | (155,048,106.2) | | | | | | |
| TUOS expenditure | 478,556,223 | Cross charges between the distribution and transmission businesses | | | | | |
| Avoided TUOS expenditure | 294,174 | Avoided TUOS costs not distinctively categorised in statutory accounts | | | | | |
| Cross boundary expenditure | | | | | | | |
| Depreciation & Amortisation | -5,606,245 | Depreciation relating to the unregulated business | | | | | |
| Finance charges | 15,326,088 | Represents capitalised interest as per accounting standards in the statutory accounts offset by interest expense relating to the unregulated business | | | | | |
| Impairment losses | | | | | | | |
| Jurisdictional scheme amounts | 202,500,740 | Jurisdictional scheme amounts not explicitly categorised in statutory accounts | | | | | |
| Loss from sale of fixed assets | | | | | | | |
| Maintenance expenditure | 217,361,584 | Maintenance opex relating to the distribution not explicitly categorised in the statutory accounts as opex | | | | | |
| Operating expenditure excl maintenance exp | 469,236,008 | Opex relating to the distribution and unregulated business not explicitly categorised in the statutory accounts as opex | | | | | |
| Other expenditure | -1,322,507,163 | Reclassification of other expenditure in to the categories reported in the distribution business | | | | | |
| Profit before Tax (PBT) | (210,209,515.4) | | | | | | |
| Income Tax Expenses /(Benefit) | -6,474,970 | Income tax expenditure relating to the unregulated business and tax effect of capitalised interest | | | | | |
| Profit after tax | (203,734,545.4) | | | | | | |

In Table 8.1.1.1 under the category of TUOS Revenue, Ausgrid has ensured that the Regulated Distribution business eliminates consolidation entries between the Standard Control Service - Distribution and Standard Control Service - Transmission. Ausgrid has recognised TUOS revenue in the Regulated Distribution business column as the consolidation between the two Standard Control Service businesses. This is a net figure.

Use of estimated information

Nil

Worksheet 8.2 – Capex

8.2.1 Capex by Purpose – Standard Control Services

Compliance with requirements of the notice

It is challenging to demonstrate this considering that the RIN requirements provided to Ausgrid on the 7th of March 2014 didn't cover template 8.2. Having said that, reasonable/practical assumptions are made so it is largely consistent with the information provided in Template 2.1 and other annual RIN templates.

Source of information

Sources of information for this template are:

- a) For actual expenditures, the data is sourced from the same BI version in Ausgrid's corporate system as used in table 2.1.1.
- b) For forecast expenditures, the data is sourced from AER Final Decision worksheet.
Reference: 'AER Final decision Ausgrid distribution determination - Ausgrid 2015 - Capex model - April 2015'
- c) For actual CPI, the following assumptions are used to convert the real 13-14 figures from item b) above to CPI adjusted nominal \$.

| | TRAN | DIST |
|-------------------|----------|----------|
| INDEXATION | 1.006619 | 1.012363 |
| FY2015 CPI | 1.328% | 2.488% |

Methodology and assumptions

- d) In order to provide a 'Voltage Level' split, the 'Asset Class' attribute is also added to the original BI report that was used to derived table 2.1.1.
- e) The following a mapping is used to separate each 'Asset Class' into one of the five voltage level:

| Asset class | NON-SYSTEM (NON-NETWORK) | Subtransmission | HV | LV | Other | Comments |
|-------------|--------------------------|-----------------|----|----|-------|------------------------------------|
| 200200 | Non System Buildings | | | | 100% | Treat Non-System Assets as 'Other' |
| 200460 | Computer Hardware | | | | 100% | Treat Non-System Assets as 'Other' |
| 200480 | IT Portable | | | | 100% | Treat Non-System Assets as 'Other' |
| 200560 | Office Machines | | | | 100% | Treat Non-System Assets as 'Other' |
| 200580 | Furniture | | | | 100% | Treat Non-System Assets as 'Other' |
| 200620 | Plant & Tools | | | | 100% | Treat Non-System Assets as 'Other' |
| 200680 | Telephone Install | | | | 100% | Treat Non-System Assets as 'Other' |
| 200700 | Telecomm Dev | | | | 100% | Treat Non-System Assets as 'Other' |
| 400100 | Software Sys Dev | | | | 100% | Treat Non-System Assets as 'Other' |
| 600000 | Not assigned/600000 | | | | 100% | Treat Non-System Assets as 'Other' |
| XXXX | Asset Class NA | | | | 100% | Treat Non-System Assets as 'Other' |

| Asset class | SYSTEM (NETWORK) | Subtransmission | HV | LV | Other | Comments |
|-------------|----------------------|-----------------|------|------|-------|------------------------------------|
| 100000 | System Land | 100% | | | | |
| 100200 | System Buildings | 100% | | | | |
| 100220 | Storage Facilities | | | | 100% | Physically has no voltage |
| 100300 | SubTrans Sub Equip | 100% | | | | |
| 100310 | SubTrans Sub Protect | 100% | | | | |
| 100320 | Zone Subs Equipment | 100% | | | | |
| 100330 | Zone Subs Protection | 100% | | | | |
| 100340 | Sub Trans Transform | 100% | | | | |
| 100360 | Zone Transformer | 100% | | | | |
| 100380 | Sub Trans Tower Line | 100% | | | | |
| 100400 | Sub Trans Conc, Stl | 100% | | | | |
| 100420 | Sub Trans Wood OH | 100% | | | | |
| 100440 | Sub Trans UG Mains | 100% | | | | |
| 100450 | Op Tech - Hardware | | | | 100% | Treat ICT / OTI as 'Other' |
| 100460 | Network Comms Sys | | | | 100% | Treat ICT / OTI as 'Other' |
| 100470 | Network Comms Inf | | | | 100% | Treat ICT / OTI as 'Other' |
| 100480 | CSACS & SCADA | | | | 100% | Treat ICT / OTI as 'Other' |
| 100490 | Intel Elec Devices | | | | 100% | Treat ICT / OTI as 'Other' |
| 100500 | Tunnel | | | | 100% | Physically has no voltage |
| 100520 | Kiosk Subs Equip | | 100% | | | Distribution Centres treat as 'HV' |
| 100540 | Pole Subs Equip | | 100% | | | Distribution Centres treat as 'HV' |
| 100560 | Distr Chamber | | 100% | | | Distribution Centres treat as 'HV' |
| 100580 | Distr HVC Subs | | 100% | | | Distribution Centres treat as 'HV' |
| 100600 | Pole Transformer | | 100% | | | Distribution Centres treat as 'HV' |
| 100620 | Kiosk Transformer | | 100% | | | Distribution Centres treat as 'HV' |
| 100640 | Distr Chamber or Grd | | 100% | | | Distribution Centres treat as 'HV' |
| 100660 | SWER Lines | | 100% | | | |
| 100680 | Distr Conc & Steel | | 100% | | | |
| 100700 | Distr Wood OH Lines | | 100% | | | |
| 100720 | Distr UG Mains 11, 5 | | 100% | | | |
| 100760 | Distr Wood OH LV | | | 100% | | |
| 100780 | Distr UG Mains LV | | | 100% | | |
| 100800 | OH Services - LV | | | 100% | | |
| 100820 | UG Services - LV | | | 100% | | |
| 100860 | Franch Meter Mech 6 | | | | 100% | Shouldn't be in SCS |
| 300000 | Intangible Easements | | | | 100% | Physically has no voltage |
| 300300 | Software Sys Assets | | | | 100% | Treat ICT / OTI as 'Other' |

- f) The process that was used to derive table 2.1.1 is now repeated using the mapping table and this new five dimensional report (i.e. Capex expenditures by 'Driver', 'Long Term Plan', 'Cost Elements', 'Line of Business' and 'Asset Class').
- g) The results are then converted into a 'Voltage Level' % allocation for each of the 'Description' line item. This method avoids any potential rounding errors.
- h) Ausgrid doesn't have any 'Related Party Margin' to report.

Use of estimated information

In circumstances where Ausgrid cannot provide Actual Information, explain:

- (i) why an estimate was required, including why it was not possible for Ausgrid to provide actual information;

Same as Table 2.1.1 (Please refer to table 2.1.1)

- (ii) the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Ausgrid's best estimate, given the information sought in the Notice.

Same as Table 2.1.1 (Please refer to table 2.1.1)

In addition, Table 8.2.1 stated that:

'Each line item in this table must INCLUDE the 'capital contributions'. Total capital contributions should also be identified in the last item in the table.'

It is worthwhile noting that although 'capital contributions' is considered to be 'Connections' driven (i.e. gifted assets and recoverable works), it is separately identified into a 'Capital Contributions' line item to align with table 2.1.1.

8.2.2 Capex by Purpose – Material difference explanation

Compliance with requirements of the notice

It is challenging to demonstrate this considering that the RIN requirements provided to Ausgrid on the 7th of March 2014 didn't cover template 8.2. Having said that, reasonable/practical assumptions are made so it is largely consistent with the information provided in Template 2.1 and other annual RIN templates.

There is an email correspondence from the AER that a difference in excess of +/-10% is considered to be material.

Source of information

Sources of information for this template are:

- a) Subject matter experts from planning side of the business.
- b) Subject matter experts from delivery side of the business.
- c) Subject matter experts from financial side of the business.
- d) Subject matter experts from non-network side of the business.

Methodology and assumptions

Subject matter experts within the business provide insights on the material expenditure variance.

- a) The planning team provide comments on planning impacts (i.e. scope, timing, asset risks, customer requirements, etc.)
- b) The delivery team provide comments on delivery impacts (i.e. cost variations, timing variations, etc.)
- c) The financial team provide comments on financial impacts (i.e. indirect cost assessments, booking practices, capital contributions, etc.)

Use of estimated information

Not applicable as table 8.2.2 have no 'variable' (i.e. commentary only).

8.2.3 Capex Other

Compliance with requirements of the notice

The information provided in template 8.2.3 has been completed in accordance with the AER RIN requirements and instructions applying to template 8.2 including definitions in Appendix F. Information reported in table 8.2.3 is in accordance with the annual audited Statutory Financial Statements and Ausgrid's Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 is sourced from Ausgrid's Corporate Reporting System, SAP Business Intelligence (BI). The BI system reports information directly out of SAP.

Methodology and assumptions

Capital expenditure is identified as either relating to system assets or non-system assets. Costs incurred for system assets are directly attributed to either standard control services or alternative control services. This attribution is performed based on the asset class.

Costs incurred for non-system assets are either directly attributed to, or allocated between, standard control services, alternative control services and/or unregulated services respectively. The attribution or allocation of capital expenditure to the relevant service category is based on the nature of the expenditure and in accordance with the CAM. The table below contains the categories of directly attributable asset classes and the service category to which the capital expenditure is attributed.

Use of estimated information

Nil

8.2.4 Capex by asset class

Compliance with requirements of the notice

The information provided in template 8.2.4 has been completed in accordance with the AER RIN requirements and instructions applying to template 8.2 including definitions in Appendix F. Information reported in table 8.2.4 is in accordance with the annual audited Statutory Financial Statements and Ausgrid's Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 is sourced from Ausgrid's Corporate Reporting System, SAP Business Intelligence (BI). The BI system reports information directly out of SAP. Total capex numbers for Ausgrid have been verified against Statutory Accounts. Capex does not include capital contributions. The Asset Classes specified in table 8.2.4 match the asset classes in Ausgrid's Roll Forward and Post-tax Revenue Model.

Methodology and assumptions

Capital expenditure is identified as either relating to system assets or non-system assets. Costs incurred for system assets are directly attributed to either standard control services or alternative control services. This attribution is performed based on the asset class.

Costs incurred for non-system assets are either directly attributed to, or allocated between, standard control services, alternative control services and/or unregulated services respectively. The attribution or allocation of capital expenditure to the relevant service category is based on the nature of the expenditure and in accordance with the CAM. The table below contains the categories of directly attributable asset classes and the service category to which the capital expenditure is attributed.

| Asset class | Description | Service(s) allocated to |
|--|--|---|
| System assets | | |
| System assets (excluding public lighting & metering) | Capital expenditure associated with planning, purchasing, replacing and constructing Ausgrid's electricity distribution network (excluding public lighting). Asset classes comprising system assets (excluding public lighting) include: <ul style="list-style-type: none"> • System land, easements and network buildings. • Sub-transmission substations, transformers, mains, operational technology and network communications. • Distribution substations, transformers and mains. | Standard control services |
| Public lighting system assets | Capital expenditure associated with the provision of public lighting services. | Alternative control services |
| Metering system assets | Capital expenditure associated with the provision of type 5 and type 6 metering services. | Alternative control services ⁸ |
| Asset class | | |
| Description | | |
| Service(s) allocated to | | |
| Non-system assets | | |
| Land and buildings | Capital expenditure associated with non-system land and buildings which directly and entirely supports the provision of standard control services, alternative control services or unregulated services. Directly attributed based on the purpose and use of the asset. | Standard control services, alternative control services or unregulated services |
| IT | Capital expenditure associated with IT infrastructure and systems which directly and entirely supports the provision of standard control services, alternative control services or unregulated services. Directly attributed based on the assessment of the business case and the divisions of the business benefiting from the project. | Standard control services, alternative control services or unregulated services |
| Meters contestable | Capital expenditure associated with the construction of meters for the contestable market. | Unregulated services |
| Energy light | Capital expenditure associated with the construction of security and display lighting for Ausgrid's commercial and industrial customers. | Unregulated services |
| Generation | Capital expenditure associated with the construction of renewable energy electricity generation facilities. | Unregulated services |

Use of estimated information

Nil

8.2.5 Capital contributions by asset class

Compliance with requirements of the notice

The information provided in template 8.2.5 has been completed in accordance with the AER RIN requirements and instructions applying to template 8.2 including definitions in Appendix F. Information reported in table 8.2.5 is in accordance with the annual audited Statutory Financial Statements and Ausgrid's Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 is sourced from SAP. Total capital contributions numbers for Ausgrid have been verified against Statutory Accounts. The Asset Classes specified in table 8.2.5 match the asset classes in Ausgrid's Roll Forward and Post-tax Revenue Model.

Methodology and assumptions

Capital contributions are entered into assets and not capital expenditure. Capital contributions are coded in SAP as relating to either standard control services and/or alternate control services.

Capital contributions represent cash contributions or non-cash contributions (i.e. gifted assets) received from customers and developers, mainly towards the capital cost of electricity infrastructure connection assets. Ausgrid is responsible for the ownership and ongoing maintenance of the asset when the asset is energised. Customer funded assets are assets funded by capital contributions. These assets are separately identified in the SAP fixed asset module and are recognised when the definition of an asset is satisfied (i.e. Ausgrid gains control of the asset).

Contestable connection works are works connecting a customer to the network which became contestable under the Electricity Supply (Customer Contracts) Regulations since 1997/98. Customers can choose an Accredited Service Provider to carry out the connection work for them and are required to fund the costs. These works are mainly classified into the two accreditation levels for the purpose of recognising capital contributions.

| Accreditation | Type of Work | Category |
|---------------|---|--|
| Level 1 | Construction of transmission and distribution works, including high and low voltage, overhead and underground reticulation and substations. | <ul style="list-style-type: none">Underground (UG)Overhead (OH)SubstationsPublic Lighting |
| Level 2 | Service Work: Construction and/or installation of the service line interface between the distribution system and consumer terminals, including metering services. | <ul style="list-style-type: none">Disconnection and reconnectionUnderground (UG) service linesOverhead (OH) service linesMetering and energising new installationsInstallation of contestable metering |

A third level of accreditation for design exists however these customer costs are not recognised in capital contributions as there is no asset created.

Use of estimated information

Nil

8.2.6 Disposals by asset class

Compliance with requirements of the notice

The information provided in template 8.2.6 has been completed in accordance with the AER RIN requirements and instructions applying to template 8.2 including definitions in Appendix F. Information reported in table 8.2.6 is in accordance with the annual audited Statutory Financial Statements and Ausgrid's Cost Allocation Methodology (CAM).

Source of information

Actual data for 2015/16 is sourced from Ausgrid's Corporate Reporting System, SAP Business Intelligence (BI). The BI system reports information directly out of SAP. Total disposals (i.e. proceeds) for Ausgrid have been verified against

Statutory Accounts. The Asset Classes specified in table 8.2.6 match the asset classes in Ausgrid's Roll Forward and Post-tax Revenue Model.

Methodology and assumptions

Disposals by asset class were sourced from SAP. All system assets are allocated to standard control services, except for the public lighting asset class. System buildings are further broken down in to transmission by sub transmission and zone buildings identified by sub number.

Non system disposals are allocated to standard control services, alternative control services and unregulated services respectively based on cost allocators. The table below listed shared capital costs and description of cost allocators.

| Shared cost | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|-------------------------------|---|--|---|--------------------|---|
| Non-system land and buildings | Capital expenditure associated with non-system land and buildings which are used by Ausgrid personnel in the provision of standard control services, alternative control services and unregulated services. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Allocated between the relevant services on the basis of floor space weighted by premium / non-premium rent. | Causal | Reflects the strong causality between the size and value of the properties in Ausgrid's property portfolio and capital expenditure on non-system land and buildings to support Ausgrid's existing properties. |
| Furniture | Capital expenditure associated with furniture which is used by Ausgrid personnel in the provision of standard control services, alternative control services and unregulated services. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of furniture by Ausgrid personnel. |
| Plant and tools | Capital expenditure associated with plant and tools which are used by Ausgrid personnel in the provision of standard control services, alternative control services and unregulated services. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of plant and tools by Ausgrid personnel. |
| Fleet | Capital expenditure associated with the purchase and fit-out of vehicles. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Allocated between the relevant services on the basis of fleet charges which have been directly attributed to a category of service. | Causal | Reflects the strong causality between fleet costs which have been directly attributed to a category of service and the need and use of vehicles. |
| IT | Capital expenditure associated with IT infrastructure and systems which are used by Ausgrid personnel in the provision of standard control services, alternative control services and unregulated services. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of IT infrastructure by Ausgrid personnel. |

Use of estimated information

Nil

Worksheet 8.4 – Opex

8.4.1 Operating & maintenance expenditure – by purpose

Compliance with requirements of the notice

The information reported in Table 8.4.1 is consistent with the requirements of AER's Annual Regulatory Reporting RIN issue on 3 February 2016 and are derived from the Audited Statutory Financial Statements and in accordance with our Cost Allocation Methodology (CAM).

Ausgrid does not report operating expenditure in the Audited Statutory Financial Statements and therefore the 'Audited Statutory Accounts' column has not been completed.

Source of information

Actual data for 2015/16 has been based on an extraction of actual financial data from TM1 and SAP financial system (Ausgrid's financial accounting and reporting system), and they have been verified against Statutory Accounts. Ausgrid also has in place finance policies, Statements of Accounting Treatments (SATs), company policies & procedures, standard reporting, accounting and reporting systems, a centralised finance function and qualified employees who are able to manage the requirements.

Methodology and assumptions

Operating expenditure shown in Table 8.4.1 has been prepared in accordance with Ausgrid's CAM and aligns to operating expenditure categories reported in Ausgrid's 2014-19 Regulatory Proposal. Operating expenditure categories include the following:

- Contact Centre
- Customer Operations
- Data Operations
- Engineering, Planning & Project Management
- Finance Function
- Information Communication & Technology
- Insurance
- Management - Corporate
- Management - Network
- Metering
- System Control
- Demand Management
- Operational Technology
- Other
- Property Management
- Training & Development

Costs relating to operating expenditure categories listed above have been extracted from SAP via the TM1 cube for 2015/16 according to profit centre mapping for each operating expenditure category for Standard Control and Alternative Control Services.

Cost objects aggregate to form a profit centre which identifies the division in Ausgrid for operating and capital expenditure incurred.

Profit centres are grouped into different divisions that reflect Ausgrid's organisational structure and are used for reporting purposes only. Costs incurred for operations work are directly attributed to, or allocated between, Standard Control Services, Alternative Control Services and/or Unregulated Services respectively. This is based on the nature of the expenditure and in accordance with the CAM. Operating expenditure attributed and/or allocated to Standard Control Services is further disaggregated between Distribution Standard Control services and Transmission Standard Control Services. Operating costs attributed to Alternate Control Services are further disaggregated between Public Lighting, Metering, Ancillary Metering Related and Ancillary Connection Related service. Costs are allocated between categories of service according to cost objects in SAP. Cost objects are the lowest at which transactions are aggregated in SAP. Table below outlines cost objects utilised by Ausgrid.

Ausgrid recognised any year-end adjustments in the operating expenditure category titled "Finance Function". The Standard Control Services for this category for 2015/16 reflects the decrease in the actuarial assessed provisions. This has resulted in a negative impact to this category for 2015/16. The Management operating expenditure category has increased in 2015/16 reflecting the payment of redundancies.

The operating expenditure categories are consistent between the Alternative Control Services and Standard Control Services and agree to 2014-19 Ausgrid Regulatory Proposal.

Cost objects aggregate to form a profit centre which identifies the division in Ausgrid.

Forecast opex is sourced from the AER Final decision relating to Ausgrid's 2014-19 Regulatory Proposal.

Indexation used to convert real 2014-15 distribution determination figures to nominal dollars is shown in the table below:

| | Transmission | Distribution |
|------------|--------------|--------------|
| INDEXATION | 1.0084 | 1.0075 |
| FY16 CPI | 1.689% | 1.508% |

Use of estimated information

Nil

8.4.2 Operating & maintenance expenditure – by purpose – margins only

All related party transactions between Ausgrid, Endeavour and Essential energy in 2015/16 were conducted at arms-length and does not include a profit margin. Due to this reason, no data is included in table 8.4.2.

8.4.3 Operating & maintenance expenditure – explanation of material difference

Compliance with requirements of the notice

The information provided in template 8.4.3 has been completed in accordance with the AER RIN requirements and instructions applying to template 8.4 including definitions in Appendix F.

Source of information

Sources of information for this template are the subject matter experts from the business.

Methodology and assumptions

Subject matter experts from Ausgrid have provided insights on the material expenditure variances.

Use of estimated information

Nil

Worksheet 9.5 – TUoS Audit

9.5.1 TUoS charges (AEMO)

This table was not applicable/no inputs required for Ausgrid.

9.5.2 Transmission connection fees

This table was not applicable/no inputs required for Ausgrid.

9.5.3 Cross boundary network charges

This table was not applicable/no inputs required for Ausgrid.

9.5.4 Payments to embedded generators

This table was not applicable/no inputs required for Ausgrid.

Information required to be provided in Schedule 1

1. Information Templates

1.1 Provide:

(a) the information required in the Financial Information Templates in the Microsoft Excel workbook attached at Appendix B;

The completed templates are included as Attachment 1.

(b) the information required in the Non-Financial Information Templates in the Microsoft Excel workbook attached at Appendix B;

The completed templates are included as Attachment 1.

(c) a Microsoft Excel workbook or other information that reconciles and explains *Adjustments* between the Audited Statutory Accounts and the Financial Information Templates. Ausgrid must separately list each Adjustment made to derive the Financial Information Templates. For each Adjustment made:

(i) specify the amount of Adjustment;

The table below shows adjustments between the Audited Statutory Accounts and the Financial Information Templates for table 8.1 – Income

| Description | TOTAL adjustments | |
|--|------------------------|---|
| | | |
| | | |
| | | Comments relating to Adjustments |
| | \$ | |
| Distribution revenue | 1,649,280,024 | Includes recognition of revenue relating to the distribution business excluding revenue relating to the unregulated business |
| Cross boundary revenue | | |
| Customer contributions | -11,296 | Customer Contributions associated with unregulated business |
| Interest income | 0 | |
| Jurisdictional scheme amounts | 204,957,927 | Jurisdictional scheme amounts not explicitly categorised in statutory accounts |
| Profit from sale of fixed assets | 4,310,553 | |
| TUOS revenue | 521,761,268 | TUOS relating to Distribution business not explicitly categorised in statutory accounts |
| Pass through revenue (F-factor) | | |
| Other revenue | -2,535,346,582 | Reclassification of other revenue in to the categories reported in the distribution business less miscellaneous revenue |
| Total revenue | (155,048,106.2) | |
| TUOS expenditure | 478,556,223 | Cross charges between the distribution and transmission businesses |
| Avoided TUOS expenditure | 294,174 | Avoided TUOS costs not distinctively categorised in statutory accounts |
| Cross boundary expenditure | | |
| Depreciation & Amortisation | -5,606,245 | Depreciation relating to the unregulated business |
| Finance charges | 15,326,088 | Represents capitalised interest as per accounting standards in the statutory accounts offset by interest expense relating to the unregulated business |
| Impairment losses | | |
| Jurisdictional scheme amounts | 202,500,740 | Jurisdictional scheme amounts not explicitly categorised in statutory accounts |
| Loss from sale of fixed assets | | |
| Maintenance expenditure | 217,361,584 | Maintenance opex relating to the distribution not explicitly categorised in the statutory accounts as opex |
| Operating expenditure excl maintenance exp | 469,236,008 | Opex relating to the distribution and unregulated business not explicitly categorised in the statutory accounts as opex |
| Other expenditure | -1,322,507,163 | Reclassification of other expenditure in to the categories reported in the distribution business |
| Profit before Tax (PBT) | (210,209,515.4) | |
| Income Tax Expenses /(Benefit) | -6,474,970 | Income tax expenditure relating to the unregulated business and tax effect of capitalised interest |
| Profit after tax | (203,734,545.4) | |

(ii) describe the nature and basis of each Adjustment;

Refer to the comments column in the table above.

(d) a Basis of Preparation which must, for all information provided in Appendix B:

(i) demonstrate how the information provided is consistent with the requirements of this Notice;

(ii) explain the source from which Ausgrid obtained the information;

(iii) explain the methodology *Ausgrid* applied to provide the required information, including any assumptions *Ausgrid* made;

(iv) explain, in circumstances where *Ausgrid* cannot provide *Actual Information*:

- 1) why it was not possible for *Ausgrid* to provide *Actual Information*;
- 2) what steps *Ausgrid* is taking to ensure it can provide the information in the future;
- 3) if an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is *Ausgrid's* best estimate, given the information sought in this *Notice*.

This document contains the Basis of Preparation in the required form.

(e) the *Regulatory Accounting Principles and Policies for the Relevant Regulatory Year*.

The regulatory accounting principles and policies applicable for 2015/16 consist of the Australian Accounting Standards, AER Guidelines and *Ausgrid's* Cost Allocation Methodology. This has been previously supplied to the AER.

(f) the *Capitalisation Policy for the Relevant Regulatory Year*.

The Capitalisation Policy is included as Attachment 2.

(g) a statement of policy for determining the allocation of overheads in accordance with the approved *Cost Allocation Method for the Relevant Regulatory Year*.

Overheads are allocated to cost centres as incurred. Generally, overhead costs such as vehicle costs, course fees, travel expenditure, subscriptions, and IT hardware leasing and desktop support expenditure are allocated to cost centres based on the individual utilising the service or incurring the expenditure.

Overheads are allocated to project specific cost objects via the use of labour and non-labour overhead costing rates. Each operational cost centre will have a labour and non-labour overhead costing rate. When an employee from an operational cost centre charges time to a project specific cost object, the cost object will incur labour and non-labour overhead based on the application of the costing rates associated with the employee's cost centre. The driver for the application of the costing rates is direct labour dollars.

Costing rates allocate a portion of distributed corporate support and divisional overheads to project specific cost objects in order to identify the total cost to the organisation of undertaking specific activities or constructing specific assets. Costing rates are calculated based on budgeted figures and are reviewed periodically in order to ensure the correct amount of overhead is being allocated to relevant cost objects.

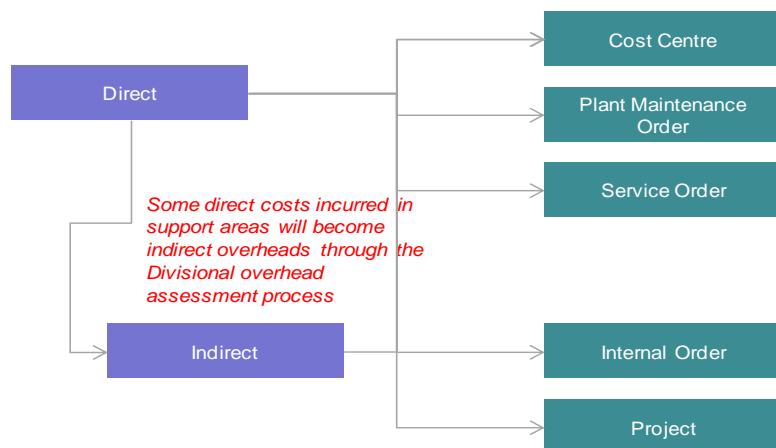
Ausgrid's allocation methodology is below:

Ausgrid's Allocation Methodology – Summary

Costs

Costs are captured in Ausgrid's financial management reporting system, SAP. Cost objects and cost elements are used within SAP to identify the nature and source of the expenditure incurred. Costs are incurred either directly or indirectly on a cost object. For example:

- Labour is incurred directly by the resource owning cost centre for payroll. Labour is then allocated to a PM Order, Service Order, Internal Order or a Project's WBS element based on an individual's timesheet
- Materials purchased directly for a project are costed directly to that project's WBS element



Allocations

Costs are then allocated:

- (1) To a Line of business in order to distinguish between alternate, standard and unregulated services,
- (2) Standard control services are then split by Transmission or Distribution, and
- (3) Overhead costs are allocated to a activity (cost object) in which they supported

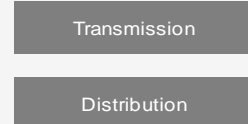
Line of Business allocations



Line of business allocations are performed using pre defined rules based on "activity".

- A cost centre is allocated to either one or shared across many lines of business based on the activities performed within that cost centre
- Plant maintenance orders are allocated based on a combination of the order type and asset group
- Internal orders are either directly allocated to one line of business or shared based on its default cost centre
- Service orders are allocated based on a combination of their order type and activity type

Transmission / Distribution split (Network Line of Business only)



Costs are allocated to Transmission and Distribution based on the following methodologies:

1. **Direct allocation:** For example, specific Internal orders and cost centres are allocated to either transmission or distribution based upon the nature of the work.
2. **Allocation based on RAB value:** Maintenance is allocated based upon the opening RAB values at the start of the period.
3. **Residual allocation:** Corporate and support costs not allocated through the above methods are allocated based on the proportion of allocation in (1) and (2)

Overhead allocation



Overhead costs are allocated to capex and opex activities either directly or indirectly. A cost object is defined either as capital or operating based on the nature of the activity performed.

Divisional assessments provide the vehicle in which overhead indirect costs are capitalised.

1.2 Identify all *material* changes between the *Regulatory Accounting Principles and Policies* provided in the response to paragraph 1.1(e), for the *Relevant Regulatory Year* and the previous regulatory year. For each change identified:

(a) explain the nature of and the reasons for the change; and

There were no changes to Regulatory Accounting Principles and Policies in 2015/16.

(b) quantify the effect of the change on information in the *Financial Information Templates* for the *Relevant Regulatory Year*.

Not applicable

1.3 Identify all *material* changes between the statements of the policy for determining the allocation of overheads in accordance with the approved *Cost Allocation Method*, for the *Relevant Regulatory Year* and the previous regulatory year. For each change identified:

(a) explain the nature of and the reasons for the change; and

There were no changes made to Cost Allocation Method in 2015/16.

(b) quantify the effect of the change on information in the *Financial Information Templates* for the *Relevant Regulatory Year*.

Not applicable

1.4 If *Ausgrid* has previously provided the *AER* with the policies sought in paragraphs 1.1(e), (f) or (g) it is not necessary for *Ausgrid* to provide each policy again unless it identified a *material* change in response to paragraphs 1.2, 1.3 or 5.1.

There were no changes to Accounting Policies in 2015/16 and these have been previously provided to the AER.

1.5 Identify each difference (where the difference is equal to or greater than ± 10 per cent) between the amount reported in the *Financial Information Templates* and the amount provided for in the *2014-19 Distribution Determination* for the following:

(a) total actual operating expenditure and total forecast operating expenditure; and

For explanations please refer to the Annual Regulatory Reporting RIN table:

- 8.4.3 - OPERATING & MAINTENANCE EXPENDITURE - EXPLANATION OF MATERIAL DIFFERENCE

(b) total actual capital expenditure and total forecast capital expenditure.

For explanations please refer to the Annual Regulatory Reporting RIN table:

- 8.2.2 - CAPEX BY PURPOSE - MATERIAL DIFFERENCE EXPLANATION

1.6 Explain the reasons for each difference identified in the response to paragraph 1.5.

Refer to tables:

8.4.3 - OPERATING & MAINTENANCE EXPENDITURE - EXPLANATION OF MATERIAL DIFFERENCE

8.2.2 - CAPEX BY PURPOSE - MATERIAL DIFFERENCE EXPLANATION

1.7 Identify each difference (where the difference is equal to or greater than ± 10 per cent) between the target performance measure specified in the *service target performance incentive scheme* and actual performance reported in the response to paragraph 1.1(b).

Reliability

| 2015/2016 | Feeder Category | Results | Target | Percentage | Comments |
|-----------|-----------------|---------|--------|------------|--|
| SAIDI | CBD | 9.42 | 16.58 | 43% | CBD SAIDI performance can vary widely due to normal random outcomes on a small population size. No large outages were recorded during the 15/16 period and therefore the result was significantly below the STPIS Target. |
| | Urban | 65.36 | 62.41 | -5% | |
| | Short rural | 131.72 | 157.28 | 16% | The STPIS target for FY15/16 was a straight line projection at a slope based on the global SAIDI historical trend. The number of network outages experienced on the Short Rural network was lower than this projection anticipated. |
| | Long rural | 590.40 | 436.53 | -35% | Long Rural SAIDI performance varies widely due to normal random outcomes on a small population size (Ausgrid had only 5 long rural feeders in 2015/16). There were two (2) atypically long duration events that resulted in a high SAIDI for Long Rural in 2015/16 which produced results that then exceeded the STPIS Target. |
| SAIFI | CBD | 0.02 | 0.054 | 71% | CBD SAIFI performance can vary widely due to normal random outcomes on a small population size. No large outages were recorded during the 15/16 period and therefore significantly below the STPIS Target. |
| | Urban | 0.62 | 0.674 | 7% | |
| | Short rural | 1.15 | 1.426 | 20% | The STPIS target for FY15/16 was a straight line projection at a slope based on the global SAIFI historical trend. The number of network outages experienced on the short rural network was lower than this projection anticipated. |
| | Long rural | 3.19 | 3.088 | -3% | |

Customer Service

The actual performance was slightly more than +10% of target. This can be attributed to lower than forecast call volumes (-1.8% variation on forecast) as well as having slightly more staff than required once actual call volumes were assessed.

1.8 Explain the reasons for each difference identified in the response to paragraph 1.7.

Reliability

See 1.7 above for comments.

Customer Service

Following the roll off of the TSA (sale of the retail arm – EnergyAustralia) and the establishment of a network only call centre, Ausgrid was required to establish staffing needs and forecast call volumes for a different business model. After 18 months, and with the ability to review call volumes over a full 12 month period, staffing levels have been reassessed with five staff exiting the contact centre. It is believed that these changes will bring the STIPS results more in line with the expected target.

2. Compliance

2.1 Explain the procedures and processes used by Ausgrid to ensure that the *distribution services* have been classified as determined in the *2014-19 Distribution Determination*.

Ausgrid ensures that the Cost Allocation Methodology (CAM) is applied during the financial year by undertaking a detail review of basis of allocations (driver) to service segments. The review is undertaken during the financial year based on actual expenditure incurred. Ausgrid's management approves the allocation changes for implementation for the year. The reviewed drivers are then updated in the reporting system - TM1. TM1 is a Microsoft Excel based application which summarises data extracted from SAP for analytical and reporting purposes. TM1 enables Ausgrid to apply calculations in accordance with the CAM to attribute costs to, and allocate costs between, the relevant service categories for operating expenditure. TM1 is the application that gives practical effect to the CAM.

At the end of the financial year, subsequent review is undertaken to adjust the allocations between the Distribution and Transmission segments for actual expenditure to ensure that it represents the split as per the AER determination submitted by Ausgrid.

2.2 Explain the procedures and processes used by Ausgrid to ensure that the *negotiated distribution service criteria*, as set out in the *2014-19 Distribution Determination*, have been applied.

Not applicable

2.3 Describe the process Ausgrid has in place to identify negative change events under clause 6.6.1(f) of the *NER* and the materiality threshold applied to these events.

Ausgrid has a comprehensive compliance system in place to monitor compliance with the NSW Distribution Licence Conditions, National Electricity Rules, National Energy Retail Rules and Ausgrid's 2015-19 Distribution Determination.

In respect of negative change events, Ausgrid has established and implemented an internal procedure 'RG000-P0011: Reporting and Identifying cost pass through events' that outlines the requirements of the National Electricity Rules (NER) with respect to pass through events and the process for identifying and reporting negative change events. This procedure and process ensures that Ausgrid can appropriately fulfil its obligations under the NER.

Ausgrid monitors and reports compliance with its obligations under clause 6.6.1(f) of the NER internally every 6 months, as part of its process for reporting compliance with licence and NER obligations. Through this process, Ausgrid can confirm that no negative change events as defined by clause 6.6.1(f) of the NER have been identified for the period 1 July 2015 to 30 June 2016.

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

Ausgrid has adopted this definition of "materially" in its procedure for identifying and reporting on negative change events.

2.4 Describe the process Ausgrid has in place to monitor compliance with the Independent Pricing and Regulatory Tribunal of NSW, *Distribution Ring Fencing Guidelines*, 19 February 2003 (or any Ringfencing Guideline the AER may develop under clause 6.17.2 of the *NER*). List all instances of non-compliance, including the date of non-compliance event, reason for non-compliance, impact on customers, impact on competitors, and any remedial action taken by Ausgrid.

To monitor compliance with its obligations, Ausgrid runs the compliance reporting process in the Licence and NER Compliance Management System (LCMS) twice a year. Each compliance obligation is allocated to the relevant business unit, and every six months the responsible person is required to report on compliance with the obligation and their manager is required to authorise the compliance assessment. This process is documented in the Ausgrid Company Procedure GV000-P0064 *NSW Licence Conditions and National Electricity Rules Compliance Management and Performance Reporting* which was approved by the Ausgrid Executive Leadership Team.

To manage this compliance reporting process, Ausgrid maintains a comprehensive LCMS. This system reflects the characteristics of a robust compliance program as defined by the Australian Standard AS3806 "Compliance Programs", and is reviewed regularly. The LCMS includes Ausgrid's obligations under IPART's *Distribution Ring Fencing Guidelines* (as well as the NSW Distribution Licence Conditions and National Electricity Rules obligations). The LCMS provides an audit trail of dates and times when the report was filled out and authorised.

Through this compliance reporting process, Ausgrid can confirm there were no instances of non-compliance with the Distribution Ring Fencing Guidelines in 2015/16.

3. Cost allocation to the distribution business

3.1 Identify each expenditure or revenue item in Worksheet 8.1 of the *Financial Information Templates* that is **directly attributable** to the *Distribution Business*.

- Distribution revenue
- Customer contributions
- Interest income
- Jurisdictional scheme amounts (revenue)
- TUOS revenue
- TUOS expenditure
- Avoided TUOS expenditure
- Impairment losses
- Jurisdictional scheme amounts (expenditure)
- Maintenance expenditure

3.2 Identify each *Item* in the *Financial Information Templates* that is:

(a) **not directly attributable** but is allocated on a causation basis to the *Distribution Business*; and

- Profit from sale of fixed assets
- Customer contributions
- Other revenue
- Depreciation & Amortisation
- Finance charges
- Opex (excl. maintenance expenditure)

(b) **not directly attributable** and cannot be allocated on a causation basis to the *Distribution Business*.

Not applicable

3.3 For each *Item* identified in the response to paragraph 3.2(a):

(a) state the amount of the *Item* that has been allocated;

Directly Allocated to Distribution Business

| | |
|---|---------------|
| Distribution revenue | 1,649,280,024 |
| Customer contributions | 91,216,594 |
| Interest income | 339,973 |
| Jurisdictional scheme amounts (revenue) | 204,957,927 |
| TUOS revenue | 521,761,268 |
| TUOS expenditure | 478,556,223 |
| Avoided TUOS expenditure | 294,174 |
| Impairment losses | 0 |
| Jurisdictional scheme amounts (expenditure) | 202,500,740 |
| Maintenance expenditure | 217,361,584 |

Not **directly attributable** but is allocated on a causation basis to the *Distribution Business*

| | |
|--|---------------|
| Profit from sale of fixed assets | 55,403,861 |
| Customer contributions | 1,346,796 |
| Other revenue | 550,225 |
| Depreciation & Amortisation | 544,290,142 |
| Finance charges | 1,014,447,364 |
| Operating expenditure excl maintenance exp | 469,236,008 |

(b) explain the method of allocation and reasons for choosing that method; and

Costs incurred for operations work are directly attributed to, or allocated between, standard control services, alternative control services and/or unregulated services respectively. This is based on the nature of the expenditure and in accordance with the CAM.

Costs that can be directly attributed to a business segment will be assigned accordingly. Costs that are not directly attributable will be allocated by either:

a) using an appropriate allocating factor (i.e. on a causation basis) or

b) if a causal allocating factor cannot be established without undue cost and effort, then using a non-causal but defensible basis (this is not applicable).

Tables below outline the categories of shared operating costs, the relevant services to which the cost is allocated and the basis of the allocation.

| Shared cost item | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|--|---|--|---|--------------------|--|
| Information and Communications Technology | | | | | |
| Office of the CIO Management | Costs associated with management of the Office of the CIO branch, ICT vendor & sourcing, IT strategy, IT systems architecture and IT governance. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need for CIO branch management and IT vendor sourcing. |
| Business Systems | Costs associated with the provision, maintenance and support of IT system software. This includes solutions management, portfolio delivery and management and technical services. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of business technology services by Ausgrid personnel. |
| Infrastructure Services | Costs associated with the provision, maintenance and support of IT system hardware such as desktop delivery, server operations and infrastructure project management. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of IT infrastructure services by Ausgrid personnel. |
| Distribution Systems and Telecommunications | Costs associated with the provision, maintenance and support of telecommunications systems. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Causal | Reflects the strong causality between the number of staff and the need and use of telecommunications infrastructure services by Ausgrid personnel. |

| Shared cost item | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|--|---|--|--|--------------------|--|
| Finance and Compliance | | | | | |
| Finance & Compliance Management | Costs associated with management of the Finance & Compliance division. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: Costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between strategic business management and overall business activity and performance. |
| Financial Controller | Costs associated with the management of the finance branch, corporate accounting and reporting, taxation, and treasury & cash management functions. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: Costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the work performed by the finance branch and overall business activity and performance. |
| Finance Transactions & Services | Costs associated with the operation of a centralised accounts payable and payroll services function. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: Costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the work performed by the finance branch and overall business activity and performance. |
| Commercial & Decision Support | Costs associated with the management of corporate financial systems and corporate budget process. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: Costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the work performed by the commercial branch and overall business activity and performance. |
| Project Management Office and Corporate Planning | Costs associated with the management of the PMO & Corporate Planning function. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: Costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the role of information services and overall business activity and performance. |

| Shared cost item | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|-------------------------------|---|--|--|--------------------|--|
| Finance and Compliance | | | | | |
| Legal services | Legal counsel and legal compliance | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the work performed by the legal branch and overall business activity and performance. |
| Information Services | Costs associated with document distribution services, document management and operation of the internal courier service, filing system and a corporate wide research and information service. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | No causal allocator: costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between the role of information services and overall business activity and performance. |
| Insurance | <p>Insurance premiums and associated costs to cover general risks including:</p> <ul style="list-style-type: none"> • Public liability (general, bush fire and professional) • Directors and officers liability • Workers compensation • Industrial special risk • Contract works • Fidelity guarantee • Corporate travel • Mobile plant and equipment • Motor vehicle • Personal accident. | <ul style="list-style-type: none"> • Standard control • Alternative control • Unregulated | <p>Insurance cost relates to the premiums paid by Ausgrid for various policies. These premiums are allocated between the various services (e.g. standard control services and alternative control services) based on the nature of insurance.</p> <p>For example, the premium for bushfire liability insurance is directly attributed to standard control services as a cost of operating the network.</p> <p>There are also common insurance policies that are corporate wide and should be allocated to all services as they are shared costs. For example, director indemnity insurance and general liability insurance are allocated across services on the basis of weighted average revenue.</p> | Casual | Reflects the relationship between type of risk insured, the assets covered by the insurance and the parts of the business benefiting from the insurance. |
| Contact Centre | Operation of Ausgrid's contact centres. | <ul style="list-style-type: none"> • Standard control • Unregulated | Costs are allocated on the basis of contact centre work load and the type of call received. Work load is calculated as call volume multiplied by average handling time. | Casual | Reflects the strong causality between the costs incurred by the contact centre and the volume of activity for the contact centre. |

| Shared cost | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|----------------------------|---|--|--|--------------------|---|
| People and Services | | | | | |
| Human resources | Costs associated with the management of the human resources function and employee relations including personnel issues, industrial relations, organisational capability and change. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Casual | The activity of the human resources business unit is driven by the size of the workforce. Therefore, this allocator reflects the strong causality between the resource effort to achieve the objectives of the human resources business unit and the size of Ausgrid's workforce. |
| Internal Audit | Costs associated with Ausgrid's Internal Audit function, including independent review of business strategies, systems and processes | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Costs are allocated on the basis of the audit plan for the year and the areas of the business subject to audit. The audit plan for each year details the various audit projects to be undertaken for that year, as approved by the Audit & Risk Committee. The nature of each audit project would then determine the services to which the costs would be allocated based on the hours for each project. | Casual | Reflects the strong causality between internal audit's focus on specific areas of the business and the costs incurred by the internal audit function. |
| Corporate Communications | Costs associated with Ausgrid's Corporate Communications function, to include stakeholder management and sponsorships. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | No causal allocator: costs allocated on the basis of weighted average revenue. | Non-casual | Reflects the relationship between stakeholder management, advertising and marketing and overall business activity and performance. |
| Property | Costs associated with management of the property branch and management of the property portfolio including rates, utilities and taxes, property acquisition and disposal and easement management relating to non-system assets. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Costs are allocated on the basis of floor space weighted by premium / non-premium rent. | Casual | Reflects the strong causality between the size and value of properties in Ausgrid's property portfolio and property management costs incurred by Ausgrid. |

| Shared cost | Description | Service(s) allocated to | Basis of allocations (driver) | Casual/ Non-casual | Reason for allocator |
|--------------------------------------|---|--|---|--------------------|---|
| Health Safety and Environment | | | | | |
| Safety Management | Costs associated with the management of the safety services function including workers compensation and work health and safety. | <ul style="list-style-type: none"> Standard control Alternative control Unregulated | Costs are allocated between the relevant services on the basis of FTE splits. | Casual | The activity of the safety services function is driven by the size of the workforce. Therefore, this allocator reflects the strong causality between the resource effort to achieve the objectives of the safety services function and the size of Ausgrid's workforce. |

(c) state the numeric amount of the allocator(s) used.

Ausgrid uses percentage allocators and therefore is unable to apply the numeric amounts of the allocators.

The percentages applied are:

| | Ausgrid - Total | Standard Control Services | External LOB | Alternative Control Services | 1010 - Network: Street Lighting Business | Metering | Ancillary Metering Related | Ancillary Connection Related | |
|------------------|-----------------|---------------------------|--------------|------------------------------|--|----------|----------------------------|------------------------------|--|
| Human Resources | 100.0% | 91.6% | 2.6% | 5.8% | 1.8% | 2.5% | 0.4% | 1.1% | |
| Fleet | 100.0% | 98.0% | 0.0% | 2.0% | 0.1% | 1.7% | 0.2% | 0.0% | |
| Weighted Average | 100.0% | 91.1% | 3.4% | 5.5% | 1.9% | 2.3% | 0.5% | 0.8% | |
| Logistics | 100.0% | 75.7% | 11.4% | 12.9% | 12.3% | 0.3% | 0.0% | 0.3% | |
| Property | 100.0% | 94.0% | 1.8% | 4.1% | 0.7% | 2.6% | 0.5% | 0.3% | |
| Insurance | 100.0% | 96.7% | 1.1% | 2.2% | 0.6% | 1.1% | 0.2% | 0.2% | |
| Internal Audit | 100.0% | 90.7% | 2.8% | 6.5% | 1.1% | 2.2% | 0.5% | 2.8% | |

3.4 For each Item identified in the response to paragraph 3.2(b):

(a) state the amount of the Item and whether it was material;

Not applicable

(b) explain the method of allocation and reasons for choosing that method; and

Not applicable

(c) explain the reason(s) why it cannot be allocated on a causation basis.

Not applicable

4. Cost allocation to service segments

4.1 Identify each *Item* in the *Financial Information Templates* that is:

(a) *directly attributable* from the *Distribution Business* to a service segment;

Not applicable

(b) *not directly attributable* but is allocated on a causation basis from the *Distribution Business* to a service segment; and

Not applicable

(c) *not directly attributable* and cannot be allocated on a causation basis from the *Distribution Business* to a service segment.

Not applicable

4.2 For each *Item* identified in the response to paragraph 4.1(a):

(a) state the amount of the *Item* that has been directly attributable to a service segment.

Not applicable

4.3 For each *Item* identified in the response to paragraph 4.1(b):

(a) state the amount of the *Item* that has been allocated;

Not applicable

(b) explain the method of allocation and reasons for choosing that method; and

Not applicable

(c) state the numeric amount of the allocator(s) used.

Not applicable

4.4 For each *Item* identified in the response to paragraph 4.1(c):

(a) state the amount of the *Item* and whether it was *material*;

Not applicable

(b) explain the method of allocation and reasons for choosing that method; and

Not applicable

(c) explain the reason(s) why it cannot be allocated on a causation basis.

Not applicable

5. Capitalisation Policy

5.1 Identify all *material* changes between the *Capitalisation Policy* for the *Relevant Regulatory Year* and the previous regulatory year.

There has been no change in Ausgrid's capitalisation policy.

5.2 For each change identified in the response to paragraph 5.1:

(a) state, if any, the financial impact of the change;

Not applicable

(b) state the reasons for the change;

Not applicable

(c) explain the effect of the change, if any, on the actual operating expenditure and actual capital expenditure incurred, in comparison to the forecast operating expenditure and forecast capital expenditure determined in the *2014-19 Distribution Determination* for the *Relevant Regulatory Year*; and

Not applicable

(d) explain the effect of the change, if any, on the actual operating and actual capital expenditure incurred, in comparison to the previous *Relevant Regulatory Year*.

Not applicable

6. Demand Management Incentive Allowance

6.1 Identify each demand management project or program for which *Ausgrid* seeks approval.

6.2 For each demand management project or program identified in the response to paragraph 6.1:

(a) explain:

(i) how it complies with the Demand Management Innovation Allowance criteria detailed at section 3.1.3 of the *demand management incentive scheme*;

(ii) its nature and scope;

(iii) its aims and expected outcomes;

(iv) the process by which it was selected, including its business case and consideration of any alternatives;

(v) how it was/is to be implemented;

(vi) its implementation costs; and

(vii) any identifiable benefits that have arisen from it, including any off peak or peak demand reductions;

(b) confirm that its associated costs are not:

(i) recoverable under any other jurisdictional incentive scheme;

(ii) recoverable under any other Commonwealth or State Government scheme; and

(iii) included in the forecast capital or operating expenditure approved in the *2014-19 Distribution Determination* or recoverable under any other incentive scheme in that determination; and:

(c) state the total amount of the Demand Management Innovation Allowance spent in the *Relevant Regulatory Year* and how this amount has been calculated.

6.3 Provide an overview of developments in relation to projects or programs completed in previous years of the regulatory control period, and of any results to date.

The information requested above is included in Attachment 3 - Ausgrid's DMIA Annual Report.

7. Tax standard asset lives

7.1 Identify all tax standard asset lives applied to asset classes that differ from those contained in the AER approved PTRM for Ausgrid's current regulatory control period.

Not applicable

7.2 Explain the reasons for each difference identified in paragraph 7.1 including reasons for any departure from the ATO's most recent determination of effective life.

Not applicable

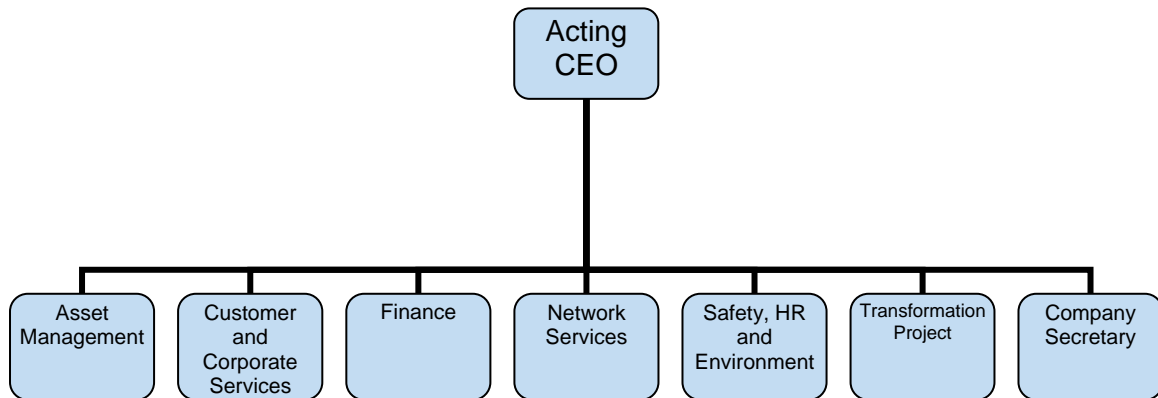
8. Charts

8.1 Provide charts that set out:

(a) the group corporate structure of which *Ausgrid* is a part; and

Ausgrid is not part of a group corporate structure.

(b) the organisational structure of *Ausgrid*.



9. Audit and Review Reports

9.1 Provide Audit Report and Review Reports(s) in the form of:

(a) An Audit Report (for Financial Information) in accordance with the requirements set out at Appendix D; and

The Audit Report is included as Attachment 4.

(b) A Review Report (for Non-Financial Information) in accordance with the requirements set out at Appendix D.

The Review Report is included as Attachment 5.

10. Confidential Information

10.1 If Ausgrid makes a claim for confidentiality over any information provided in accordance with this Notice, Ausgrid must:

- (a) Comply with the requirements of AER's Confidentiality Guideline, as if it extended and applied to responses to this Notice;**

Not applicable, as Ausgrid is not making a claim for confidentiality over any information provided in accordance with the Notice.

- (b) Provide, in addition to a confidential version of any information, a version of the information that may be published by the AER.**

Not applicable, as Ausgrid is not making a claim for confidentiality over any information provided in accordance with the Notice.

10.2 Confirm in writing that Ausgrid consents to the AER publically disclosing (including on the AER website) all information provided in accordance with this Notice, except the confidential version of information the subject of a confidentiality claim under paragraph 10.1.

Ausgrid consents to the AER publically disclosing (including on the AER website) all information provided in accordance with the Notice.