Basis of Preparation

Response to Annual Reporting RIN 2015-16

essential energy

CONTENTS

1 Purpose

This document is Essential Energy's Basis of Preparation in relation to the audited Annual Reporting RIN data as required by part 1.1 (d) of Schedule 1 of the AER Regulatory Information Notice.

It explains the basis upon which information was prepared for all information in the Annual Reporting RIN template. As required by the AER, this Basis of Preparation is a separate document that has been submitted with the completed regulatory templates.

1.1 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 Essential Energy has complied with the requirements of the Notice. It must be a separate document (or documents) that Essential Energy submits with its completed Information Templates.

The AER has set out what must be in the Basis of Preparation. This is set out in Table 1 below.

Number	Requirement
1	Demonstrate how the information provided is consistent with the requirements of the Notice.
2	Explain the source from which Essential Energy obtained the information.
3	Explain the methodology Essential Energy applied to provide the required information, including any assumptions Essential Energy made.
4	In circumstances where Essential Energy cannot provide Actual Information, explain: • Why it was not possible for Essential Energy to provide Actual Information; • What steps Essential Energy is taking to ensure it can provide the information in the future; • If an estimate has been provided, the basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Essential Energy's best estimate, given the information sought in the Notice.

Table 1 – Requirements of the Basis of Preparation

When carrying out an audit or review, an auditor or assurance practitioner shall have reference to Essential Energy's Basis of Preparation.

1.2 Structure of this Document

This document is structured as follows:

• Firstly, Essential Energy addresses the issue of data reliability and use of estimates in completing the Annual Reporting RIN. A table of estimated data contained in the Annual Reporting RIN templates is included.

• Secondly, the response to worksheets **2.11** to **9.5**, is set out in accordance with the AER's instructions.

2 Data Reliability

2.1 Data Quality Issues

In previous consultations on other RINs, Essential Energy raised significant concerns with providing some of the data in the form required by the AER. Essential Energy has actual data with which to complete many of the information tables in this RIN, but where such data is not available, information templates will be completed with estimated data.

Essential Energy continues to stress concern in relation to the detailed templates submitted and the reliance on some of this information for benchmarking and decision making.

2.2 Process used to determine if information is actual or estimated

Where Actual Information is not able to be derived from Essential Energy's financial and information systems, then information has been provided using the best available estimate. In circumstances where the AER has recommended an approach for estimating, that approach has been followed as far as practicable and reasons for any variations have been identified and explained.

Essential Energy has implemented an internal colour coding system for the numbers in the Annual Reporting RIN template to indicate actual from estimated information. This coding is shown in Table 2 below and indicates the level of reliance that should be placed on the data.

Colour Code	Availability of Data from NSP's Primary System	Additional Work Around / Estimation Techniques	Management's Comfort that Information is Fit for Purpose
Green	Available and verifiable	**Simple** – no additional work or minor work around e.g. source data from secondary system	Comfortable
Yellow	Available, but with some gaps	**Moderate** – estimate based on statistically significant sample size	Comfortable
Orange	Little or no data available	**Complex** – estimate based on formula, standard parameters or other source	Not comfortable
Red	Little or no data available	**Impossible** – rough estimate or not possible, e.g. rule of thumb from experience	Not comfortable

Table 2 – Colour Coding used in the Annual Reporting RIN template

2.3 Reliability of Applying Data to Benchmarking

Essential Energy considers the application of benchmarking to guide regulatory decision making would result in error, leading to outcomes that are detrimental to the long term interests of customers. This view is based on the following:

- As noted in section **2.1** Data Quality Issues and section **2.2** Process used to determine if information is actual or estimated, there is recognition by Essential Energy that data quality from best estimates may not be of a robust quality, and may not pass audit and reviews. This document has identified where material has been developed from best estimates and the confidence Essential Energy has in that data. In this respect models, such as Total Factor Productivity (TFP), are based on the interaction of multi-variables. If a data series is inaccurate, it can significantly alter the findings of the model and lead to misleading conclusions.

- Essential Energy is not convinced that benchmarking tools such as TFP can be used to infer relative efficiency of DNSPs over time. The models cannot adequately normalise for differences between DNSPs, and do not provide meaningful assessment of the apparent differences in productivity levels. For example, TFP will show that a firm that replaces ageing assets has declining levels of capital productivity, as the model would show higher prices for capital while maintaining existing service levels. In Essential Energy's view this would be driven by the age of the asset base which is likely to vary between DNSPs.

- Essential Energy considers that benchmarking models such as TFP do not provide the AER with guidance on how to target its review of expenditure forecasts, as the information provided is at too high a level to identify potential areas of efficiency. The models and data collected will not provide any guidance on the underlying drivers of apparent productivity, and therefore does not provide useful analysis on which areas to review in a DNSP's CAPEX and OPEX forecasts.

2.4   Estimated Data

The following table lists the tables containing estimated data in the 2015-16 Annual Reporting RIN.

RIN Table	Estimated Data & Method	Future Action to Avoid Estimation
2.11.3.1	Opex vs Capex labour splits from Board Reporting applied to Standard Control Labour dollars from CA RIN to obtain Labour Opex dollars.	Development of more streamlined Labour reports, providing RIN-required data through fewer reports and requiring less manual manipulation.
2.11.3.2	Opex vs Capex labour splits from Board Reporting applied to Standard Control Labour dollars from CA RIN to obtain Labour Capex dollars.	Development of more streamlined Labour reports, providing RIN-required data through fewer reports and requiring less manual manipulation.
3.6.7.3	Call centre – number of overload events. This information captured by the Telstra Analyser reporting system, which only stores data for a four month period, requiring data to be extrapolated for the remainder of the year.	The data is now captured from Telstra Analyser at the end of each month to enable regulatory reporting without the need for estimation.
3.6.8	Energy Not Supplied (MWh) – Unplanned and Planned - estimated by calculating an average kWh use per minute by customer type for the financial year. This is based on the total consumption divided by the total	By its very nature, this data has to be estimated. It is not possible to predict with accuracy, what amount of energy would have been supplied had there not been an interruption.

	number of customers divided by the number of minutes in a year. This average kWh use per minute by feeder was then applied to the recorded Total Planned and Unplanned customer minutes off supply.	
7.11.1	Opex and capex for DMIA projects - engineering resources have been allocated to the projects using an estimated ratio of time spent on each project.	Engineering resources must be allocated to projects using an appropriate method. Essential Energy will continue to monitor the method used to ensure it continues to be the most appropriate method available.
8.2.1 and 8.2.3	Split of Capex by Purpose into voltage categories is based on Repex and Augex splits in the CA RIN.	Processes and reports to be developed to provide more factual information on asset additions.
8.2.4	Split of Capex into asset classes is based on Repex and Augex splits in the CA RIN.	Processes and reports to be developed to provide more factual information on asset additions.
8.2.5	Split of customer funded Capex into asset classes is sourced from Cognos reports which are based on the CAM.	Processes and reports to be developed to provide more factual information on customer funded asset additions.

Table 3 – 2015-16 Annual Reporting RIN estimated data

Worksheet 2.11 - Labour

Table 2.11.3.1 – Opex

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Labour related data has been sourced from:

- Schedule 2.11 of the 2015-16 Category Analysis RIN

- Board Labour Report June 2016

- 2015-16 Overheads Allocation file from Budgeting and Forecasting Team.

Schedule 8.4.1 of the 2015-16 Annual Reporting RIN has also been used to complete the table.

Methodology & Assumptions

- Schedule 2.11 of the 2015-16 Category Analysis RIN shows the total standard control labour expenditure for employees and labour hire.

- "Employee" in the Category Analysis RIN is assumed to be the same as "In-house labour" in the Annual Reporting RIN. "Labour hire" in the Category Analysis RIN is assumed to be the same as "Labour expenditure outsourced to unrelated parties" in the Annual Reporting RIN.

- The Board Labour Report shows the split of total salaries and wages between capex and opex related labour expenditure before the overhead allocation is processed. This split is applied to the total standard control labour expenditure as per the 2015-16 Category Analysis RIN to work out the opex and capex related labour for Tables 2.11.3.1 and 2.11.3.2 in the Annual Reporting RIN.

- The 2015-16 Overheads Allocation file from the Budgeting and Forecasting Team shows that the percentage of support costs which were allocated to capex in 2015-16 was 43.5%. This percentage was applied to the support labour element of the total labour cost and that amount was moved from opex to capex.

- Controllable non-labour opex was derived by deducting labour expenditure in this table from total opex as shown in Table 8.4.1 of the 2015-16 Annual Reporting RIN.

- The uncontrollable non-labour opex relating to standard control activities for 2015-16 was council rates, land tax and certain State and Federal government licences. These were extracted from the regulatory trial balance.

Use of Estimated Information

The information in this table is considered to be based on actual data but with estimated splits applied to derive the information required in Table 2.11.3.1.

Further details regarding estimation are described in the Methodology & Assumptions section above.

Reliability of Information

Given the underlying assumptions and estimates made in this data, caution should be applied if using the data in the table for benchmarking or decision making purposes.

Table 2.11.3.2 – Capex

Compliance with Requirements of the Notice

The following sections outline how Essential Energy has ensured that the information provided is consistent with the requirements of the Notice.

Source of Information

Labour related data has been sourced from:

- Schedule 2.11 of the 2015-16 Category Analysis RIN

- Board Labour Report June 2016

- 2015-16 Overheads Allocation file from Budgeting and Forecasting Team.

Schedule 8.2.1 of the 2015-16 Annual Reporting RIN has also been used to complete the table.

Methodology & Assumptions

- Schedule 2.11 of the 2015-16 Category Analysis RIN shows the total standard control labour expenditure for employees and labour hire.

- "Employee" in the Category Analysis RIN is assumed to be the same as "In-house labour" in the Annual Reporting RIN. "Labour hire" in the Category Analysis RIN is assumed to be the same as "Labour expenditure outsourced to unrelated parties" in the Annual Reporting RIN.

- The Board Labour Report shows the split of total salaries and wages between capex and opex related labour expenditure. This split is applied to the total standard control labour expenditure as per the 2015-16 Category Analysis to work out the opex and capex related labour for Tables 2.11.3.1 and 2.11.3.2 in the Annual Reporting RIN.

- The 2015-16 Overheads Allocation file from the Budgeting and Forecasting Team shows that the percentage of support costs which were allocated to Capex in 2015-16 was 43.5%. This percentage was applied to the support labour element of the total labour cost and that amount was moved from opex to capex.

- Controllable non-labour capex was derived by deducting labour expenditure in this table from total capex as shown in Table 8.2.1 of the 2015-16 Annual Reporting RIN.

- There was no uncontrollable non-labour capex relating to standard control activities for 2015-16.

Use of Estimated Information

The information in this table is considered to be based on actual data but with estimated splits applied to derive the information required in Table 2.11.3.2.

Further details regarding estimation are described in the Methodology & Assumptions section above.

Reliability of Information

Given the underlying assumptions and estimates made in this data, caution should be applied if using the data in the table for benchmarking or decision making purposes.

Worksheet 3.6 – Quality of services

Table 3.6.5 – Quality of Supply Metrics

This table does not require any inputs.

Table 3.6.6.1 – Technical Quality of Supply

Compliance with Requirements of the Notice

The information provided is based on the total number of network related complaints received from customers during the reporting period 2015 to 2016.

Source of Information

Data has been sourced from the Power Quality - Customer Management System (CMS) database.

Methodology & Assumptions

Data sourced is from a report run within the Power Quality CMS database that is filtered to identify the complaints completed within the reporting period. This is the number of complaints that have been recorded and acted upon.

The categories of complaints are identifiable by "type" and "cause" of complaint.

It is assumed that the correct category has been selected during the performance and management of the process.

Sanity checks are performed on a regular basis to identify any records that do not fit into a predictable outcome and reviewed with the consultation of the investigating technician to improve the reliability of the data.

Use of Estimated Information

Essential Energy has not used estimated information in this section. All data used is extracted directly from a predefined report for consistency purposes.

Reliability of Information

The data provided for this section is considered reliable as there are a number of sanity checks and audits performed during the reporting period. It should also be noted that the Power Quality CMS system reports all network complaints received from customers, which is the figure reported. It is possible to filter down and identify those complaints that are considered Valid (network related) or Not Valid (customer related).

Table 3.6.6.2 – Percentage of Complaints by Category

This table does not require any inputs.

Table 3.6.6.3 – Percentage of Complaints by Likely Cause

This table does not require any inputs.

Table 3.6.7.1 – Timely Provision of Services

Compliance with Requirements of the Notice

This section contains the total number of new connections (connections where there was no previous physical link between our distribution system and a retail customer's premises), that have been performed during the period 1 July 2015 to 30 June 2016 inclusive.

Essential Energy is unable to provide information relating to the number of new connections not provided on or before the agreed date because this work is undertaken by Accredited Service Providers (ASPs) external to our company and relates to an agreement between that ASP and a customer.

Source of Information

The source of the information is our Customer Information System utilised at Essential Energy, known as Peace CIS.

Methodology & Assumptions

The methodology utilised is to extract NMI details from Peace CIS where the minimum meter installation date exists within the required date range. In effect, this provides us with a listing of where the initial meter installation occurred in the relevant financial year. There are no assumptions made.

Use of Estimated Information

All information for this table was based on actual data extracted from Peace CIS.

Reliability of Information

The data provided in this table is considered to be reliable.

Table 3.6.7.2 – Timely Repair of Faulty Street Lights

Compliance with Requirements of the Notice

This section contains information on various measures relating to street lights and their repair.

Source of Information

The data used to populate this table was extracted from WASP reporting "PR25" report. This report was extracted on 7 July 2016, providing year to date data for the period 1 July 2015 to 30 June 2016.

Methodology & Assumptions

Average monthly number "out" is a manual calculation of the total reported faults for the year ("PR25" report) divided by twelve months.

Not repaired by "fix by" date has been reported as the number of work tasks taking greater than eight days to repair. The days to repair are calculated from one day after the reported date to the completed date, excluding weekends and public holidays.

Average number of days to repair is calculated by total repair days divided by total reported faults during the period.

Use of Estimated Information

The data contains no estimates as it has been sourced using a Streetlight business unit materialised view in Cognos Report Studio, built directly from the WASP Asset Management System.

Reliability of Information

The data is considered to be reliable.

Table 3.6.7.3 – Call Centre Performance

Compliance with Requirements of the Notice

The data has been reported in accordance with the definitions provided by the AER unless otherwise specified in the Methodology & Assumptions section below.

Whilst Essential Energy does have other phone lines, data within this section was from the fault line only.

Source of information

Interactive Intelligence Call Management System AND Telstra Analyser were used to collect the required data.

Methodology and Assumptions

Essential Energy has a simple process for extracting the required data from the call management system, by running work group and skillset performance reports from their telephony clients. The reports generated include the total number of calls, number of calls answered after the threshold and the total number of abandoned calls.

For the number of Overload Events, Telstra Analyser is used to capture data on overload event days.

Use of estimated information

Data for the Number of Overload Event days was required to be estimated as the new Telstra Analsyer reporting system only stores data for a four month period.

Reliability of information

Interactive Intelligence retains details of each individual call throughout the reporting period with the functionality to also provide statistics about the received calls for a nominated period of time. The information is considered to be reliable.

Table 3.6.7.4 – Number of Customer Complaints

This table does not require any inputs.

Worksheet 3.6.8 – Network-feeders

Table 3.6.8 – Network Feeder Reliability

Compliance with Requirements of the Notice

The data for 2015-16 has been collected and collated in line with the definitions.

All network outages have been listed in accordance with the requirements.

Source of Information

Data is sourced from PowerOn Fusion and an Access database. PowerOn makes up the central modules of Essential Energy's power Distribution Management and Outage Management Systems (DMS/OMS).

The spreadsheet used to collate data is named "15-16 RIN Templates AP&R".

The information on the length of feeders comes from Smallworld on a monthly basis into the Access database mentioned above.

Customer numbers are as at 30 June 2016. An average of the start of period and end of period customer numbers is not maintained due to network reconfigurations throughout the year.

The information on "Energy not supplied" for columns I and J are completed by the Energy Forecasting Analyst.

The information on "Maximum demand" for column H is provided by the Distribution Planners but entered by the Asset Performance and Reliability (APR) section. The data is extracted as MW units which is then multiplied by a power factor of 0.9 to achieve the MVA units reported.

Methodology & Assumptions

- Run Monthly Feeder Reliability reports for the year.

- Update customer numbers in:

  - Network Data Feeder PI 5

  - Network Data Feeder PI Norm 5

  - Network Data Feeder Norm 5

  - Network Data Feeder Upl 5

- Run 5b.1 Network Data Feeder (Network Data Feeder Final)

- The Energy not supplied, Planned and Unplanned MWh is estimated by calculating an average kWh use per minute by customer type for the financial year. This is based on the total consumption divided by the total number of customers divided by the number of minutes in a year. This average kWh use per minute by feeder was then applied to the recorded Total Planned and Unplanned customer minutes off supply.

Use of Estimated Information

Some information in the "Maximum Demand" column has been estimated. It was done so with the use of the SINCAL model, when a SCADA reading could not be obtained.

Reliability of Information

Information based on assumptions and estimates should be used with caution when using it for benchmarking or decision making purposes.

Worksheet 3.6.9 – Network-reliability

Table 3.6.9.1 – Planned Minutes Off Supply (SAIDI) and

Table 3.6.9.2 – Planned Interruptions to Supply (SAIFI)

The data for 2015-16 has been collected and collated in line with the definitions.

Customer numbers include active NMIs with an active or inactive account. This is the way data has been collected and stored since PowerOn Fusion went live in November 2012.

Source of Information

Data is sourced from PowerOn Fusion and an Access database. PowerOn makes up the central modules of Essential Energy's power Distribution Management and Outage Management Systems (DMS/OMS).

The spreadsheet used to collate data is named "15-16 RIN Templates AP&R".

Methodology & Assumptions

- Run Monthly Feeder Reliability reports for the year.

Use of

- Update customer numbers in:

- STPIS Daily Perf PI 4

- STPIS Daily Perf PI LR 4

- STPIS Daily Perf PI SR 4

- STPIS Daily Perf PI U 4

- Run 5d.1 Planned Outages (STPIS Daily Perf PI 5)

Estimated Information

There was no use of estimated information.

Reliability of Information

Information has been sourced from current systems and management is comfortable that the information is reliable.

Worksheet 4.1 – Public Lighting

Table 4.1.4 – Public Lighting Metrics by Tariff

This table does not require any inputs.

Worksheet 6.2 – STPIS Reliability

Table 6.2.1 – Unplanned Minutes Off Supply (SAIDI),

Table 6.2.2 – Unplanned Interruptions to Supply (SAIFI) and

Table 6.2.4 – Distribution Customer Numbers

Compliance with Requirements of the Notice

The data for 2015-16 has been collected and collated in line with the definitions.

Customer numbers include active NMIs with an active or inactive account. This is the way data has been collected and stored since PowerOn Fusion went live in November 2012.

The Tmed threshold for 2015-16 was used.

Source of Information

Data is sourced from PowerOn Fusion and an Access database. PowerOn makes up the central modules of Essential Energy's power Distribution Management and Outage Management Systems (DMS/OMS).

The spreadsheet used to collate data is named "15-16 RIN Templates AP&R".

Methodology & Assumptions

- Run Monthly Feeder Reliability reports for the year

- Update customer numbers in:

- STPIS Daily Perf Norm 4

- STPIS Daily Perf Norm LR 4

- STPIS Daily Perf Norm SR 4

- STPIS Daily Perf Norm U 4

- STPIS Daily Perf Upl 4

- STPIS Daily Perf Upl LR 4

- STPIS Daily Perf Upl SR 4

- STPIS Daily Perf Upl U 4

- Run 1a STPIS Reliability (STPIS Daily Perf6)

- Total of excluded events is calculated by subtracting "Total sustained minutes off supply after removing excluded events" from "Total sustained minutes off supply".

Use of Estimated Information

There was no use of estimated information.

Reliability of Information

Information has been sourced from current systems and management is comfortable that the information is reliable.

Table 6.2.3 – Unplanned Momentary Interruptions to Supply (MAIFI)

This table does not require any inputs.

Worksheet 6.6 – STPIS Customer Service

Table 6.6.1 – Telephone Answering

Compliance with Requirements of the Notice

The data has been reported in accordance with the definitions provided by the AER unless otherwise specified in the Methodology & Assumptions section below.

Whilst Essential Energy does have other phone lines, data within this section was from the fault line only.

Source of Information

Interactive Intelligence Call Management System was used to collect data.

Methodology & Assumptions

Essential Energy has a simple process for extracting the required data from the call management system, by running work group and skillset performance reports from their telephony clients. The reports generated include the total number of calls, number answered after the threshold and the total number of abandoned calls.

Use of Estimated Information

There was no use of estimated information.

Reliability of Information

Interactive Intelligence retains details of each individual call throughout the reporting period with the functionality to also provide statistics about the received calls for a nominated period of time. The data is considered to be reliable.

Worksheet 6.7 – STPIS Daily Performance

Table 6.7.1 – Daily Performance Data - Unplanned

Compliance with Requirements of the Notice

The data has been reported in accordance with the definitions provided by the AER unless otherwise specified in the Methodology & Assumptions section below.

Whilst Essential Energy does have other phone lines, data within this section was from the fault line only.

Source of Information

The Interactive Intelligence Call Management System was used to collect data.

Methodology & Assumptions

Essential Energy has a simple process for extracting the required data from the call management system, by running work group and skillset performance reports from their telephony clients. The reports generated include the total number of calls, number answered after the threshold and the total number of abandoned calls.

Use of Estimated Information

There was no use of estimated information.

Reliability of Information

Interactive Intelligence retains details of each individual call throughout the reporting period with the functionality to also provide statistics about the received calls for a nominated period of time. The data is considered to be reliable.

Worksheet 6.8 – STPIS Exclusions

Table 6.8.1 – STPIS Exclusions

This table does not require any inputs.

Worksheet 6.9 – STPIS - GSL

Table 6.9.1 – Guaranteed Service Levels – Jurisdictional GSL Scheme

Compliance with Requirements of the Notice

Essential Energy is required to report the total number of GSL payments made within the stipulated period, and their associated value.

Source of Information

Data is exported directly from the Contact Management System (CMS), which houses the details of GSL claims.

Methodology & Assumptions

Data is extracted from the CMS Network database using the export views called Export GCSS and is exported to an Excel worksheet. The data is then filtered so that it contains CMS documents raised in the financial year that is being reported on. A pivot table is inserted so the data can be viewed by category, and showing the number paid and amount paid for each category. The totals for Network Reliability Duration, Network Reliability Frequency, and Repair of faulty streetlights are then obtained and reported accordingly.

Use of Estimated Information

No estimations are made. The statistics provided are based on the user's input selections, and are presented "as is". Care is taken to ensure that all GSLs are categorised correctly, and are regularly scrutinised for accuracy by the Customer Advocacy team.

Reliability of Information

The information is reliable.

Table 6.9.2 – Guaranteed Service Levels – AER GSL Scheme

This table does not require any inputs.

Worksheet 7.8 – Avoided TUOS Payments

Table 7.8.1 – Avoided TUOS Payments

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's Avoided TUOS payments.

Source of Information

The figures were sourced from the PeopleSoft finance system.

Methodology & Assumptions

2015-16 general ledger transactions were input into an Access database by the Finance team. There, each transactional combination of department, account, product and project type, and its subtotal, was classified with a standard description and a label, as well as an allocation method (for allocating dollar values into RIN categories). The allocation method and allocation percentages were assigned to RIN categories as per Essential Energy's Cost Allocation Methodology (CAM) and cost allocations working file compiled by the Regulatory team.

The Access database trial balance was saved into an Excel file. A sumif formula was applied to it to isolate the total of all transactions assigned the label for Avoided TUOS payments.

Use of Estimated Information

The information that has been sourced from the Finance system is considered to be actual data.

Reliability of Information

The data in this table is considered to be reliable.

Worksheet 7.10 – Juris Scheme

Table 7.10.1 –Jurisdictional Scheme Payments

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's jurisdictional scheme payments.

Source of Information

The figures were sourced from the PeopleSoft finance system.

Methodology & Assumptions

2015-16 general ledger transactions were input into an Access database by the Finance team. There, each transactional combination of department, account, product and project type, and its subtotal, was classified with a standard description and a label, as well as an allocation method (for allocating dollar values into RIN categories). The allocation method and subsequent allocation percentages were assigned to RIN categories as per Essential Energy's Cost Allocation Methodology (CAM) and cost allocations working file compiled by the Regulatory team.

The Access database trial balance was saved into an Excel file. A sumif formula was applied to it to isolate the total of all jurisdictional scheme payment transactions.

Use of Estimated Information

Climate Change Levy data has been sourced from the Finance system and is considered to be actual data. Data regarding the NSW Solar Bonus Scheme and Queensland Solar Scheme is not reported separately in the Finance general ledger, and as such, has had to be sourced from management reports and is thus considered to be an estimate.

Reliability of Information

Given the underlying assumptions and estimates made in this data, caution should be applied if using the data in the table for benchmarking or decision making purposes.

Worksheet 7.11 – DMIS-DMIA

Table 7.11.1 – DMIA – Projects Submitted for Approval

Compliance with Requirements of the Notice

The projects and information provided within Table 7.11.1 is consistent with the AER's demand management incentive scheme for the ACT and NSW 2009 Distribution Determinations – Demand management innovation allowance scheme, Part A - Demand management innovation allowance, November 2008.

Note that a document detailing the projects outlined in Table 7.11.1 is also required.

Source of Information

All information required for Table 7.11.1, is recorded across Demand Management project numbers. A complete list of relevant project numbers are available from the Demand Management team.

Methodology & Assumptions

Demand Management project costs are extracted from the finance system by relevant project number.

Engineering resources have been allocated to the projects using an estimated ratio of time spent on each project.

Use of Estimated Information

As stated above, engineering resources have been allocated to the projects using an estimated ratio of time spent on each project.

Reliability of Information

Other than the inherent inaccuracies of estimated information, the information provided is considered to be reliable.

Worksheet 7.12 – Safety and Bushfire

Table 7.12.1 – Safety and Bushfire Related Asset Group Definitions and Allocation Basis

This table does not require any inputs.

Table 7.12.2.1 – Number of Activities

This table does not require any inputs.

Table 7.12.2.2 – Expenditure

This table does not require any inputs.

Table 7.12.2.3 – Unit Costs

This table does not require any inputs.

Table 7.12.2.4 – Contingent Project Applications – Volumes Approved

This table does not require any inputs.

Table 7.12.2.5 – Contingent Project Applications – Expenditure Approved

This table does not require any inputs.

Table 7.12.3.1 – Number of Activities

This table does not require any inputs.

Table 7.12.3.2 – Expenditure

This table does not require any inputs.

Table 7.12.3.3 – Unit Costs

This table does not require any inputs.

Table 7.12.3.4 – Safety Improvement Outcomes Reported to ESV

This table does not require any inputs.

Table 7.12.3.5 – Safety Improvement Outcomes Reconciliation

This table does not require any inputs.

Worksheet 7.13 - TARC

Table 7.13.1 – Total Annual Retailer Charges

Compliance with Requirements of the Notice

This table contains data on Total Annual Retailer Charges (TARC).

Source of Information

The data in this table is sourced from the audited statutory accounts, which in turn are sourced from the PeopleSoft finance system.

Methodology & Assumptions

The TARC amount is obtained by adding together Distribution Revenue (but deducting Public Lighting Distribution Revenue), TUOS Revenue and Climate Change Levy Revenue.

Use of Estimated Information

No estimated information is used.

Reliability of Information

The information provided is considered to be reliable.

Worksheet 8.1 - Income

Table 8.1.1.1 – Revenue,

Table 8.1.1.2 – Expenditure and

Table 8.1.1.3 – Profit

Compliance with Requirements of the Notice

These tables contain data on the preparation of the Revenue, Expenditure and Profit sections of the Income worksheet of the Annual Reporting RIN.

Source of Information

Data shown in these tables have been sourced from workfiles used in the preparation of the statutory financial statements, and workfiles used for the preparation of the Annual Reporting RIN.

Methodology & Assumptions

The methodology applied in 2016 is consistent with that applied in previous years' Regulatory Accounts.

The first step in the process involves the extraction of an end of financial year trial balance which is broken down by business unit, department, account, product, and project number (800k+ rows). Data is also extracted on the last tree structure (account, department, product, and project) for the year in question, and data on project types.

This data is then linked into an MS Access database which is used to determine the allocation approach for each account in the trial balance. The table "CoA" indicates the basis of allocation to be used for each account as shown in the field "AllocType". "A" indicates allocation by account, "D" indicates allocation by department, and "P" indicates allocation by product. For each of these there is then a further table indicating the appropriate allocation to be used for each account, department, or product.
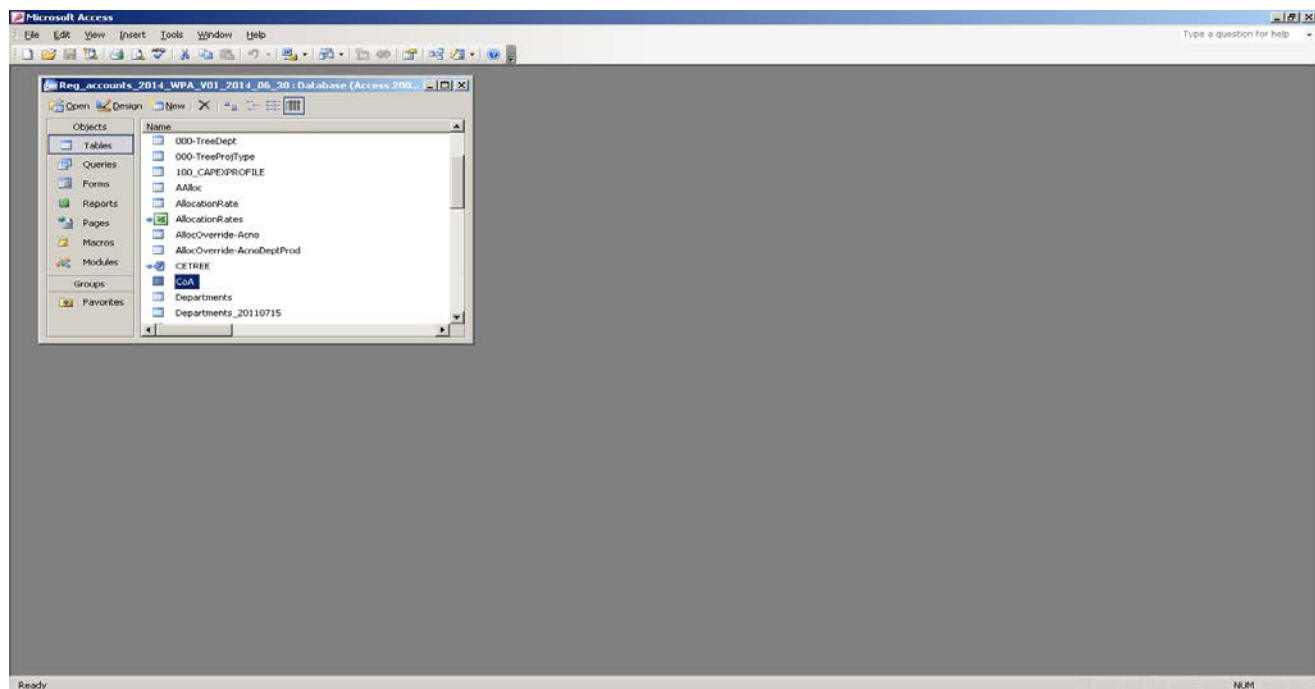
There is a facility to override the original allocation basis if it is not appropriate for a particular combination. This is indicated by "O" in the field "AllocType" in the copy of the database.

The MS Access-allocated trial balance is then summarised by label (this equates to a financial statement line item) and fed into an MS Excel model. This data is then combined with data on the components of tax accounts and equity accounts, which are allocated on the basis of the components. This data then populates the AER template. There is provision for manual journals to isolate some additional data (eg. Revenue from Transmission Cost Recovery is not directly available from the general ledger).

The allocation percentages and the allocation methodologies are provided to Finance by the Regulatory team.

An additional exercise is carried out where the project types are examined and the original allocations overrode if necessary, to a more appropriate approach. This was to ensure that correct expenditure classifications were applied.

The resultant expenditure information is then reviewed by the Regulatory team and possibly adjusted to better reflect appropriate cost categorisation. Other adjustments may also be made, such as removing overhead amounts allocated to capex.

The Adjustments column, as well as containing data for the Water and Unregulated business segments, also contains some adjustments relating to items which have been treated differently for regulatory purposes as opposed to the Statutory Accounts. This ensures that the Audited Statutory Accounts column agrees with the total revenue and expenditure shown in the Statutory Accounts, rather than simply agreeing at the net profit line, as has been the approach in previous years. An example of one of these adjustments is the grossing up of the Adjustments column revenue and expenditure by the value of the group management fee revenue, which is disclosed as part of revenue in the Statutory Accounts while being included amongst operating expenditure in the Annual Reporting RIN.

Use of Estimated Information

Whilst the regulatory statements are based on the statutory accounts, which are considered accurate, some estimations have been used in order to allocate dollar amounts to appropriate regulatory categories, as described above. Refer to the Essential Energy Annual Report for the usage of estimates and judgements in the 2016 financial statements.

Reliability of Information

The information is considered to be reliable. The regulatory statements are reconciled to the annual financial statements which are also subject to annual audit. It should be noted that the accuracy of the data is dependent on the accuracy of the labels and descriptions applied to the transactions in the Access database.

Worksheet 8.2 - Capex

Table 8.2.1 – Capex by Purpose – Standard Control Services

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's standard control services capex for the year, categorised by purpose.

Source of Information

The figures were sourced from specialised Cognos reports, which are designed to provide capex data for regulatory purposes. The information in those reports is sourced from the PeopleSoft finance system. Regulatory allocation percentages are entered into a system called Apex. These percentages are then applied to the capex figures from Finance to arrive at regulatory numbers.

Forecast data has been sourced from the 2014-19 Final Distribution Determination.

Methodology & Assumptions

The Actuals data for the system asset split is from the Regulatory Distribution System Capital (RDSC) Expenditure Report, which provides data on both internally and customer funded capex. The customer funded capex includes both capital contributions and gifted assets.

The Augmentation Expenditure figure is reduced by any Internally Funded DMIA Capex included within Table 7.11.1 ("DMIA – Projects Submitted for Approval") of the Annual Reporting RIN.

The Actuals Non-System Assets figure was obtained from the Total Regulated Distribution Capex (TRDC) Report.

The forecast data, representing, in total, the capex allowance in the 2014-19 Final Distribution Determination, has been split into regulatory categories based on the category splits in Essential Energy's final submission. The impact of the AER forecast inflations from the 2014-19 Final Distribution Determination has been removed and the data has been reinflated to take into account the impact of actual inflation outcomes.

Use of Estimated Information

The information that has been sourced from the Finance system is considered to be actual data. The percentages applied to that data in the Apex system are derived from calculations.

Reliability of Information

The data in this table is considered to be reliable.

Table 8.2.2 – Capex by Purpose – Material Difference Explanation

This table relates to the explanation of material differences between forecast and actual data. The table has been populated with those explanations.

Table 8.2.3 – Capex Other

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's alternative control and negotiated services capex for the year.

Source of Information

Figures are sourced from the Repex and Augex tables in the Category Analysis RIN.

Methodology & Assumptions

Figures are sourced from the Repex and Augex tables in the Category Analysis RIN. Refer to the Methodology & Assumptions sections for those tables in the Basis of Preparation document for the Category Analysis RIN.

Use of Estimated Information

Refer to the Use of Estimated Information sections for those tables in the Basis of Preparation document for the Category Analysis RIN.

Reliability of Information

The data in this table is considered to be reliable.

Table 8.2.4 – Capex by Asset Class

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's standard control services capex for the year, categorised by asset class.

Source of Information

The figures were sourced from specialised Cognos reports, which are designed to provide capex data for regulatory purposes. The information in those reports is sourced from the PeopleSoft finance system. Regulatory allocation percentages are entered into a system called Apex. These percentages are then applied to the capex figures from Finance to arrive at regulatory numbers.

Forecast data has been sourced from the 2014-19 Final Distribution Determination.

Methodology & Assumptions

The Actuals data for the system asset split is from the Total Regulated Distribution Capex (TRDC) Report. A figure for Other Capex Adjustments and Accruals was apportioned across the other System Asset categories.

The Transformers total is reduced by any Internally Funded DMIA Capex included within Table 7.11.1 ("DMIA – Projects Submitted for Approval") of the Annual Reporting RIN.

A figure for Other Non-System Assets was also apportioned across the other Non-System Asset categories.

The forecast data, representing, in total, the capex allowance in the 2014-19 Final Distribution Determination, has been split into regulatory categories based on the category splits in Essential Energy's final submission. The impact of the AER forecast inflations from the 2014-19 Final Distribution Determination has been removed and the data has been reinflated to take into account the impact of actual inflation outcomes.

Use of Estimated Information

The information that has been sourced from the Finance system is considered to be actual data. The percentages applied to that data in the Apex system are derived from calculations. In addition, two asset categories containing non-specific data have been apportioned across other asset categories.

Reliability of Information

The data in this table is considered to be reliable.

Table 8.2.5 – Capital Contributions by Asset Class

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's capital contributions received for the year, categorised by asset class.

Source of Information

The figures were sourced from specialised Cognos reports, which are designed to provide capex data for regulatory purposes. The information in those reports is sourced from the PeopleSoft finance system. Regulatory allocation percentages are entered into a system called Apex. These percentages are then applied to the capex figures from Finance to arrive at regulatory numbers.

Methodology & Assumptions

The data for this figure is from the Total Regulated Distribution Capex (TRDC) Report. It is the customer funded capex figure for each reported asset category.

Use of Estimated Information

The information that has been sourced from the finance system is considered to be actual data. The percentages applied to that data in the Apex system are derived from calculations.

Reliability of Information

The data in this table is considered to be reliable.

Table 8.2.6 – Disposals by Asset Class

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's asset disposals for the year, categorised by asset class.

Source of Information

The figures were sourced from data from the Finance team.

Methodology & Assumptions

The disposals data was taken from a summary report of fixed asset movements compiled by the Finance team, which was also used by them to assist with compiling fixed assets information for the 2016 audited statutory accounts.

Use of Estimated Information

There was a slight use of estimation, involving allocation of disposals to appropriate asset categories.

Reliability of Information

The data in this table is considered to be reliable.

Worksheet 8.4 - Opex

Table 8.4.1 – Operating & Maintenance Expenditure – By Purpose

Compliance with Requirements of the Notice

The following section provides details of Essential Energy's operating and maintenance expenditure, by purpose.

Source of Information

The figures were sourced from the PeopleSoft finance system.

Forecast data has been sourced from the 2014-19 Final Distribution Determination.

Methodology & Assumptions

2015-16 general ledger transactions were input into an Access database by the Finance team. There, each transactional combination of department, account, product and project type, and its subtotal, was classified with a standard description and a label, as well as an allocation method (for allocating dollar values into RIN categories). The allocation method and subsequent allocation percentages were assigned to RIN categories as per Essential Energy's Cost Allocation Methodology (CAM) and cost allocations working file compiled by the Regulatory team.

The Access database trial balance was saved into an Excel file. Label and description columns were filtered to show the total transactions falling under each opex category.

The totals are reduced by any amounts relating to each category which exist in the Finance overhead pool that would have been allocated to Capex. These amounts are supplied by the Finance team.

Forecast data is shown only in the "Total" row at the bottom of the table. It is the total opex allowance from the 2014-19 Final Distribution Determination and is shown in this way in Table 8.4.1 as the AER did not provide a breakup by opex category in its final decision. The impact of the AER forecast inflations from the 2014-19 Final Distribution Determination has been removed and the data has been reinflated to take into account the impact of actual inflation outcomes.

Use of Estimated Information

The information that has been sourced from the Finance system is considered to be actual data.

Reliability of Information

Whilst the accuracy of the data contained in this table is dependent on the accuracy of the labels and descriptions applied to the transactions in the Access database described above, the data in this table is considered to be reliable.

Table 8.4.2 – Operating & Maintenance Expenditure – By Purpose – Margins Only

Compliance with Requirements of the Notice

Essential Energy has no related parties and therefore no related party margin expenditure.

Table 8.4.3 – Operating & Maintenance Expenditure – Explanation of Material Difference

This table relates to the explanation of material differences between forecast and actual data. The table has been populated with those explanations.

Worksheet 9.5 - TUoS

Table 9.5.1 – TUOS Charges (AEMO)

This table does not require any inputs.

Table 9.5.2 – Transmission Connection Fees

This table does not require any inputs.

Table 9.5.3 – Cross Boundary Network Charges

This table does not require any inputs.

Table 9.5.4.1 – Avoided Transmission Costs

This table does not require any inputs.

Table 9.5.4.2 – Avoided TUoS Usage Charges

This table does not require any inputs.