Basis of Preparation

Response to Annual Reporting RIN 2016-17

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.

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.

Structure of this Document

This document is structured as follows:

- 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.
- The response to worksheets 2.11 to 9.5, is set out in accordance with the AER's instructions.

2 General Approach

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 purposes.

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, 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 attempted to relax its strict interpretation of estimated data, in order to improve its compliance with the AER's definitions of actual and estimated information, as listed in the Instructions and Definitions document of the Economic Benchmarking RIN. In particular, if submitted information is materially dependent on information from historical records, it is more likely to be treated as actual information. Alternatively, data whose presentation is contingent on judgements and assumptions for which there are valid alternatives and which could lead to a materially different presentation is likely to be classified as estimated information.

In line with its updated approach to distinguishing estimated from actual data, Essential Energy has also adopted a new internal colour coding system for the data provided in the Economic Benchmarking RIN. In previous RINs, data considered to be actual was shaded in green, whilst data considered to be estimated was distinguished using one of three alternate colours, depending on the level of estimation used. Essential Energy's new approach is to leave the data un-coloured, unless it is considered to be estimated, in which case it is shaded yellow.

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 the Data Quality Issues and Process Used to Determine if Information is Actual or Estimated sections above, 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 opex and capex forecasts.

Estimated Data

The following table lists the tables containing estimated data in the 2016-17 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.
3.6.8	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 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.	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.
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.

Table 2 – 2016-17 Annual Reporting RIN estimated data

Adoption of Revised Cost Allocation Methodology

Essential Energy allocates its costs across regulatory categories under the guidance of its Cost Allocation Method (CAM). The purpose of the CAM is to establish a method for attributing direct costs and allocating indirect costs between various categories of Essential Energy's distribution services.

During 2017, Essential Energy applied to the AER to amend its CAM, with a major driver to its revisions being changes to its corporate structure following the dissolution of Networks NSW. Further drivers were demonstration of compliance with the Ring Fencing Guideline (RFG), the cost allocation principles and cost attribution obligations.

In the revised CAM, Essential Energy proposed to replace its numerous existing shared cost allocators with a single allocator, being direct cost. Under the new approach, Essential Energy's shared costs would be allocated to service categories in the Regulatory Accounts in the same proportions as directly attributable costs are attributed to those service categories. In its application, Essential Energy submitted analysis indicating that the application of the revised CAM would leave Standard Control Services costs almost unchanged from the current CAM, although it would result in some costs shifting amongst various Alternative Control Services categories.

Under clause 6.15.4(c) of the National Electricity Rules, the AER approved the revised CAM, giving effect to it from 1 July 2017. The AER also approved the retrospective application of the revised CAM, allowing it to be applied to the 2016-17 Regulatory Accounts, which has now been done. In doing so, they required Essential Energy to provide backcast information in relation to allocation changes that have occurred within the Alternative Control Services category.

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 Category Analysis RIN 2016-17
- Labour Cost file 2016-17 from Budgeting and Forecasting Team

Data relating to uncontrollable non-labour opex has been sourced from:

- General ledger

Methodology & Assumptions

- Schedule 2.11 of the Category Analysis RIN 2016-17 shows the total Standard Control Services 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 Labour Cost file shows the split of total salaries and wages between capex and opex related labour expenditure before the overhead allocations process is run. This split is applied to the total Standard Control Services labour expenditure as per the Category Analysis RIN 2016-17 to work out the opex and capex related labour for Tables 2.11.3.1 and 2.11.3.2.
- The Labour Cost file shows the percentage of support costs allocated to capex and opex for 2016-17. The percentage of Standard Control Services support opex allocated to capex in the year was 47.1%. This percentage is applied to the support labour element of the total Standard Control Services labour cost and this amount is 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 2016-17 Annual Reporting RIN.
- The uncontrollable non-labour opex relating to standard control activities for 2016-17 was comprised of council rates, land tax and certain State and Federal government licences. Council rates and land tax costs were extracted from the regulatory trial balance by filtering on the relevant general ledger account codes. Relevant licence costs were obtained by generating a PeopleSoft transaction enquiry report and a PeopleSoft Accounts Payable report, both using the parameter of the Licences general ledger account code. Costs appearing to be incurred with government bodies in those reports were further investigated, to determine whether they met the definition of "uncontrollable".

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 Category Analysis RIN 2016-17,
- Labour Cost file 2016-17 from Budgeting and Forecasting Team.

Methodology & Assumptions

- Schedule 2.11 of the Category Analysis RIN 2016-17 shows the total Standard Control Services 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 Labour Cost file shows the split of total salaries and wages between capex and opex related labour expenditure. This split is applied to the total Standard Control Services labour expenditure as per the Category Analysis RIN 2016-17 to work out the opex and capex related labour for Tables 2.11.3.1 and 2.11.3.2.
- The Labour Cost file 2016-17 from the Budgeting and Forecasting Team shows that the percentage of Standard Control Services support costs which were allocated to capex in 2016-17 was 47.1%. This percentage is applied to the support labour element of the total Standard Control Services labour cost and this amount is 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 2016-17 Annual Reporting RIN.
- There was no uncontrollable non-labour capex relating to Standard Control Services activities for 2016-17.

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 2016 to 2017.

Source of Information

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

Methodology & Assumptions

Data is sourced from a report run within the Power Quality CMS database and 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. To improve the reliability of the data, checks are performed on a regular basis (quarterly) to identify any records that do not fit in to correct “type” and “cause” categories, selected by the investigating technician.

Use of Estimated Information

Essential Energy has not used estimated information in this section. For purposes of consistency, all data is extracted directly from a predefined report.

Reliability of Information

The data provided for this section is considered reliable as there are a number of checks and technician 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 the data 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 2016 to 30 June 2017 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 agreements between those ASPs and their customers.

Source of Information

The source of the information is the Customer Information System, 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 the WASP reporting "PR25" report. This report was extracted on 1 July 2017, providing year to date data for the period 1 July 2016 to 30 June 2017.

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 twelve business 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 Faults 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. This report lists all calls to Essential Energy's Outages line and the result of the call, including successful (answered), unsuccessful (abandoned) or busy (did not get through to IVR, which are overload events).

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 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 2016-17 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 calculations managed in 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 titled “RIN Tables Workpapers 16-17”.

The information on the length of feeders comes from Smallworld and is collated into the Access database mentioned above.

Customer numbers are as at 30 June 2017. 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 Distribution Planners but entered by the Asset Performance and Reliability (APR) section. The data is extracted as MW units which is then divided by a power factor of 0.9 to achieve the MVA units reported.

Methodology & Assumptions

In the RIN Access database 2016-17, run the following for the financial year:

- Run Monthly Feeder Reliability Reports – forms the base for this table query.
- This query collates outages by feeder.
- Using the group of Network Data Feeder queries:
- Network Data Feeder 1 - collates feeder details (Feeder Description, Depot, Category, Cust, OH Length and UG Length).
- Network Data Feeder 2 - uses the base of the Monthly Feeder Reliability Reports to collate outages by feeder.
- Network Data Feeder Upl 3-6 - filters the data from #2 for Unplanned data; average customer base is used in #5 to calculate SAIDI and SAIFI; rolled up to Feeder, count of outages, SAIDI, and SAIFI.
- Network Data Feeder Norm 3-6 - filters the data from #2 for Unplanned and excluding transmission and major event days data; average customer base is used in #5 to calculate SAIDI and SAIFI; rolled up to Feeder, count of outages, SAIDI, and SAIFI.
- Network Data Feeder Pl 3-6 - filters the data from #2 for Planned data; average customer base is used in #5 to calculate SAIDI and SAIFI; rolled up to Feeder, count of outages, SAIDI, and SAIFI.
- Network Data Feeder Pl Norm 3-6 - filters the data from #2 for Planned and excluding transmission and major event days data; average customer base is used in #5 to calculate SAIDI and SAIFI; rolled up to Feeder, count of outages, SAIDI, and SAIFI.
- Network Data Feeder Final: collates #1, Upl #6, Norm #6, Pl #6 and Pl Norm #6.

- Columns K-N can be cross-referenced against sheet “16-17 Data” and EB 3.6.1 and columns P-S cross-referenced against sheet “16-17 Data”.
- 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)

Compliance with Requirements of the Notice

The data for 2016-17 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 calculations managed in 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 titled “RIN Tables Workpapers 16-17”.

Methodology & Assumptions

In the RIN Access database 2016-17, run the following for the financial year:

- Run Monthly Feeder Reliability Reports – forms the base for this table query.
- This query collates outages by feeder.
- Using the group of STPIS Daily Perf 1-2 and STPIS Daily Perf Pl 3-5 queries:
    - STPIS Daily Perf 1 - uses the base of the Monthly Feeder Reliability Reports to collate outages by feeder.
    - STPIS Daily Perf 2 - truncates the date value of outages and rolls up customers affected and customer minutes lost.
    - STPIS Daily Perf Pl U/SR/LR 3 - filters the data from #2 for Planned and excluding transmission and major event days data and by category.
    - STPIS Daily Perf Pl U/SR/LR 4 - update average customer base to calculate SAIDI and SAIFI by date.
    - STPIS Daily Perf Pl 5 - rolls up SAIDI and SAIFI by category.
- Can be cross-referenced against sheet “16-17 Data” (Normalised Planned = DNI Planned – Planned MED).

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.

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 2016-17 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 Threshold for Major Event Days (TMED) for 2016-17 was applied as per the definition.

Source of Information

Data is sourced from PowerOn Fusion and calculations managed in 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 titled “RIN Tables Workpapers 16-17”.

Methodology & Assumptions

In the RIN Access Database 2016-17, run the following for the financial year:

- Run Monthly Feeder Reliability Reports – forms the base for this table query.
- This query collates outages by feeder.
- Using the group of STPIS Daily Perf 1-2 and STPIS Daily Perf Pl 3-5 queries:
    - STPIS Daily Perf 1 - uses the base of the Monthly Feeder Reliability Reports to collate outages by feeder.
    - STPIS Daily Perf 2 - truncates the date value of outages and rolls up customers affected and customer minutes lost.
    - STPIS Daily Perf Upl 3 & U/SR/LR 3 - filters the data from #2 for Unplanned for total and by category.
    - STPIS Daily Perf Upl 4 & U/SR/LR 4 - update average customer base to calculate SAIDI and SAIFI by date.
    - STPIS Daily Perf Norm 3 & U/SR/LR 3 - filters the data from #2 for Unplanned and excluding transmission and major event days data for total and by category.
    - STPIS Daily Perf Norm 4 & U/SR/LR 4 - update average customer base to calculate SAIDI and SAIFI by date.
    - STPIS Daily Perf 5 - collates by date SAIDI and SAIFI for total and by category.
    - STPIS Daily Perf 6 - rolls up SAIDI and SAIFI for total and by category.
- Can be cross-referenced against sheet “16-17 Data’ - Total Unplanned SAIDI and SAIFI, Excluded Events SAIDI and SAIFI, and Normalised SAIDI and SAIFI.

- Total of excluded events is calculated by subtracting “Total sustained minutes off supply after removing excluded events” from “Total sustained minutes off supply”.
- Customer numbers at the start of the period are the same as the end of the previous period but with the current feeder categories applied.

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

Data has been sourced directly from the Annual Regulatory Accounts.

Methodology & Assumptions

The data comes from the "Avoided TUOS expenditure" row in ARR Table 8.1.1.2.

Please refer to the Methodology and Assumptions for that table.

Use of Estimated Information

There has been no use of estimated information.

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

Amounts were taken from the general ledger for the relevant account codes relating to Climate Change Levy, NSW Solar Bonus Scheme and Queensland Solar Scheme receipts and payments. The receipts and payments were netted off against each other for each scheme.

Use of Estimated Information

There has been no use of estimated data.

Reliability of Information

The information provided is considered to be reliable.

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. The Demand Management team holds a complete list of relevant project numbers.

Methodology & Assumptions

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

For a single identified project, engineering resources have been allocated based on estimated time spent on the project.

Use of Estimated Information

As stated above, for a single identified project, engineering resources have been allocated based on estimated time spent on the project.

Reliability of Information

Other than the inherent inaccuracies of estimated information, the information provided is considered 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, Climate Change Levy Revenue and Queensland Solar Subsidy Revenue.

Use of Estimated Information

There has been no use of estimated data.

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 2017 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 Get and Transform query which is used to determine the allocation approach for each account in the trial balance.

The data is allocated in a five-step process:

1. Business unit - if the business unit is not CE001, then business unit allocation is used.
2. Product - if there is a product, then product allocation is used.
3. Project - if the business unit is CE001 and there is a project, then project allocation is used.
4. Account/Department - account/department allocation is used as indicated by the allocation basis in "Account_Tree".
5. Override - override allocation is used.

The table "Account_Tree" indicates the basis of allocation to be used for each account as shown in the "Allocation_Basis" field of the trial balance. This table is only used for data which is assigned to business unit CE001 and contains no product or project information. Within the table, "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 managed in the table "OverRide_Labels".

The MS Get and Transform-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 then populates the AER template. There is provision for manual journals to isolate some additional data.

The allocation percentages and the allocation methodologies are derived from company total Direct Spend for the year.

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 entries required to align the regulatory statements with Essential Energy's statutory accounts. These adjustments are fed back into the model using the manual journal process.

Use of Estimated Information

The regulatory statements are based on the audited statutory accounts, which are considered accurate, and both are sourced from general ledger transactions. Some estimation and judgement has been used in order to allocate dollar amounts to appropriate regulatory categories, as described above.

Reliability of Information

The data is considered to be reliable.

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 in the "Actuals" column 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. The Cognos reports apply these percentages to the capex figures from Finance to arrive at regulatory numbers.

System asset splits by voltage level were obtained from data contained in the Repex, Augex and Connections tables of the 2016-17 CA RIN.

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 "Actuals" 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 "Actuals" capital contributions figure, whilst also sourced from the TRDC report mentioned above, is manually adjusted for the difference between the opening and closing gifted assets accruals for the year, as accrual values are not captured by the report. The difference between the opening and closing gifted assets accruals for the year is apportioned between the asset classes in the TRDC report (and ultimately, between voltage levels) on a pro-rata basis, based on the asset class totals of the gifted assets register for the year.

Whilst reconciling total capex from the above Cognos reports back to total capex shown in the 2016-17 Statutory Accounts, it was discovered that some capital project expenditure failed to be included in the Cognos reports. The relevant projects were identified and individually quantified by the Cognos systems team, pending investigations as to the source of the failure. The projects were looked up in PeopleSoft to determine the individual project types, which then allowed the relevant amounts to be manually entered into the correct cells in the TRDC and RDSC reports. These cells are highlighted in red in the "Capex Summary Jun2017_20170822 v3.xlsx" workfile.

Overhead figures were derived by applying the relevant overhead rates to the direct capex expenditure figures.

System asset voltage level splits were obtained by assigning voltage levels to the expenditure data in CA RIN Tables 2.2.1 (Repex), 2.3.4 (Augex) and 2.5.1 (Connections). The figures were added up to obtain totals for the various voltage levels, and overheads were applied at the relevant overhead rates.

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 inflation from the 2014-19 Final Distribution

Determination has been removed and the data has been re-inflated to take into account the impact of actual inflation outcomes.

Use of Estimated Information

For system asset voltage level splits, please refer to the Use of Estimated Information sections for the Repex, Augex and Connections tables in the Basis of Preparation document for the Category Analysis RIN.

The final split of capital contributions between voltage levels involves an apportionment of the manual adjustment to the Cognos report-generated figures for the difference between the opening and closing gifted assets accruals for the year.

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. Please refer to the Methodology & Assumptions sections for those tables in the Basis of Preparation document for the Category Analysis RIN.

Use of Estimated Information

Please refer to the Use of Estimated Information sections for the Repex and Augex tables in the Basis of Preparation document for the 2016-17 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

Total and non-network 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.

System asset splits by asset class were obtained from data contained in the Repex, Augex and Connections tables of the 2016-17 CA RIN.

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

Data for the column relating to Movements in Provisions Allocated to As-Incurred Capex was sourced from the 2016-17 EB RIN.

Methodology & Assumptions

Total capex was derived by reference to ARR Table 8.2.1, by deducting capital contributions from total capex. Those figures were sourced from the specialised Cognos reports mentioned above.

System asset splits were obtained by assigning classes to the expenditure data in CA RIN Tables 2.2.1 (Repex), 2.3.4 (Augex) and 2.5.1 (Connections). The figures were added up to obtain totals for the various asset classes, and overheads were applied at the relevant overhead rates.

Non-system asset splits were obtained by reference to the TRDC report generated in Cognos, providing capex for those asset classes.

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 inflation from the 2014-19 Final Distribution Determination has been removed and the data has been re-inflated to take into account the impact of actual inflation outcomes.

The data for calculating the capitalised movements in provisions originated from the "3.2.3 Provisions" worksheet in the 2016-17 EB RIN. Any provisions with a capex component to an increase in the provision were taken into account. For 2016-17, these were the Provision for Employee Entitlements and Provision for Workers' Compensation.

The capex proportion of each provision's total increase was applied to each provision's total movement for the year (closing balance minus opening balance), to arrive at the capitalised movement in the provision. This amount was then pro-rated across the various system asset categories, basing the split on the amount of capex in each of those categories. The amounts arrived at in this fashion for both provisions were added across the two provisions, resulting in a total capitalised movements in provisions.

Use of Estimated Information

For system asset splits, please refer to the Use of Estimated Information sections for the Repex, Augex and Connections tables in the Basis of Preparation document for the 2016-17 Category Analysis RIN.

The non-system asset splits were sourced from Cognos reports, pulling their data, in turn, from the PeopleSoft finance system. A figure for Other Non-System Assets, however, was apportioned across the other Non-System 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.

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

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.

Capital contributions, whilst sourced from the TRDC report mentioned above, is manually adjusted for the difference between the opening and closing gifted assets accruals for the year, as accrual values are not captured by the report. The difference between the opening and closing gifted assets accruals for the year is apportioned between the asset classes in the TRDC report on a pro-rata basis, based on the asset class totals of the gifted assets register for the year.

Whilst reconciling total capex from the above Cognos reports back to total capex shown in the 2016-17 Statutory Accounts, it was discovered that some capital project expenditure failed to be included in the Cognos reports. The relevant projects were identified and individually quantified by the Cognos systems team, pending investigations as to the source of the failure. The projects were looked up in PeopleSoft to determine the individual project types, which then allowed the relevant amounts to be manually entered into the correct cells in the TRDC and RDSC reports. These cells are highlighted in red in the "Capex Summary Jun2017_20170822 v3.xlsx" workfile.

The forecast data 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 re-inflated to take into account the impact of actual inflation outcomes.

Use of Estimated Information

The split of capital contributions between asset classes involves an apportionment of the manual adjustment to the Cognos report-generated figures for the difference between the opening and closing gifted assets accruals for the year.

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 that department to assist with compiling fixed assets information for the 2016-17 audited statutory accounts.

Use of Estimated Information

There has been no use of estimated data.

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

2016-17 general ledger transactions were input into an MS Get and Transform query 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).

The Get and Transform 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

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.