



Revenue Reset Regulatory Information Notice

BASIS OF PREPARATION

Revenue Reset Regulatory Information Notice

January 2022

Company Information

ElectraNet Pty Ltd (ElectraNet) is the principal electricity transmission network service provider (TNSP) in South Australia.

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1. Introduction

On the 23 September 2021 ElectraNet was issued with a Regulatory Information Notice (the Reset RIN) pursuant to Division 4 of Part 3 of the National Electricity (South Australia) Law.

A requirement of the Reset RIN is that ElectraNet must provide a Basis of Preparation. The Basis of Preparation only documents how historical information requested by the Revenue Reset Regulatory Information Notice (Reset RIN) has been prepared in accordance with:

- Schedule 1, Section 1.4;
- Schedule 2, Section 1.3; and
- Appendix E Instructions.

1.1 Reconciliation of Historical Information

Where possible the historical information provided in response to the Reset RIN has been reconciled with either:

- ElectraNet's annual Regulatory Financial Statements; and
- ElectraNet's annual Regulatory Information Notice submission.

1.2 Actual and Estimated Data

Where the information prepared has met the AER's definition of actual data, the data has been identified as actual.

Where the information provided does not meet the AER's definition of actual data, it has been identified as estimated. This may be because although the data could be based on historical accounting data or business data it may be applying judgements, assumptions and allocation methodologies to respond to the Reset RIN.

All estimates are considered to be the best estimate at the time they were prepared based on the information available.

All years mentioned in this document are in Financial Years unless stated otherwise.

1.3 Conversion to June 2023 dollars

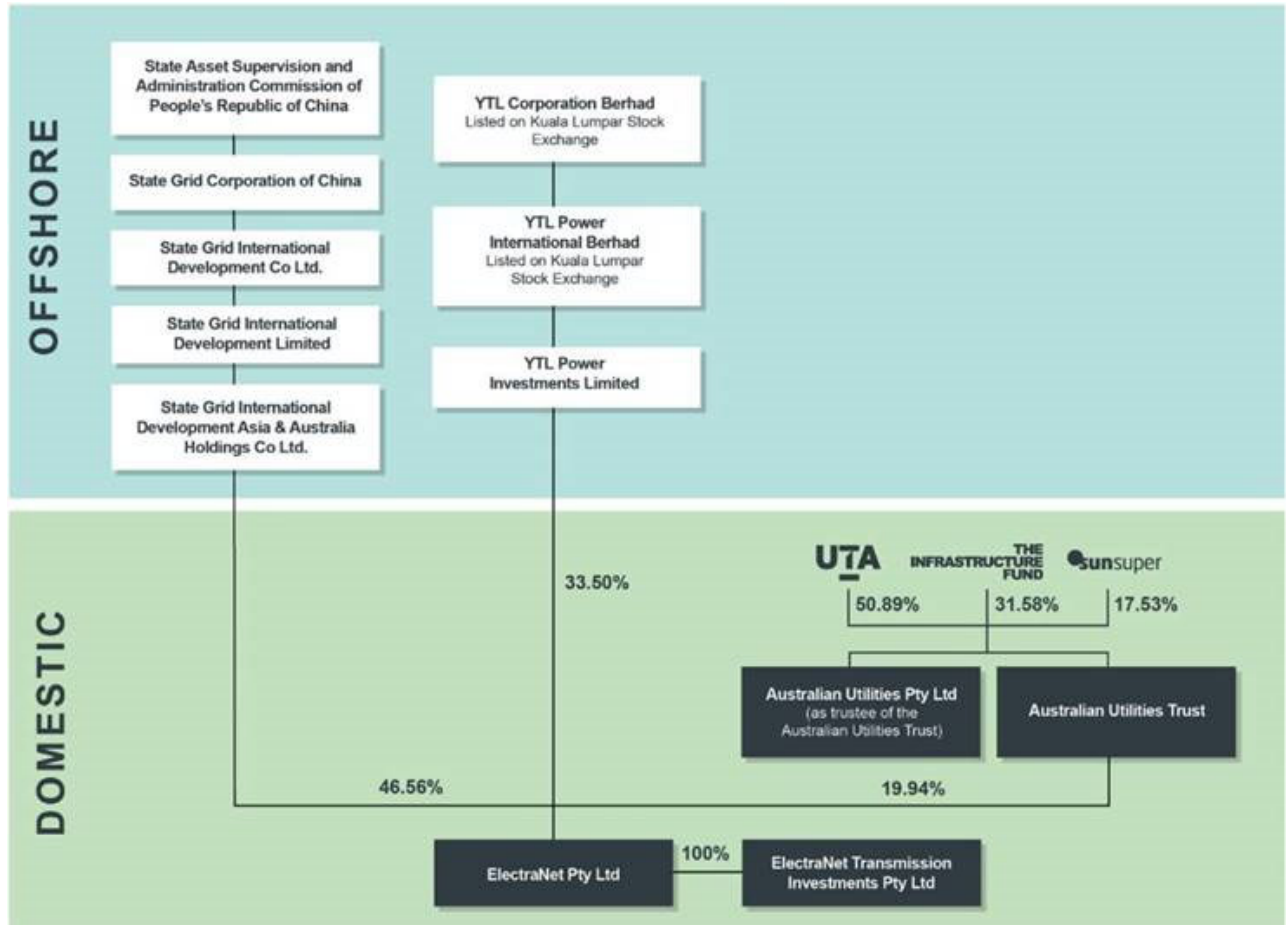
In converting financial outputs to June 2023 dollars ElectraNet has applied:

- Up until and including 2021 - The actual Consumer Price Index, specifically the weighted average of eight capital cities as published by the Australian Bureau of Statistics;
- For 2022 and 2023, the AER's CPI forecast for ElectraNet's current revenue determination, which was 2.45% per annum; and
- To convert from mid year (December 2023) to year end (June 2024) values, a half year escalation at 2.40% per annum, which reflects ElectraNet's application of the AER's updated CPI forecasting methodology.

1.4 Corporate Structure

ElectraNet's group structure is seen in Figure 1.

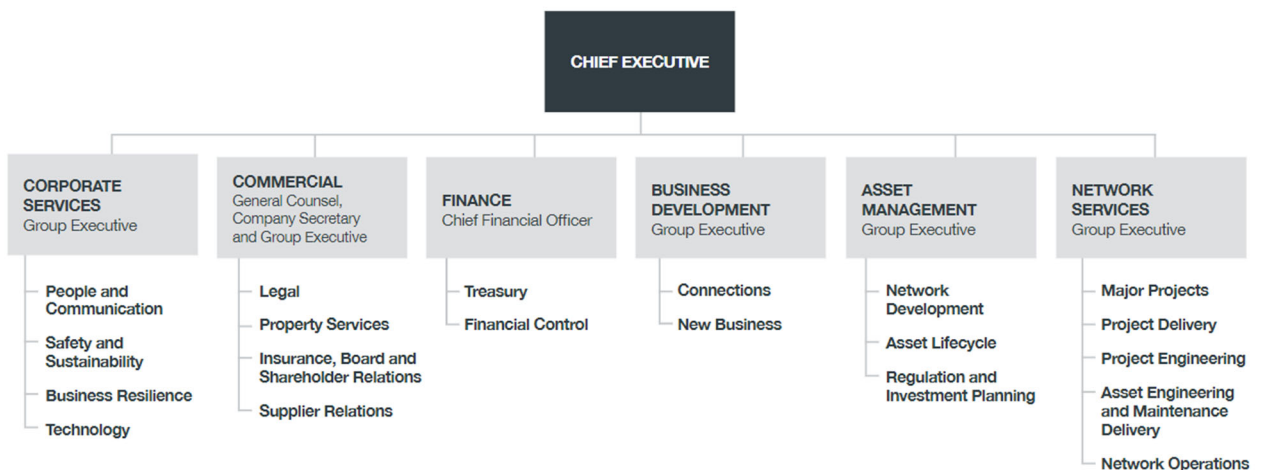
Figure 1 - ElectraNet Corporate Structure



1.5 Organisational Structure

ElectraNet's group organisational structure is seen in Figure 2.

Figure 2 - ElectraNet Organisational Structure



2. Opex Summary

Workbook 1: Forecast

Sheet: 2.16 Opex Summary

2.1 Prescribed Transmission Services – Opex by Driver

2.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Sections 1, 7 and 8.

2.1.2 Data Source and Methodology

The data in the base year total opex for the year 2021 is an estimate. The source of the opex by driver for 2021 is the Regulatory Accounts adjusted for movements in provisions and escalated to June 2023 dollars.

The opex has been adjusted for movements in provisions related to opex (for all Regulatory Years). The movement in provisions component is considered estimated information based on the estimated opex/capex split required to be calculated in the Economic Benchmarking RINs, as this information is not separately captured in the financial systems.

Category specific costs included are:

- Debt raising costs; and
- Network Support.

Debt raising and the network support costs are estimates. The network support costs have been derived from the Regulatory Accounts and escalated to June 2023 dollars. Debt raising costs have been apportioned on an annual basis for the regulated business.

The escalation to June 2023 dollars has applied as described in section 1.3 above.

3. Shared Assets

Workbook 1: Forecast

Sheet: 7.4 Shared Assets

3.1 Total Unregulated Revenue Earned with Shared Assets

3.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1 Section 15.1.

3.1.2 Data Source and Methodology

The shared assets data has been taken from ElectraNet's Enterprise Resource Planning system, SAP with the relevant general ledger accounts and profit centres. The assets used to provide these prescribed and non-regulated service were allocated to the regulated asset base.

The data reported in template 7.4 reflects non-regulated revenue net of expenses. Template 7.4 contains historical data that is considered actual data for the years 2017 to 2021 for telecommunications revenue. No escalation is applied to this data as it is requested in nominal dollars.

4. Service Target Performance Incentive Scheme: Service Component

Workbook 1: Forecast

Sheet: 7.9 Service Target Performance Incentive Scheme (STPIS)

4.1 Historical Performance and Proposed Floor, Caps and Targets for the Service Component of the Service Target Performance Incentive Scheme

4.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 11 and electricity transmission network service providers Service Target Performance Incentive Scheme documents dated October 2015 Version 5 (corrected) (the STPIS document).¹

Note that the service component data provided is on a calendar year basis.

4.1.2 System Minute and Average Outage Duration Data

This data is used in the calculation of the loss of supply event frequency (number of events) and average duration (minutes). The data is highly dependent on the determination of the events fault cause code. Post fault event analysis, which is needed to determine the confirmed cause code, can sometimes take more than six months. Therefore, it is possible that not all fault events will have had their cause code determined at the time of the annual RIN submission.

At the time of the annual submission, a fault event that had been included in the STPIS submission due to its initial cause code, but which has since been assigned a different code may now be excluded. For example, a fault event that was included at the time of submission, reclassified as 3rd Party post submission, would now be excluded as per the AER STPIS definition for exclusions.

4.2 Unplanned Outage Circuit Event Rate

4.2.1 Data Source and Methodology

ElectraNet has applied the following definitions from the STPIS document:

'Outage' means 'loss of connection' rather than loss of supply by a connected system or customer. To allow summation into an overall Average Circuit outage rate, both numerator (No. of Events with defined circuits unavailable per annum) and denominator (Total No. of defined circuits) are needed as well as the calculated percentage rate for each item.

'Number of lines fault outages' and 'number of defined lines' must be reported as the amounts used to calculate the "Lines outage rate - fault".

'Number of Transformer fault outages' and 'Number of defined Transformers' must be reported as the amounts used to calculate the "Transformers outage rate - fault".

¹ Electricity transmission network service provider Service target performance incentive scheme Version 5 (corrected) October 2015, available at <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/service-target-performance-incentive-scheme-version-5-september-2015-amendment>

'Number of Reactive plant fault outages' and 'Number of defined reactive plant' must be reported as the amounts used to calculate 'Reactive plant outage rate - fault'.

'Number of Lines forced outages' must be reported as the amount used to calculate the 'Lines outage rate - forced outage'.

'Number of Transformers forced outages' must be reported as the amount used to calculate the 'transformer outage rate - forced outage'.

'Number of reactive plant forced outages' must be reported as the amount used to calculate 'Reactive plant outage rate - forced outage'.

ElectraNet's Events database is the single source of raw data for use in calculating the service components. Exclusions, defined by the AER's "Final Electricity transmission network service providers Service target performance incentive scheme" document, are set within the Events Database against the raw data.

The figures used for this RIN submission are the actual figures generated out of the Events database, not the annually submitted figures to the AER even though some years the figures will align.

Considering this, ElectraNet has used Events database actual data and is of the opinion that this is, and will be, the best available source of data into the future.

4.3 Loss of Supply Event Frequency (Number of Events) and Average Outage Duration (Minutes)

4.3.1 Data Source and Methodology

ElectraNet has applied the same definitions as those used in the unplanned outage circuit event rate parameter and used ElectraNet's Events Database as the single source of raw data.

The figures used for this RIN submission are the actual figures generated out of the Events database, not necessarily those previously submitted to the AER. Therefore, some annual figures may not align due to information on primary cause which has come to light post annual RIN audit.

ElectraNet has included the x and y value applied in each year of the reporting period in the data template.

4.4 Proper Operation of Equipment (Number of Events)

4.4.1 Data Source and Methodology

ElectraNet has applied the following definitions from the STPIS document:

“Protection system failure events” are those events where the relevant protection equipment does not operate for a fault event as designed or where the relevant equipment operates when there is no relevant fault rate.

The number of SCADA failures per annum as notified to the TNSP by the Australian Energy Market Operator (AEMO) on a monthly basis in the SCADA Minutes Lost report.

The number of “incorrect operational isolation events” per annum where “incorrect operational isolation events” are those events where primary or secondary equipment was not been properly isolated during scheduled or emergency maintenance, irrespective of whether an outage occurred as a result.

Number of failures of protection systems

A network event is managed by ElectraNet’s System Monitoring and Switching Centre (SMSC) which logs the event in ElectraNet’s Events Database. ElectraNet’s fault investigation team reviews the event and record the results in a fault investigation report. The root cause analysis (RCA) in the fault investigation report identifies if the event is a failure of a protection system.

The Incorrect Protection Operation Count from WebQuery is run each month on the Events Database to extract all failure events that occurred. The number of events that occurred for the month is entered in the monthly STPIS and MIC performance reports. The number of events identified in the monthly STPIS performance report for each calendar year has been totalled to determine the total per annum events for each period.

Material failure of SCADA system

AEMO provides to ElectraNet the SCADA minutes lost report on a monthly basis. This is reported in ElectraNet’s monthly STPIS and MITC performance reports. The number of events identified in the monthly STPIS performance report for each calendar year has been totalled to determine the total per annum events for each period.

Incorrect operational isolation of primary or secondary equipment

Suspected switching incidents associated with primary plant are advised by field technicians to ElectraNet’s System Monitoring and Switching Centre (SMSC) which in turn advises the ElectraNet Switching Committee that a switching incident may have occurred. The Switching Committee’s role is to investigate reported events to establish if a switching incident has occurred.

In the case that a switching incident where primary plant is not isolated has occurred, it is reported in the monthly STPIS and Market Impact of Transmission Congestion (MITC) performance reports. The number of events identified in the monthly STPIS performance report for each calendar year has been totalled to determine the total per annum events for each period.

Incorrect isolation events associated with secondary systems are recorded in ElectraNet’s Events Database. The SMSC daily log managed within the Events Database records the details of any event where secondary equipment has not been isolated.

To establish the number of incorrect operational isolation events per annum associated with secondary systems, ElectraNet reviewed the SMSC daily log within the Events Database. For each

calendar year the number of identified incorrect isolation events identified associated with secondary systems was totalled.

5. Service Target Performance Incentive Scheme: Market Impact Component

Workbook 1: Forecast

Sheet: 7.9 STPIS

5.1 Market Impact Component

5.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 11 and the STPIS document.²

Note that the market impact data provided is on a calendar year basis.

5.1.2 Data Source and Methodology

ElectraNet has reported the Market Impact Component (MIC) Data in accordance with the definitions specified in the STPIS document. This allows a generator outage to be excluded if the generator itself is not able to generate during the outage period.

ElectraNet's Market Impact of Transmission Congestion Events Database is the source of data from which the report "AER Submission Details by Date Range" is produced annually. This summarises the included and excluded constraint Dispatch Intervals in a year.

This report was used to find the number of "Coordinated Generator Outages" related Dispatch Intervals that have been excluded in the year.

² Electricity transmission network service provider Service target performance incentive scheme Version 5 (corrected) October 2015, available at <https://www.aer.gov.au/networks-pipelines/guidelines-schemes-models-reviews/service-target-performance-incentive-scheme-version-5-september-2015-amendment>

6. Capital Expenditure Sharing Scheme

Workbook 5: Capital Expenditure Sharing Scheme (CESS)

Sheet: Reported Capex

6.1 Capex Allowance

6.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 1.1 and the AER Capital Expenditure Incentive – November 2013 Guideline and Explanatory Statement.

6.1.2 Data Source and Methodology

The data in the capex allowance represents information from ElectraNet's most recent Post Tax Revenue Model for the 2019 to 2023 regulatory period inclusive of approved contingent projects. The allowance is required to be entered in June 2018 dollars and then is escalated in the model.

The escalation to June 2023 dollars has applied both actual and forecast Consumer Price Indices as per section 1.3 above.

6.2 Actual and Estimated Capex

6.2.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 1.1 and the AER Capital Expenditure Incentive – November 2013 Guideline and Explanatory Statement.

6.2.2 Data Source and Methodology

The data for the Actual / Estimate Capex table for the years 2019 to 2021 are actuals, sourced from the Regulatory Accounts for each year.

The capex has been adjusted for movements in provisions related to capex (for all Regulatory Years). The movement in provisions component is an estimate based on the estimated opex/capex split required to be calculated in the Economic Benchmarking RINs. This information is not captured separately in the financial systems.

Forecast data for 2022 to 2023 and the capex deferred to the 2024 to 2028 regulatory period has been sourced from ElectraNet's Revenue Proposal.

7. Efficiency Benefit Sharing Scheme

Workbook 6: Efficiency Benefit Sharing Scheme (EBSS)

Sheet: Efficiency Benefit Sharing Scheme

7.1 Opex Allowance Applicable to Efficiency Benefit Sharing Scheme Target

7.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 1 and the AER Efficiency Benefit Sharing Scheme – November 2013 Guideline and Explanatory Statement.

7.1.2 Data Source and Methodology

The data in the opex allowance represents information from ElectraNet's most recent Post Tax Revenue Model for the 2019 to 2023 regulatory period and is inclusive of approved contingent projects. The allowance is required to be entered in June 2018 dollars and then is escalated in the model.

The escalation to June 2023 has applied both actual and forecast Consumer Price Indices as per section 1.3 above.

7.2 Actual and Estimated Opex Applicable to the Efficiency Benefit Sharing Scheme

7.2.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Section 1 and the AER Efficiency Benefit Sharing Scheme – November 2013 Guideline and Explanatory Statement.

7.2.2 Data Source and Methodology

The data for the Actual and estimated opex applicable to EBSS table for the years 2019 to 2021 are actuals, sourced from the Regulatory Accounts for each year.

The opex has been adjusted for movements in provisions related to opex (for all Regulatory Years). The movement in provisions component is an estimate based on the estimated opex/capex split required to be calculated in the Economic Benchmarking RINs. This information is not separately captured in the financial systems.

Category specific costs included are:

- Debt raising costs; and
- Network Support costs.

Debt raising and network support costs are estimates. The network support costs have been derived from the Regulatory Accounts and escalated to real June 2023. The debt raising costs have been apportioned on an annual basis for the regulated business.

8. Capex Historical

Workbook 8: Capex Historical

Sheet: 8.2 Capex

8.1 Immediate Expensing of Capex

8.1.1 Data Requirement

This section has been completed according to the Reset RIN Schedule 1, Sections 18.8.

8.1.2 Data Source and Methodology

The capital expenditure for 2019 to 2021 that has been immediately expensed has been sourced from ElectraNet's income tax returns.

The data reported in Workbook 8 represents ElectraNet's capital expenditure for refurbishment capital expenditure projects. ElectraNet has not immediately expensed any other capital expenditure as part of its income tax returns.

ElectraNet has provided the capital expenditure for refurbishment projects by asset class using ElectraNet's success estimating data base to apportion the capital expenditure to the relevant asset classes. ElectraNet has reported the costs exclusive of labour as required by the taxation capitalisation requirements resulting in the data being an estimate.

ElectraNet is currently reviewing its taxation policy on immediate expensing of capital expenditure.

