

Basis of Preparation

2024-29 Reset RIN – Workbook 2



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Purpose

The Reset Regulatory Information Notice (the “RIN”) requires Endeavour Energy to prepare a Basis of Preparation for all historic information in the Regulatory Templates (the “Templates”) which are the worksheets contained within the Microsoft Excel workbooks at Appendix A of the RIN. By this, the Australian Energy Regulator (the “AER”) mean that for every historic variable in the Templates, Endeavour Energy must explain the basis upon which the information has been prepared to populate the input cells. The Basis of Preparation must be a separate document (or set of documents) that Endeavour Energy submits with its completed Templates. The AER will publish Endeavour Energy’s Basis of Preparation along with the Templates.

This document is Endeavour Energy’s Basis of Preparation in relation to the historic information contained within the Templates required to be submitted to the AER by 31 January 2023.

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 Endeavour Energy has complied with the requirements of the RIN.

To do this, Endeavour Energy has structured this Basis of Preparation with a separate section to match each of the worksheet tabs where a Basis of Preparation is required.

The AER has set out what the minimum requirements for the Basis of Preparation are. This is detailed in Table 1 below:

1. Demonstrate how the information provided is consistent with the requirements of the RIN.
2. Explain the source from which Endeavour Energy obtained the information provided.
3. Explain the methodology Endeavour Energy applied to provide the required information, including any assumptions Endeavour Energy made.
4. In circumstances where Endeavour Energy cannot provide input for a variable using actual information, and therefore must use an estimate, explain:

Why an estimate was required, including why it was not possible for Endeavour Energy to use actual information; and

The basis for the estimate, including the approach used, assumptions made and reasons why the estimate is Endeavour Energy’s best estimate, given the information sought in the RIN.

Structure of this document

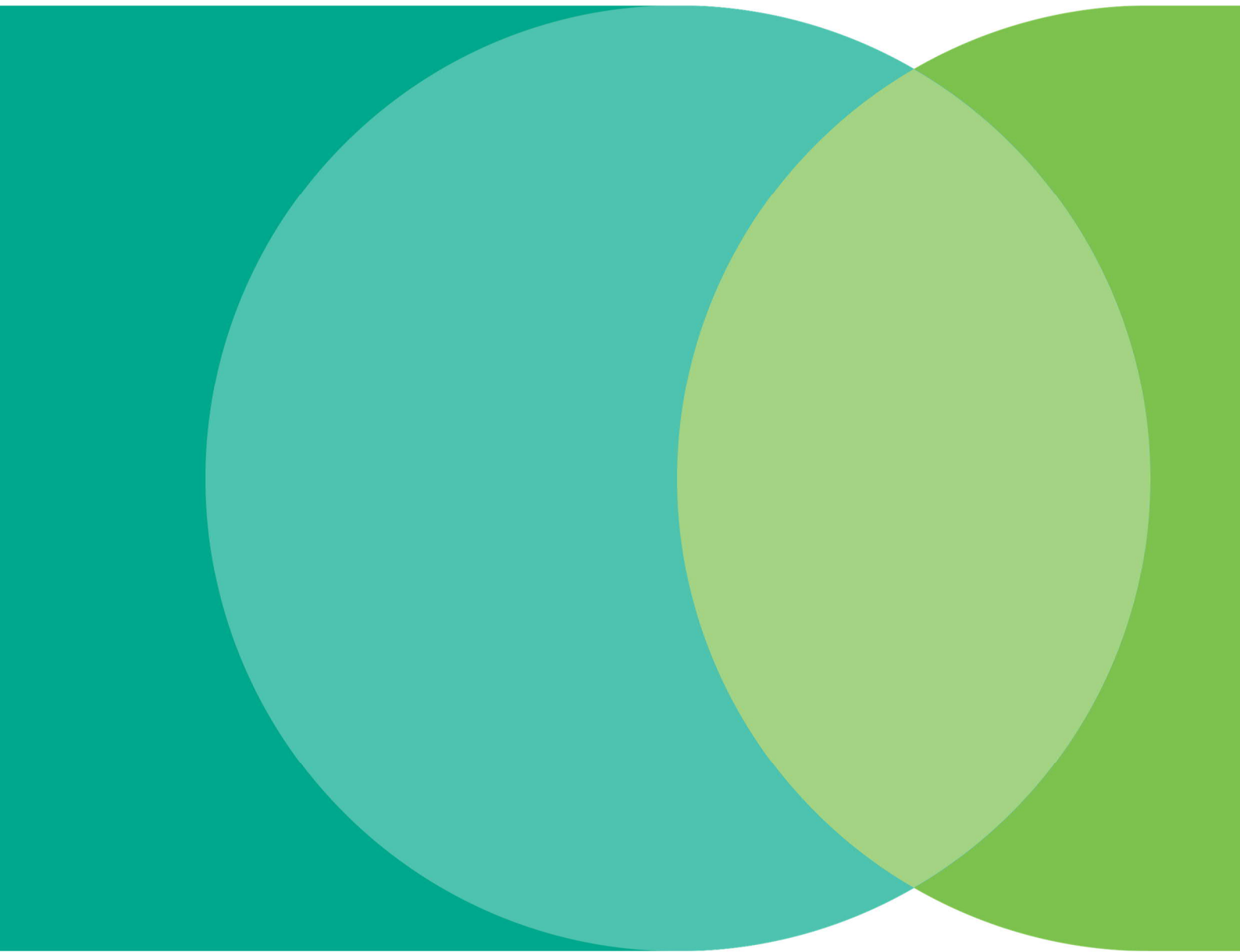
In this section, we identify our general approach to collecting and preparing information.

The document is structured as follows:

- we outline our general approach to developing our response to the RIN. We identify key systems used to provide data, note issues relating to data quality, and make comments on the reliability of the data for economic benchmarking purposes; and
- we set out our response to worksheets in accordance with the AER's instructions. We note that Workbooks 1 and 5 do not require a Basis of Preparation to be provided as they contain forecast information.

Workbook 2 – Historical Data

4.2 Metering



4.2.5 Metering Population – at end of year

Compliance with requirements of the notice

The data presented in this table is consistent with the principles and requirements set out in Appendix A of the Reset RIN.

Source of information

The information used to populate this table is consistent with the data provided in Endeavour Energy's Category Analysis RIN files:

Year	Data source	Type	Location
2017-18	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2017-18
2018-19	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2018-19
2019-20	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2019-20
2020-21	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2020-21
2021-22	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2021-22

The volume of meters, including key parameters such as the number of phases and connection type was obtained from Endeavour Energy's meter asset management systems (Banner and MBS) for 2020-21 Type 5 Meters and the 2021-22 reporting period.

Use of estimated information

Nil.

Reliability of information

The information provided in this Basis of Preparation represents actual historical information as defined in the Reset RIN. As a result, the information contained in this table is considered reliable.

4.2.6 Meter Actions by Meter Type

Compliance with requirements of the notice

The data presented in this table is consistent with the principles and requirements set out in Appendix A of the Reset RIN.

Source of information

The information used to populate this table is consistent with the data provided in Endeavour Energy's Category Analysis RIN files:

Year	Data source	Type	Location
2017-18	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2017-18
2018-19	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2018-19
2019-20	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2019-20
2020-21	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2020-21
2021-22	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2021-22

The volume of meters, including key parameters such as the number of phases and connection type was obtained from Endeavour Energy's meter asset management systems (Banner and MBS) for 2020-21 Type 5 Meters and the 2021-22 reporting period.

Use of estimated information

Nil.

Reliability of information

The information provided in this Basis of Preparation represents actual historical information as defined in the Reset RIN. As a result, the information contained in this table is considered reliable.

4.2.8 Equipment Population – at end of year

Compliance with requirements of the notice

The data presented in this table is consistent with the principles and requirements set out in Appendix A of the Reset RIN.

Source of information

The information used to populate this table is consistent with the data provided in Endeavour Energy's Category Analysis RIN files:

Year	Data source	Type	Location
2017-18	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2017-18
2018-19	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2018-19
2019-20	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2019-20
2020-21	Category Analysis RIN – Table 4.2 – Metering Services	Type 6 Meters	Endeavour Energy Network Information - RIN response 2020-21
2021-22	Category Analysis RIN – Table 4.2 – Metering Services	Type 5 and Type 6 Meters	Endeavour Energy Network Information - RIN response 2021-22

The volume of meters, including key parameters such as the number of phases and connection type was obtained from Endeavour Energy's meter asset management systems (Banner and MBS) for the 2021-22 reporting period.

Use of estimated information

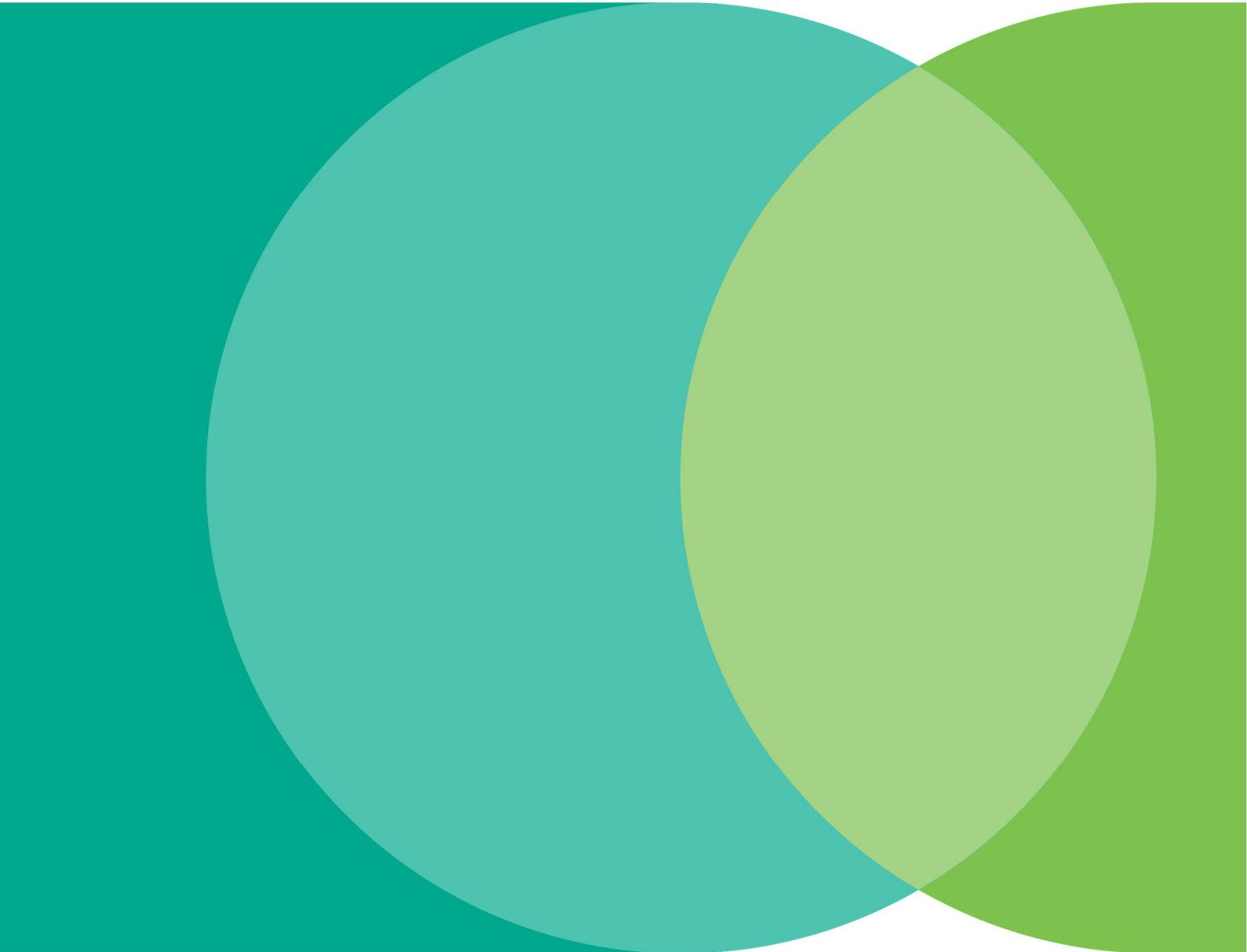
Nil.

Reliability of information

The information provided in this Basis of Preparation represents actual historical information as defined in the Reset RIN. As a result, the information contained in this table is considered reliable.

Workbook 2 – Historical Data

7.4 Shared Assets



7.4.1 Total Unregulated Revenue Earned with Shared Assets

Compliance with requirements of the notice

Requirement

It is understood that compliance with this requirement involves the following:

- Population of Regulatory Template 7.4.1.

Demonstrated Compliance

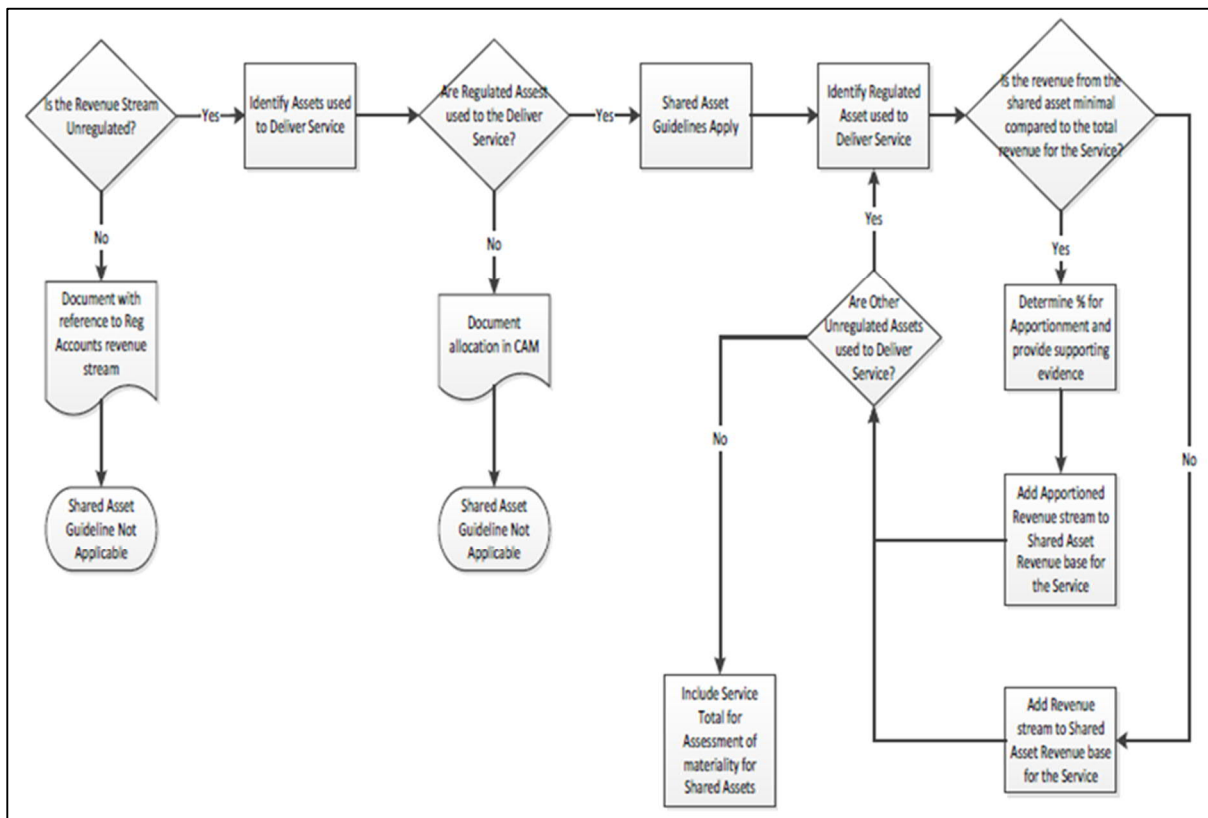
- Compliance has been demonstrated by populating the template.

Source of Information

For the Unregulated revenue streams identified in previous RIN reporting as those derived from shared assets, data was extracted from Endeavour Energy's ERP system. These revenue streams are mapped to Revenue Classifications – Other Income.

Methodology and assumptions

The flowchart below reflects the decision tree followed by Endeavour Energy to identify and assess shared asset revenue streams.



Data Preparation and Identification of Unregulated Revenues

No new revenue streams were identified for completed/reported periods. Consistent with previous RIN reporting, the following revenue streams have been assessed as being derived from the use of shared assets:

- Property Rental;
- Columns, Poles and Towers used for mobile phone cells and broadband cable; and
- Duct used for broadband cable.

Request for Information

Historical data was extracted from Endeavour Energy's ERP for unregulated revenue streams identified as derived from shared assets (refer list above).

Use of estimated information

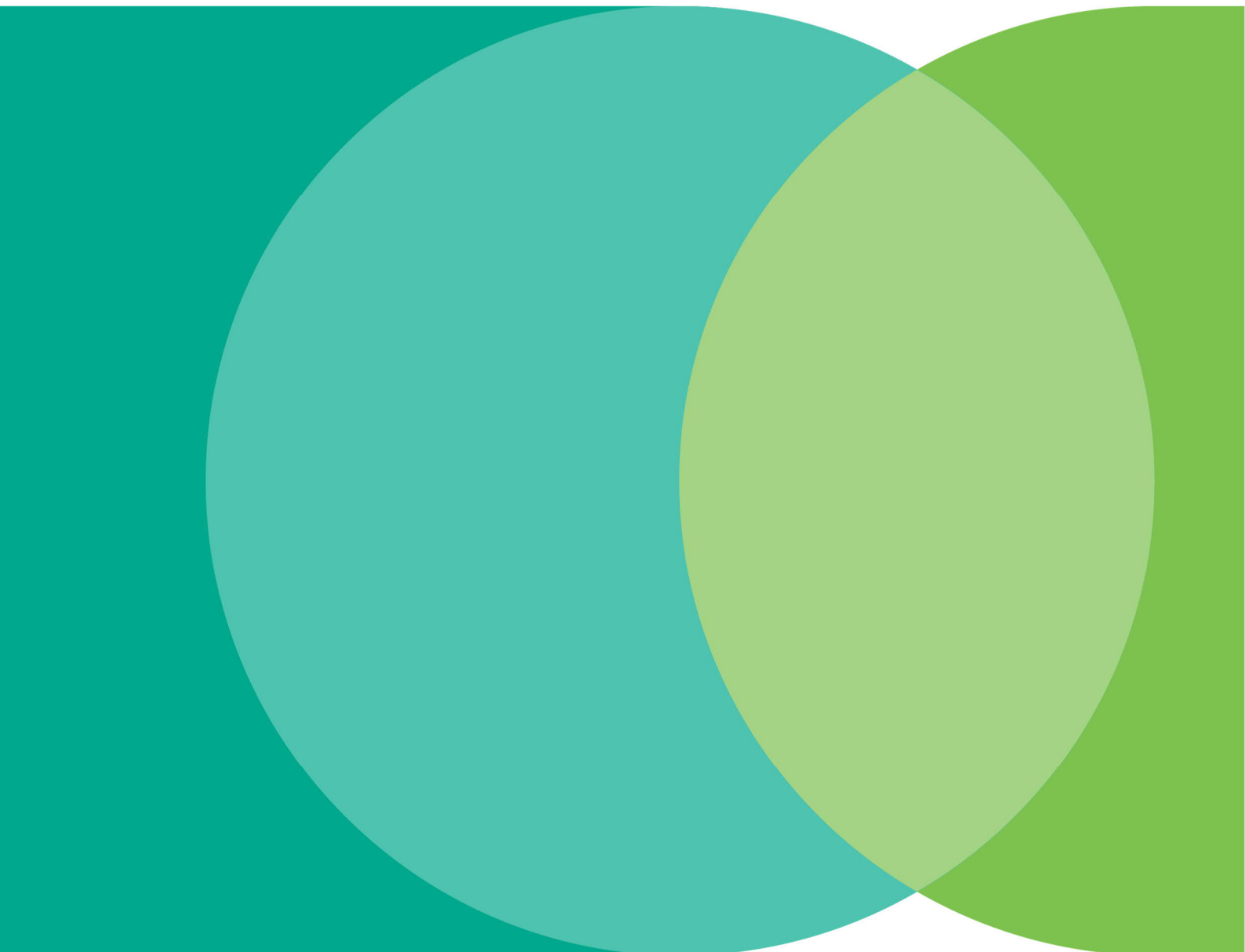
No estimations were performed in the preparation of this information as it has been mapped directly from the general ledger.

Reliability of information

This information is believed to be reliable as it is sourced from the general ledger and adheres to the company's accounting policies.

Workbook 3 – EBSS

7.5 Efficiency Benefit Sharing Scheme



7.5 Efficiency Benefit Sharing Scheme

Compliance with requirements of the notice

The entries in table 7.5.1 capture the carryover amounts that arise from applying the EBSS during the current regulatory control period.

The entries in table 7.5.2 capture the proposed forecast opex for the EBSS for the forthcoming regulatory control period.

Source of information

Table 7.5.1 – The carryover amount that arise from applying the EBSS during the current regulatory control period

June CPI Index:

- FY14 to FY22 indexes are taken from the All Groups, Weighted Average of Eight Capital Cities June index as published by the Australian Bureau of Statistics.
- FY23 and FY24 indexes are forecast based on Endeavour Energy CPI expectations.

EBSS Opex Allowances and Excludable Costs (7.5.1.1):

- FY18 and FY19 allowances and excludable costs are sourced from the AER's Final Decision Model (inclusive of AER remittal decision) for the FY15 to FY19 regulatory period.
- FY20 to FY24 allowances and excludable costs are sourced from the AER's Final Decision Model (inclusive of AER cost pass through decision) for the FY20 to FY24 regulatory period.

EBSS Opex Actuals (7.5.1.2):

- FY18 to FY22 actuals are sourced from Endeavour Energy's corresponding Annual RIN (Worksheet 8.4 Opex).
- FY18 to FY22 DMIA adjustments are sourced from Endeavour Energy's corresponding Annual RIN (Worksheet 7.11 DMIS-DMIA).
- FY18 to FY22 movement in provisions related to opex are sourced from Endeavour Energy's corresponding Economic Benchmarking RIN (Worksheet 3.2.3 Provisions).
- FY20 to FY22 other exclusion adjustments relate to lease accounting changes. The previous accounting standard for leases, *AASB 117 Leases*, was replaced by *AASB 16 Leases* which included a new requirement for a lessee to recognise assets and liabilities for the rights and obligations created by leases. We will continue to treat lease costs as opex for the remainder of the 2019–24 regulatory control period and commence reporting them as capitalised expenditure from 1 July 2024. Specifically:
 - for EBSS purposes leases are reported within opex for the 2019-24 period consistent with the treatment of leases used to set the 2019-24 opex allowance;
 - for opex forecasting purposes leases are removed from opex and instead included as part of the capex forecast; and
 - for leases entered into during the 2019-24 period a final year adjustment will be made to establish an opening asset base for the 2024-29 period.

EBSS Opex Forecast:

- The FY23 EBSS opex forecast is sourced from Endeavour Energy's prevailing management business plan.

Table 7.5.2 – Proposed forecast opex for the EBSS for the forthcoming regulatory control period

Opex Forecast:

- The FY23 to FY29 Opex forecast is sourced from the AER's Opex Model, as prepared by Endeavour Energy in support of the 2024 Regulatory Submission.

Debt Raising Cost Forecast:

- The FY25 to FY29 Debt Raising Cost forecast is calculated internally within the AER's PTRM, as prepared by Endeavour Energy in support of the 2024 Regulatory Submission.

Methodology and assumptions

See source of information above.

Use of estimate information

Historical data has not been estimated.

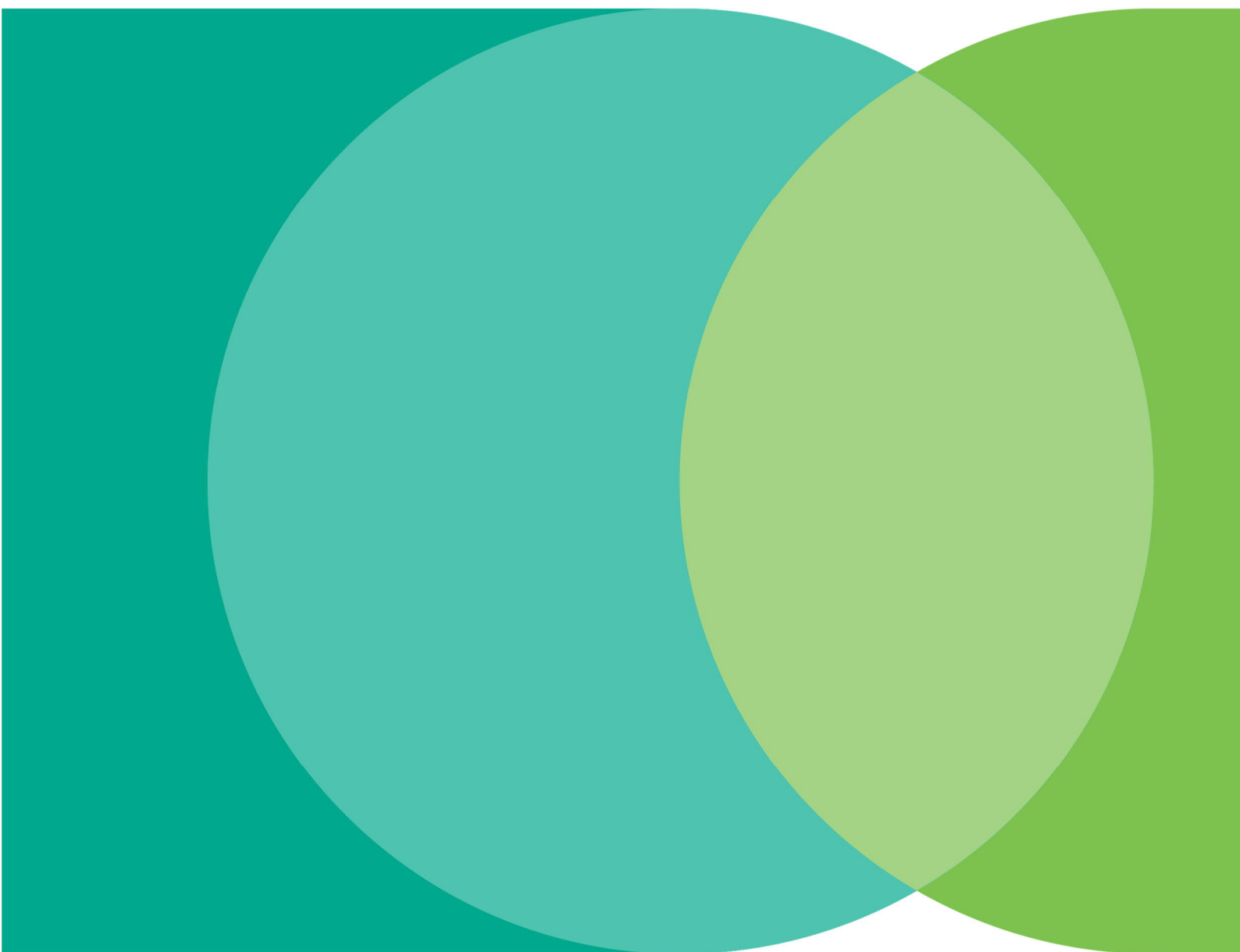
Reliability of information

The information used to populate Workbook 3, tables 7.5.1 and 7.5.2 is considered to be reliable:

- Allowance data is sourced from published AER Decision models.
- Actual data is sourced from audited RIN submissions.
- Forecast data is prepared by Endeavour Energy in support of the 2024 Regulatory Submission.

Workbook 4 – CESS

Capital Expenditure Sharing Scheme



Capital Expenditure Sharing Scheme

Compliance with requirements of the notice

The entries in 'Input Inflation and Disc Rate' capture the inflation and WACC inputs to the CESS calculation. The entries in 'Input Reported Capex' capture the:

- capex allowance for CESS purposes during the current regulatory control period (FY20 to FY24).
- actual and estimated capex for CESS purposes during the current regulatory control period (FY20 to FY24).

Source of information

December CPI Index:

- FY14 to FY22 indexes are taken from the All Groups, Weighted Average of Eight Capital Cities December index as published by the Australian Bureau of Statistics.
- FY23 and FY24 indexes are forecast based on Endeavour Energy CPI expectations.

Discount Rate:

- FY20 to FY23 real vanilla WACC is sourced from the AER's Final Decision Model (inclusive of AER cost pass through decision and updated for annual return on debt) for the FY20 to FY24 regulatory period.

CESS Capex Allowances:

- FY20 to FY24 allowances are sourced from the AER's Final Decision Model (inclusive of AER cost pass through decision) for the FY20 to FY24 regulatory period.

CESS Capex Actuals:

- FY20 to FY22 actuals are sourced from Endeavour Energy's corresponding Annual RIN (Worksheet 8.2 Capex).
- FY20 to FY22 movement in provisions related to capex are sourced from Endeavour Energy's corresponding Economic Benchmarking RIN (Worksheet 3.2.3 Provisions).

CESS Capex Forecast:

- The FY23 and FY24 CESS capex forecast is sourced from Endeavour Energy's prevailing management business plan.
- FY23 and FY24 movement in provisions related to capex are assumed to be zero.

Methodology and assumptions

See source of information above.

Use of estimated information

Historical data has not been estimated.

Reliability of information

The information used to populate Workbook 4 - CESS is considered to be reliable:

- Allowance data is sourced from published AER Decision models.
- Actual data is sourced from audited RIN submissions.
- Forecast data is prepared by Endeavour Energy in support of the 2024 Regulatory Submission.

