

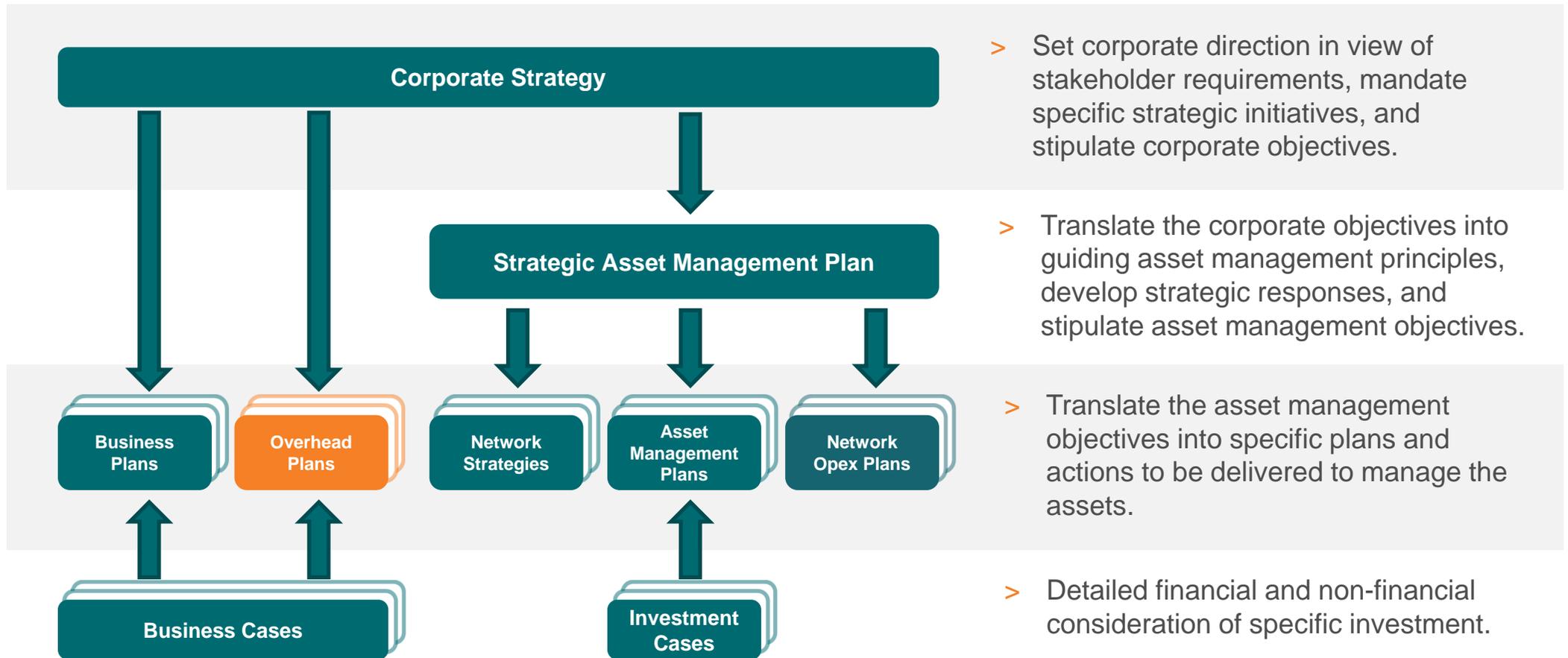
# Overheads

Network Indirect – ‘Support’

2019-24

Supporting Document 11.3.9

# Document hierarchy and purpose

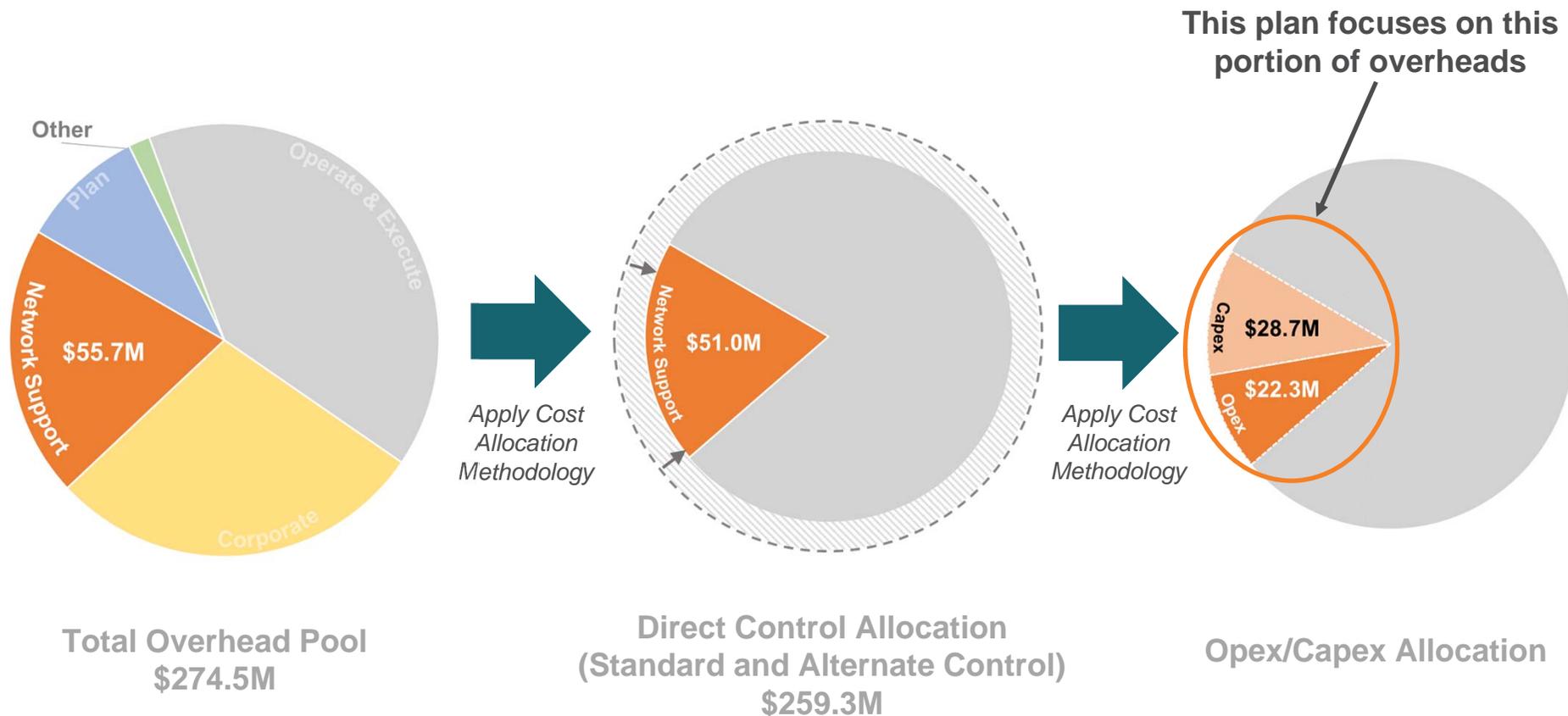


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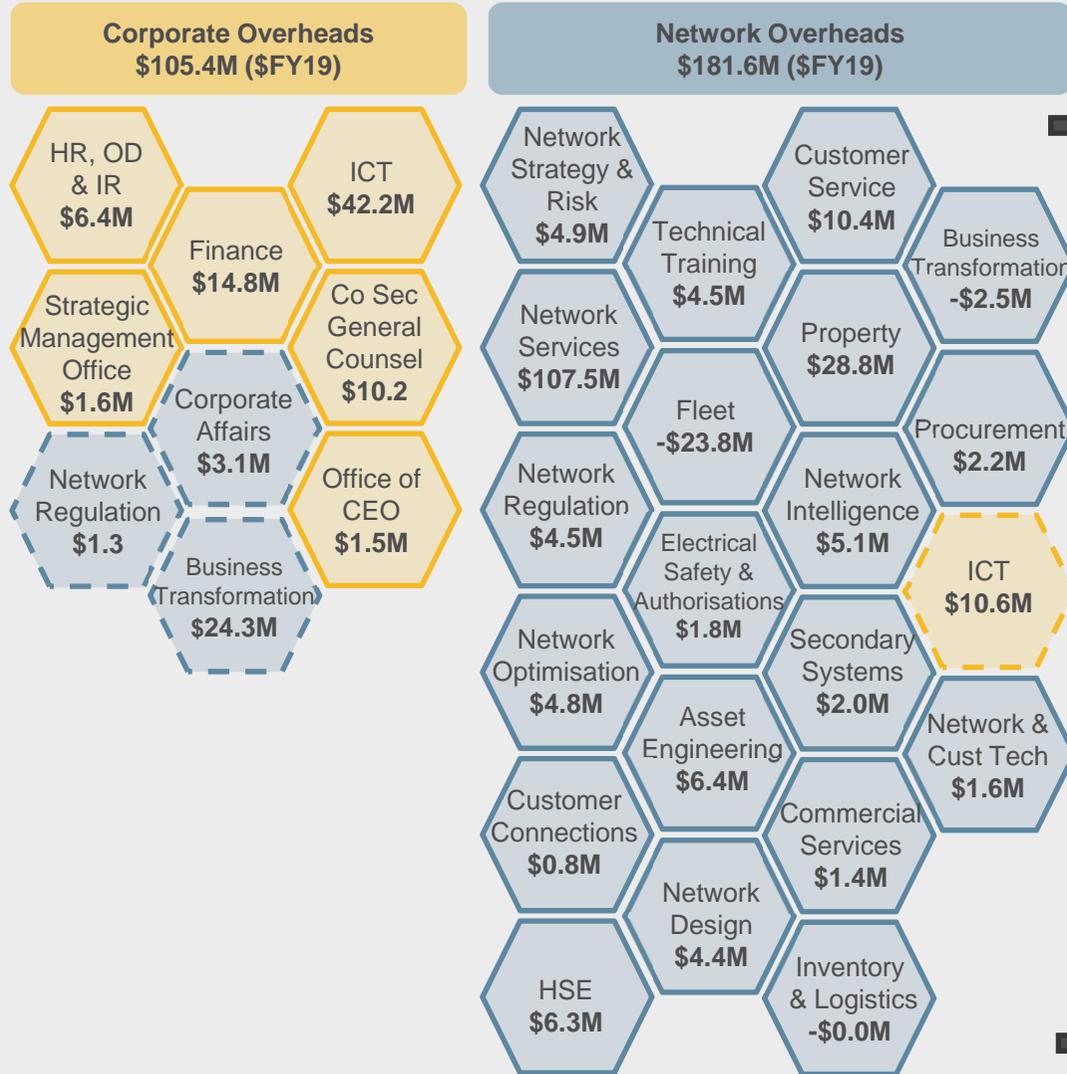
# Allocation of Network Indirect – ‘Support’ to Opex and Capex (\$FY19, 5 Year Average)

- > Network Indirect – ‘Support’ expenditure is allocated in accordance with the AER’s approved Cost Allocation Methodology (CAM). The diagram below provides details on how the opex and capex components are determined using the CAM.

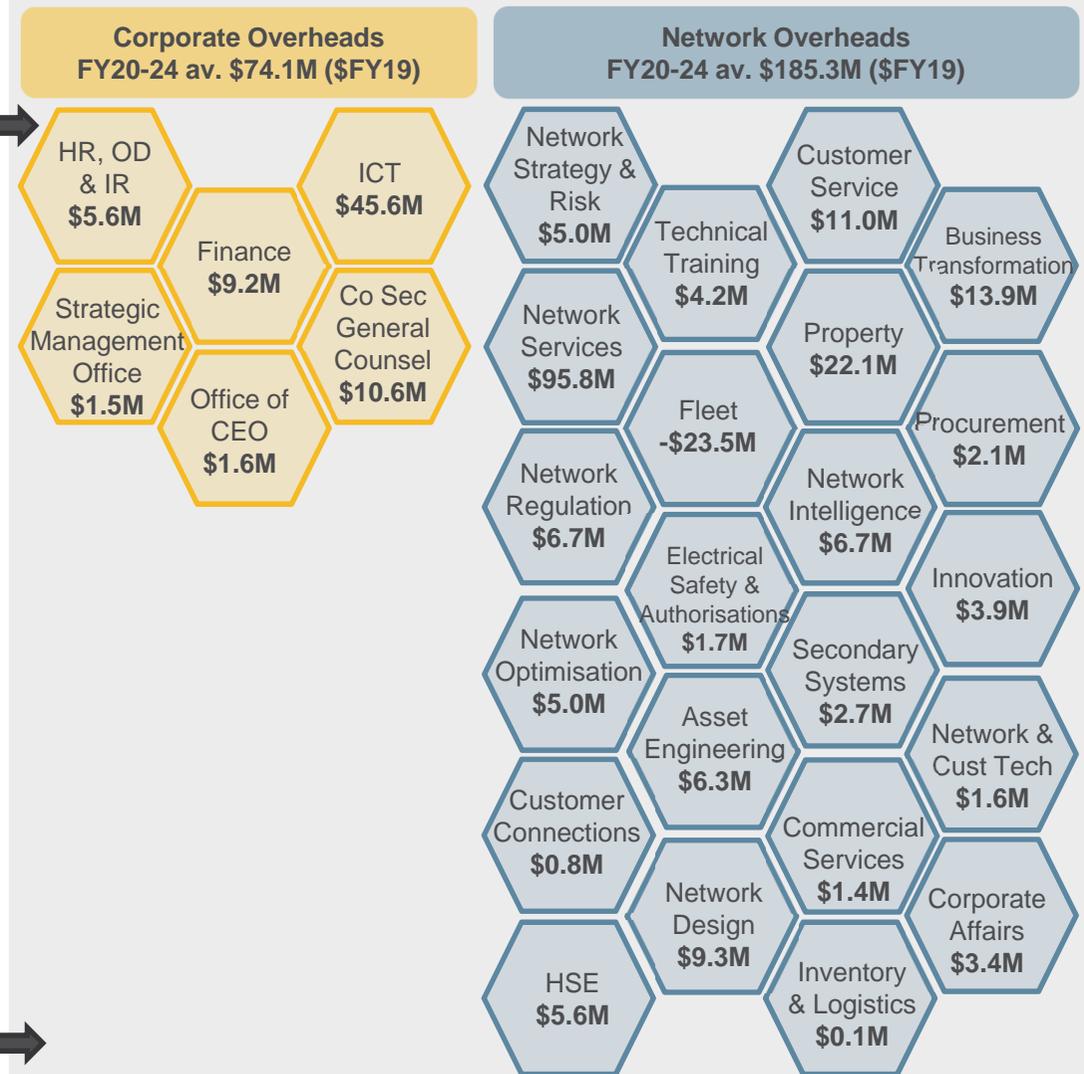


# Our Overhead Allocation Process

## FY17 Reported in CA RIN January 2018



## FY18 – FY24 Reset RIN and Proposal



# Executive summary – Network Indirect – ‘Support’

11

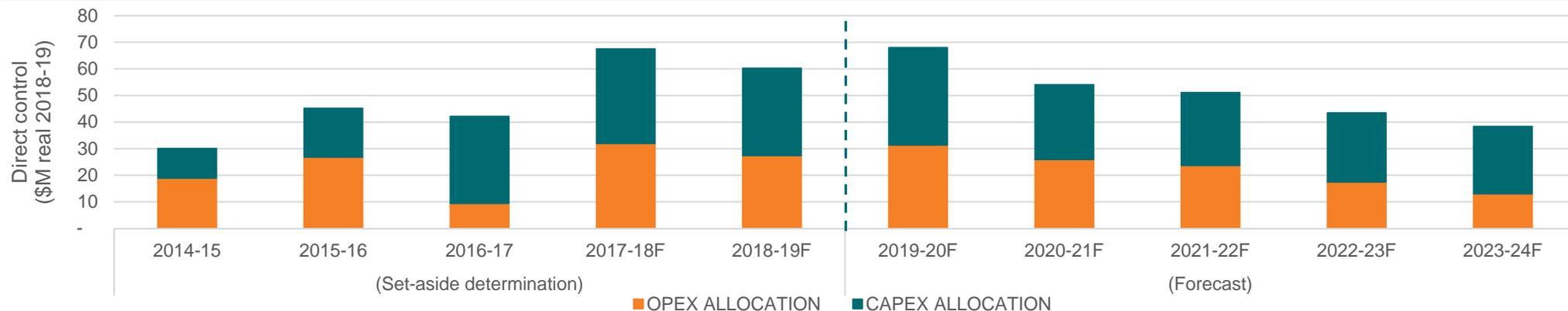
OVERHEAD  
FUNCTIONS  
INCLUDED

43%

REAL COST  
REDUCTION BY  
FY24 FROM FY18

20%

OF DIRECT  
CONTROL  
OVERHEADS



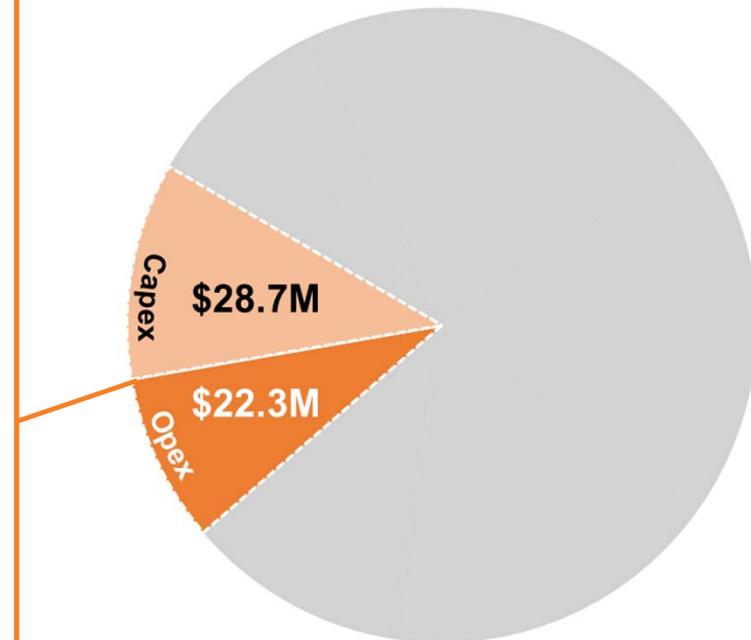
\$M real 2018-19	2014-15	2015-16	2016-17	2017-18F	2018-19F	2019-20F	2020-21F	2021-22F	2022-23F	2023-24F	5 YR (AVG)
Business Transformation	\$-4.1	\$15.2	\$-2.5	\$10.4	\$1.2	\$25.5	\$16.5	\$14.4	\$7.4	\$4.5	\$13.6
Customer Service	\$14.5	\$13.2	\$10.3	\$13.4	\$14.0	\$11.8	\$10.9	\$10.7	\$10.7	\$10.7	\$11.0
Property (excl. non-system capex)	-	-	\$28.3	\$31.6	\$30.8	\$24.9	\$23.1	\$21.8	\$21.2	\$20.4	\$22.3
Network Regulation	\$3.4	\$2.7	\$4.4	\$7.3	\$5.2	\$6.3	\$5.4	\$7.3	\$7.8	\$6.6	\$6.7
Innovation	-	-	-	\$3.3	\$2.7	\$3.9	\$3.7	\$3.7	\$4.0	\$4.0	\$3.9
Corporate Affairs	-	-	-	\$4.2	\$4.9	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4	\$3.4
Health, Safety & Environment	\$9.3	\$8.4	\$6.2	\$9.7	\$10.6	\$5.8	\$5.5	\$5.5	\$5.6	\$5.6	\$5.6
Technical Training	\$7.1	\$5.7	\$4.5	\$4.9	\$5.1	\$4.3	\$4.2	\$4.2	\$4.3	\$4.2	\$4.2
Procurement	-	-	\$2.2	\$3.3	\$3.2	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1	\$2.1
Electrical Safety & Authorisations	-	-	\$1.8	\$1.8	\$1.8	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7	\$1.7
Fleet (excl. non-system capex)	-	-	\$-23.4	\$-22.2	\$-19.1	\$-21.8	\$-22.6	\$-23.8	\$-24.8	\$-24.8	\$-23.5
ICT (excl. non-system capex)	-	-	\$10.4	-	-	-	-	-	-	-	-
<b>'SUPPORT' OPEX ALLOCATION</b>	<b>\$18.9</b>	<b>\$26.8</b>	<b>\$9.5</b>	<b>\$32.0</b>	<b>\$27.4</b>	<b>\$31.4</b>	<b>\$25.9</b>	<b>\$23.7</b>	<b>\$17.5</b>	<b>\$13.0</b>	<b>\$22.3</b>
<b>'SUPPORT' CAPEX ALLOCATION</b>	<b>\$11.1</b>	<b>\$18.4</b>	<b>\$32.7</b>	<b>\$35.6</b>	<b>\$32.9</b>	<b>\$36.6</b>	<b>\$28.1</b>	<b>\$27.4</b>	<b>\$25.9</b>	<b>\$25.3</b>	<b>\$28.7</b>
<b>'SUPPORT' TOTAL</b>	<b>\$34.2</b>	<b>\$45.2</b>	<b>\$42.1</b>	<b>\$67.5</b>	<b>\$60.3</b>	<b>\$68.0</b>	<b>\$54.0</b>	<b>\$51.1</b>	<b>\$43.4</b>	<b>\$38.4</b>	<b>\$51.0</b>

# Network Indirect – ‘Support’ functions that contribute to forecast

## Network Indirect – ‘Support’ consists of...

- > Business Transformation
- > Customer Service
- > Property
- > Network Regulation
- > Innovation
- > Corporate Affairs
- > Health, Safety & Environment
- > Technical Training
- > Procurement
- > Electrical Safety & Authorisations
- > Fleet

...allocated to Standard and Alternate Control



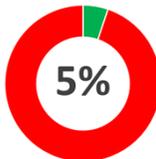
# Network Indirect – ‘Support’ functions that contribute to forecast cont.

**Scope: Provide support to network business across a range of shared services.**

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
<p><b>Business Transformation</b></p>	<ul style="list-style-type: none"> <li>&gt; Enterprise wide business reform including program oversight, specialist advice and program execution.</li> <li>&gt; Delivery of business benefits arising from strategic initiatives.</li> <li>&gt; Outcomes: Transformation of business to more efficient operating model.</li> </ul>	 <p><b>19%</b></p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
<p><b>Customer Service</b></p>	<ul style="list-style-type: none"> <li>&gt; Delivery of customer engagement services including providing channels to customers to obtain information or provide feedback.</li> <li>&gt; Manage approvals process for new connections, connection alterations and embedding generation, including Life Support registrations.</li> <li>&gt; Customer complaints management.</li> <li>&gt; Retail market liaison and processes</li> <li>&gt; Management of supply interruption call centre.</li> <li>&gt; Outcomes: Management of network customer interface.</li> </ul>	 <p><b>15%</b></p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
<p><b>Property (excl. non-system capex)</b></p>	<ul style="list-style-type: none"> <li>&gt; Property activities and expenditure forecasts are provided in the Property Business Plan</li> </ul>	 <p><b>30%</b></p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>

# Network Indirect – ‘Support’ functions that contribute to forecast cont.

Scope: Provide support to network business across a range of shared services.

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
<p><b>Network Regulation</b></p>	<ul style="list-style-type: none"> <li>&gt; Development of a 5 year Regulatory Proposal, monitoring and reporting of compliance with various statutory requirements including the National Electricity Rules and Regulations.</li> <li>&gt; Outcomes: Management of network regulatory strategy and compliance.</li> </ul>	 <p>9%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
<p><b>Innovation</b></p>	<ul style="list-style-type: none"> <li>&gt; Development of innovative solutions to traditional network investment approaches</li> <li>&gt; Development of business cases to support the introduction of innovative approaches to operations and network investments.</li> <li>&gt; Build business capability and processes needed to manage/maintain data as a true business asset that assists Essential Energy is making accurate decisions.</li> </ul>	 <p>5%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>
<p><b>Corporate Affairs</b></p>	<ul style="list-style-type: none"> <li>&gt; Delivery of government, media, employee and other stakeholder communications and marketing services.</li> <li>&gt; Outcomes: Management of external stakeholder relations and communication.</li> </ul>	 <p>5%</p> <p>of Network Indirect – ‘Support’ Direct Control allocation</p>

# Network Indirect – ‘Support’ functions that contribute to forecast cont.

Scope: Provide support to network business across a range of shared services.

Network Indirect – ‘Support’ Functions	Activities	Investment proportion (excl. Fleet)
Health, Safety & Environment	<ul style="list-style-type: none"> <li>&gt; Support the business in implementing processes, programs and initiatives to protect the safety of the public, employees and contractors and encourage environmental stewardship.</li> </ul>	 <p>8% of Network Indirect – ‘Support’ Direct Control allocation</p>
Technical Training	<ul style="list-style-type: none"> <li>&gt; As a Registered Training Organisation (RTO), develop and deliver internal competency based vocational education and training and assessment.</li> </ul>	 <p>6% of Network Indirect – ‘Support’ Direct Control allocation</p>
Procurement	<ul style="list-style-type: none"> <li>&gt; Drives effective, efficient and value-add procurement planning, sourcing, contract and supplier management.</li> </ul>	 <p>3% of Network Indirect – ‘Support’ Direct Control allocation</p>
Electrical Safety & Authorisations	<ul style="list-style-type: none"> <li>&gt; Provide management and oversight of Electrical Safety Rules and associated policies and procedures.</li> <li>&gt; Development and maintenance of the Technical Training Framework.</li> </ul>	 <p>2% of Network Indirect – ‘Support’ Direct Control allocation</p>
Fleet (excl. non-system capex)	<ul style="list-style-type: none"> <li>&gt; Fleet activities and expenditure forecasts are provided in the Fleet Business Plan</li> </ul> <p><i>Fleet expenditure (including depreciation) is recovered to the business</i></p>	



# Supporting Documents

## Supporting Workbooks

Workbook	Relevance to the Overhead Plan
Business_Transf_overhead_planning_workbook	Provides detailed forecasts for each Network Indirect – ‘Support’ function.
Customer_Service_overhead_planning_workbook	
Property_overhead_planning_workbook	
NW_Regulation_overhead_planning_workbook	
Innovation_overhead_planning_workbook	
Corp_Affairs_overhead_planning_workbook	
HSE_overhead_planning_workbook	
Tech_Training_overhead_planning_workbook	
Procurement_overhead_planning_workbook	
ESO_overhead_planning_workbook	
Fleet_overhead_planning_workbook	

## Supporting Documents

Workbook	Relevance to the Overhead Plan
12.1.17 Fleet Business Plan	Provides details of Fleet expenditure forecast (including non-system capex)
12.1.18 Property Business Plan	Provides details of Property expenditure forecast (including non-system capex)

# Essential Energy

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