

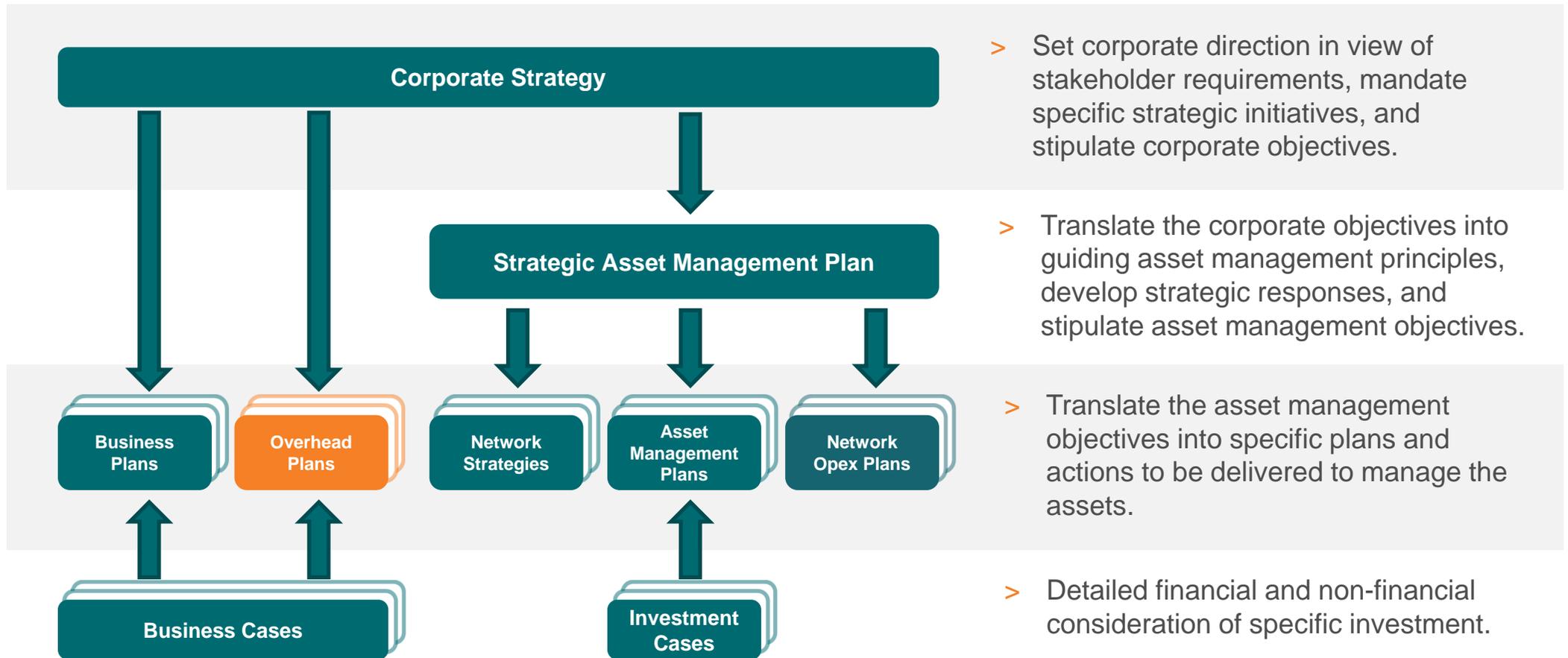
Overheads

Network Indirect – ‘Operate & Execute’

2019-24

Supporting Document 11.3.8

Document hierarchy and purpose

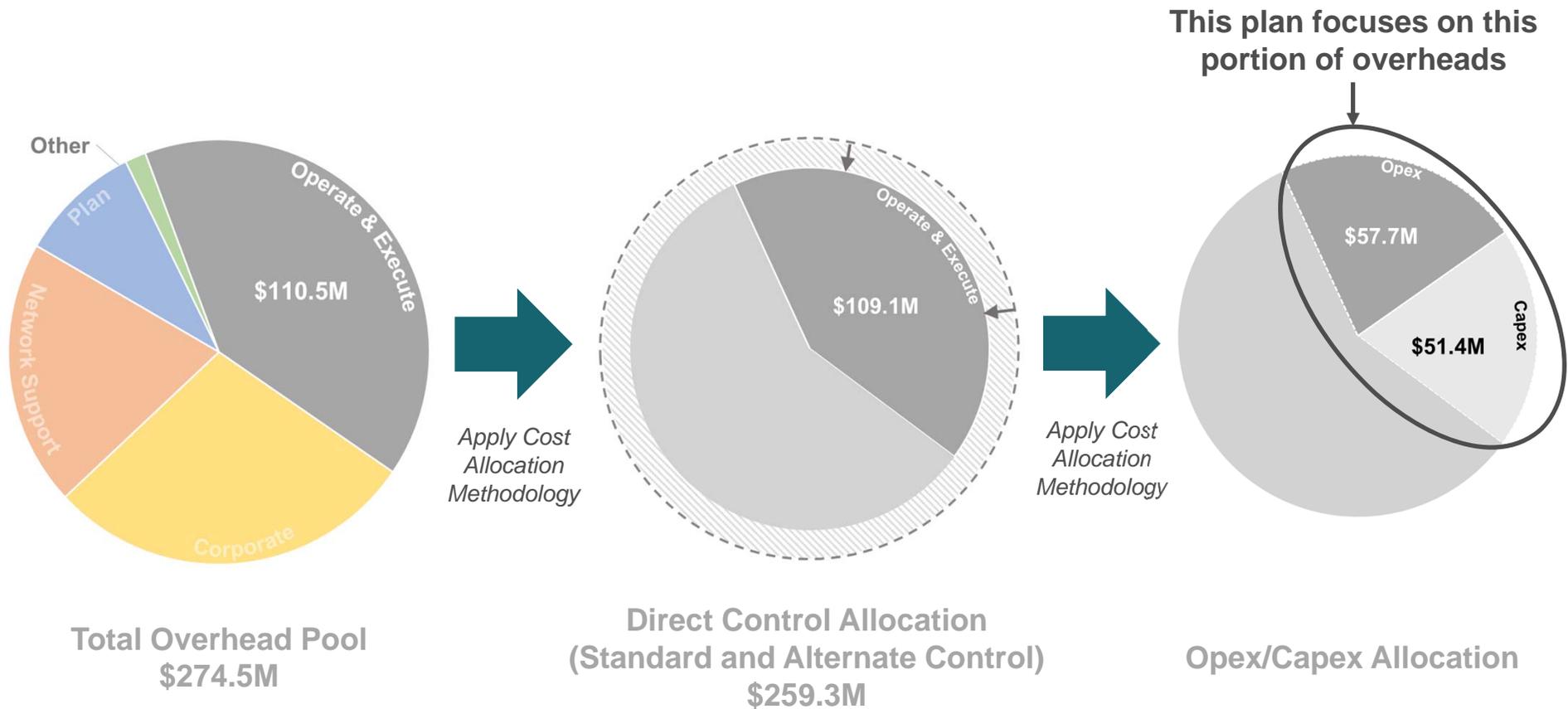


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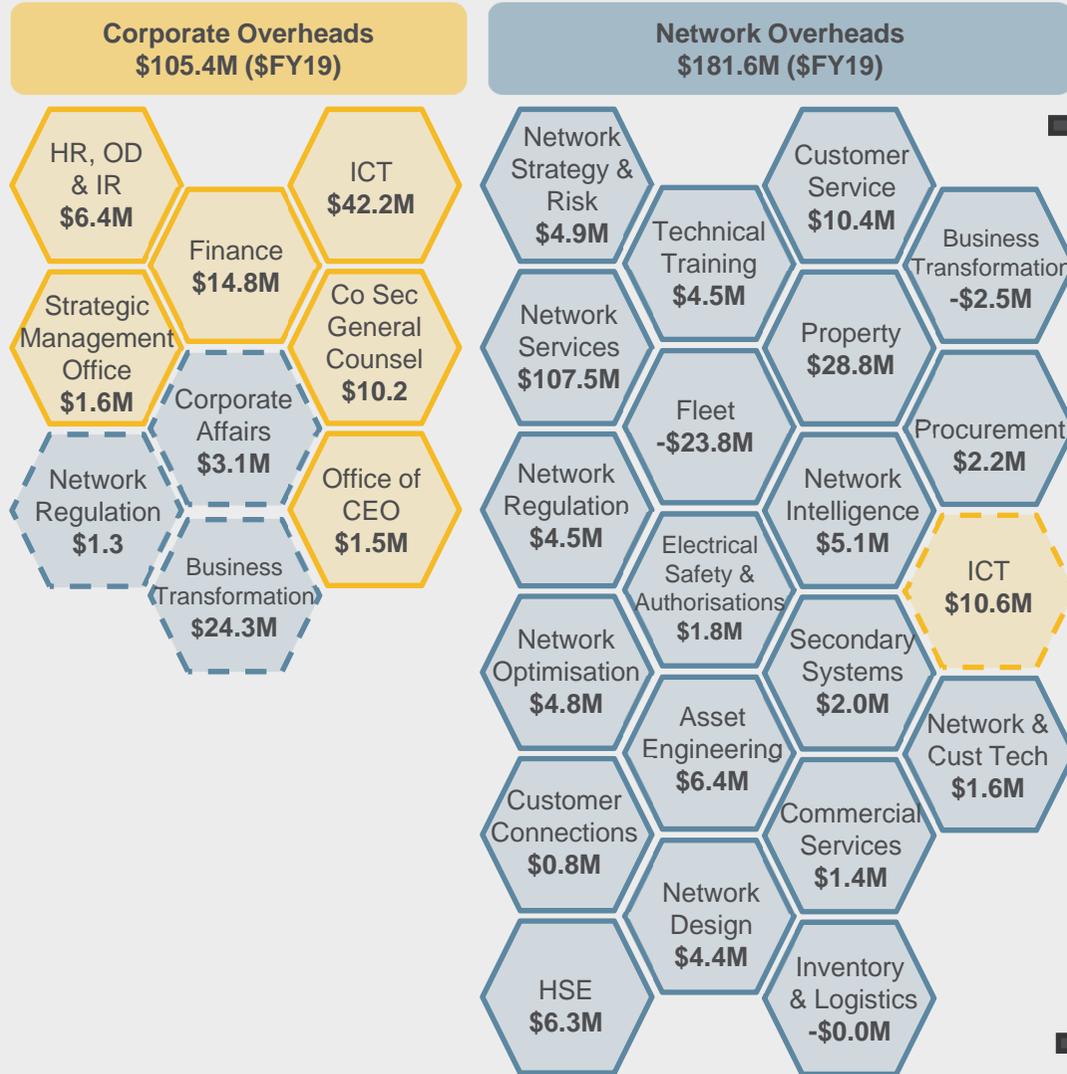
Allocation of Network Indirect – ‘Operate & Execute’ to Opex and Capex (\$FY19, 5 Year Average)

- > Network Indirect – ‘Operate & Execute’ 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.

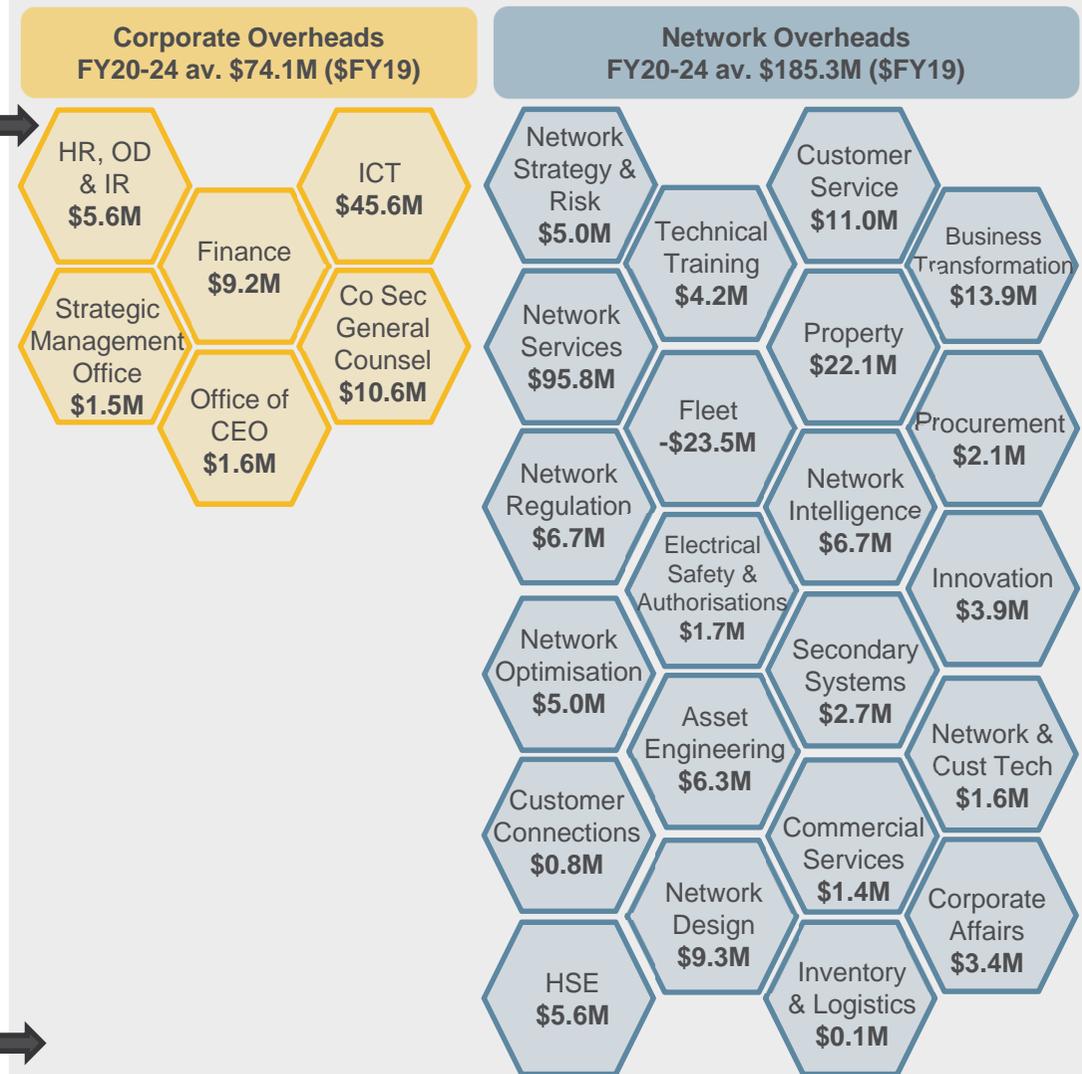


Our Overhead Allocation Process

FY17 Reported in CA RIN January 2018



FY18 – FY24 Reset RIN and Proposal

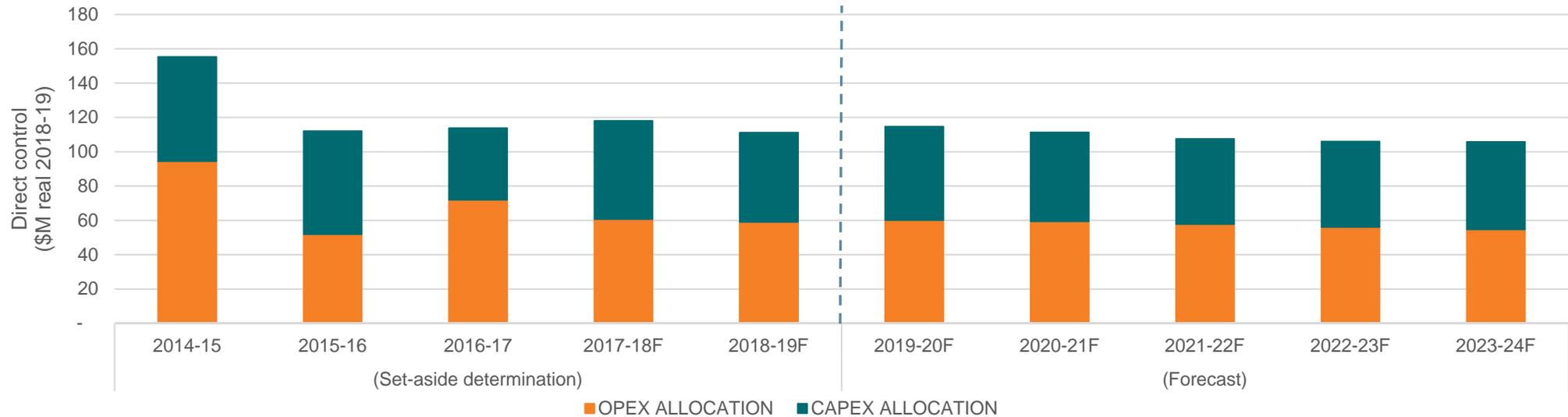


Executive summary – Network Indirect – ‘Operate & Execute’

6 OVERHEAD FUNCTIONS INCLUDED

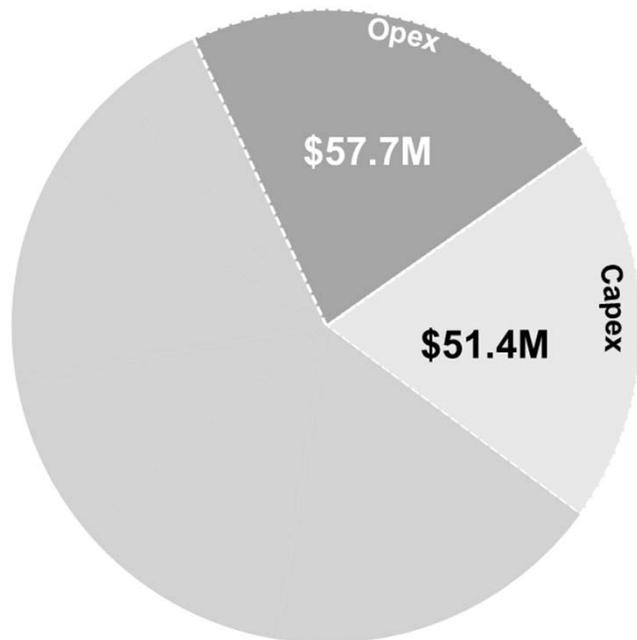
10% REAL COST REDUCTION BY FY24 FROM FY18

42% 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)
Network Services	\$143.5	\$102.7	\$105.6	\$105.7	\$98.2	\$100.0	\$97.4	\$94.9	\$93.6	\$93.3	\$95.8
Network Design	\$5.7	\$4.4	\$4.4	\$8.1	\$9.1	\$10.9	\$10.0	\$8.7	\$8.5	\$8.5	\$9.3
Network & Customer Technology	\$2.6	\$2.0	\$1.6	\$2.3	\$2.2	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Commercial Services	\$1.6	\$2.2	\$1.4	\$1.8	\$2.2	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4	\$1.4
Customer Connections	\$1.0	\$1.0	\$0.8	\$1.2	\$1.1	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8	\$0.8
Inventory & Logistics	\$0.9	\$-0.2	\$-0.0	\$-1.1	\$-1.7	\$0.0	\$0.1	\$0.1	\$0.0	\$0.1	\$0.1
'OPERATE & EXECUTE' OPEX ALLOCATION	\$94.5	\$52.0	\$72.1	\$60.7	\$59.1	\$60.2	\$59.4	\$57.8	\$56.2	\$54.8	\$57.7
'OPERATE & EXECUTE' CAPEX ALLOCATION	\$60.8	\$60.0	\$41.7	\$57.3	\$52.1	\$54.5	\$51.9	\$49.7	\$49.8	\$51.0	\$51.4
'OPERATE & EXECUTE' TOTAL	\$155.3	\$112.1	\$113.8	\$118.0	\$111.2	\$114.7	\$111.3	\$107.6	\$106.0	\$105.8	\$109.1

Network Indirect – ‘Operate & Execute’ functions that contribute to forecast



Indirect Function ‘Operate & Execute’ consists of...

- > Network Services
- > Network Design
- > Network & Customer Technology
- > Commercial Services
- > Customer Connections
- > Inventory & Logistics

...allocated to Standard and Alternate Control

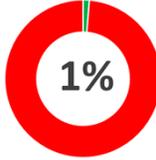
Network Indirect – ‘Operate & Execute’ functions that contribute to forecast cont.

Scope: Provision of core work program delivery and related support functions.

'Operate & Execute' Overhead Functions	Activities	Investment proportion
<p>Network Services</p>	<ul style="list-style-type: none"> > Management of field resources to build, refurbish and maintain the electricity distribution network. > Works estimation, scheduling, program delivery, supply interruption management, emergency response, line safety management and vegetation management. > Management of the systems control function. > Outcomes: Overall management of works delivery and operation of the network. 	 <p>88% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>
<p>Network Design</p>	<ul style="list-style-type: none"> > Manage all overhead, underground and zone substation designs. > Undertake option reviews, studies, preliminary designs leading to defined capex, repex/opex projects > Provide ASP Design Certification expertise > Manage external contract panels such as design, survey, Geotech > Outcomes: Overall management of all network design functions 	 <p>9% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>

Network Indirect – ‘Operate & Execute’ functions that contribute to forecast cont.

Scope: Provision of core work program delivery and related support functions.

'Operate & Execute' Overhead Functions	Activities	Investment proportion
<p>Network & Customer Technology</p>	<ul style="list-style-type: none"> > Deliver meter provision and data services that meet regulatory requirements. > Design and implement specifications for network metering, including substations and BSP metering. > Provide meter data agency services for survey meters and network monitoring devices. > Enable verification and calibration of instruments within the laboratory environment. > Outcomes: Overall management of meter provision and data functions. 	 <p>1% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>
<p>Commercial Services</p>	<ul style="list-style-type: none"> > Management of contestable works systems and processes including Accredited Service Provider authorisation for contestable work. > Develop and manage communication, interactions and investigations relating to contestable work. > Manage gifted assets, ancillary fees and billing. > Asset and commercial management Street Lighting assets > Outcomes: Overall management of contestable works and streetlighting functions. 	 <p>1% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>

Network Indirect – ‘Operate & Execute’ functions that contribute to forecast cont.

Scope: Provision of core work program delivery and related support functions.

'Operate & Execute' Overhead Functions	Activities	Investment proportion
<p>Customer Connections</p>	<ul style="list-style-type: none"> > Coordinate and consistently apply the processes and procedures which support the network connections function. > Manage major and minor customer connections including legislated time-frames for customer connection processes. > Develop and lead certification processes including ensuring compliance with construction standards, policies and design information. > Outcomes: Overall management of network connection function. 	 <p>1% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>
<p>Inventory & Logistics</p>	<ul style="list-style-type: none"> > Management of suppliers and order processing for materials and equipment to support field operations. > Warehouse management including stock receipts, storage maintenance and dispatching items to regional stores. > Receipt of work packaging and other stock in regional stores including ensuring stock availability. > Coordinating sales to approved service providers > Disposal and or sale of decommission assets, damaged, or obsolete stock items. <p><i>Inventory expenditure is recovered to the business</i></p>	 <p>0% of Network Indirect - 'Operate & Execute' Direct Control allocation</p>

Network Services – Detailed Activities

Activity	Description
Divisional & Regional Management	<ul style="list-style-type: none"> > Overall management of day to day work program delivery and operations. > Supervisory responsibility of delivery branches to ensure safety performance and the completion of field work including estimation, scheduling, and completion of maintenance and capital works. > Supervision, management and control of field employees, depots, plant and equipment. > Customer and local stakeholder engagement.
External Delivery	<ul style="list-style-type: none"> > Management of programs delivered by external resources, contract management and program delivery. > Management of targeted externally delivered programs including vegetation treatment, aerial inspection services, LiDAR data acquisition programs, service line replacements, and pole reinforcements. > Work program analysis including scheduling of work, quality control, inspection, and auditing. > Contractor monitoring and centralised invoice processing.
Transmission Services	<ul style="list-style-type: none"> > Supervision, management and control of transmission field employees, depots and equipment. > Operate, maintain, build, refurbish and commission zone substation assets and automated distribution assets (assets that regulators, reclosers, smart gas switches, equipment that require protection settings, and SCADA control settings) > Workshop refurbishment, diagnostics, HV testing and commissioning of underground cables, regulators and reclosers
System Control	<ul style="list-style-type: none"> > Manage a 24-hour, seven day system control function and related operational activity ensuring timely, efficient, and safe operation of the network.
Works Delivery & Enablement	<ul style="list-style-type: none"> > Estimating and issuing of all maintenance projects including task rectification and inspections. > Programming and optimising field resources to deliver work required. > Short term capacity planning including the establishment of program milestones. > Program oversight based on network needs, depot capacity and financial constraints. > Implementation of process and system enhancements.
Service Performance & Insights	<ul style="list-style-type: none"> > Provide front office reception and office support services. > Provide field operations benchmarking and productivity analysis and insights. > Provision of accurate and comprehensive information on Network Services operations. > Manage and control the financial budgeting and forecasting process.

Supporting Documents

Supporting Workbooks

Workbook	Relevance to the Overhead Plan
NW_Services_overhead_planning_workbook	Provides detailed forecasts for each Network Indirect – ‘Operate & Execute’ function.
AM_NW_Design_overhead_planning_workbook	
AM_NWCust_Tech_overhead_planning_workbook	
AM_Comm_Services_overhead_planning_workbook	
AM_Cust_Connect_overhead_planning_workbook	
InvLogistics_overhead_planning_workbook	

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