

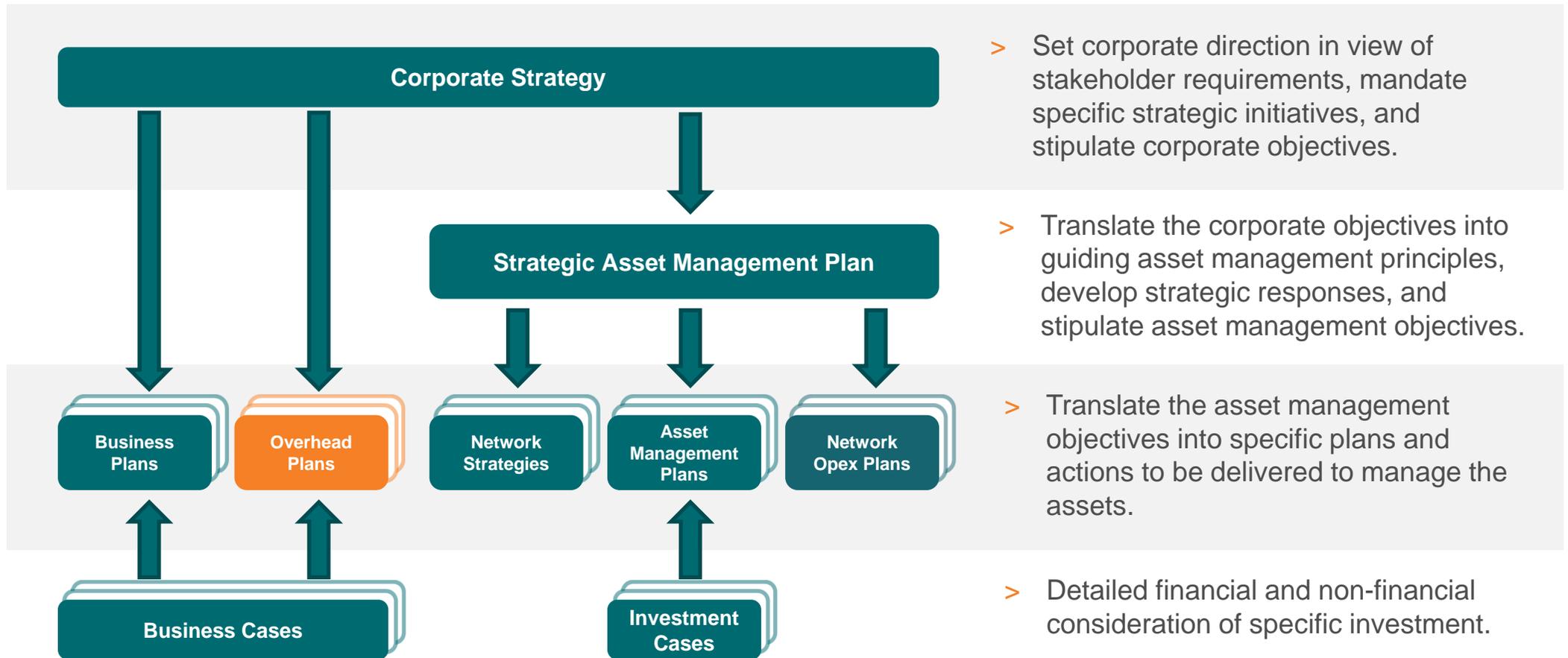
Overheads

Corporate

2019-24

Supporting Document 11.3.6

Document hierarchy and purpose

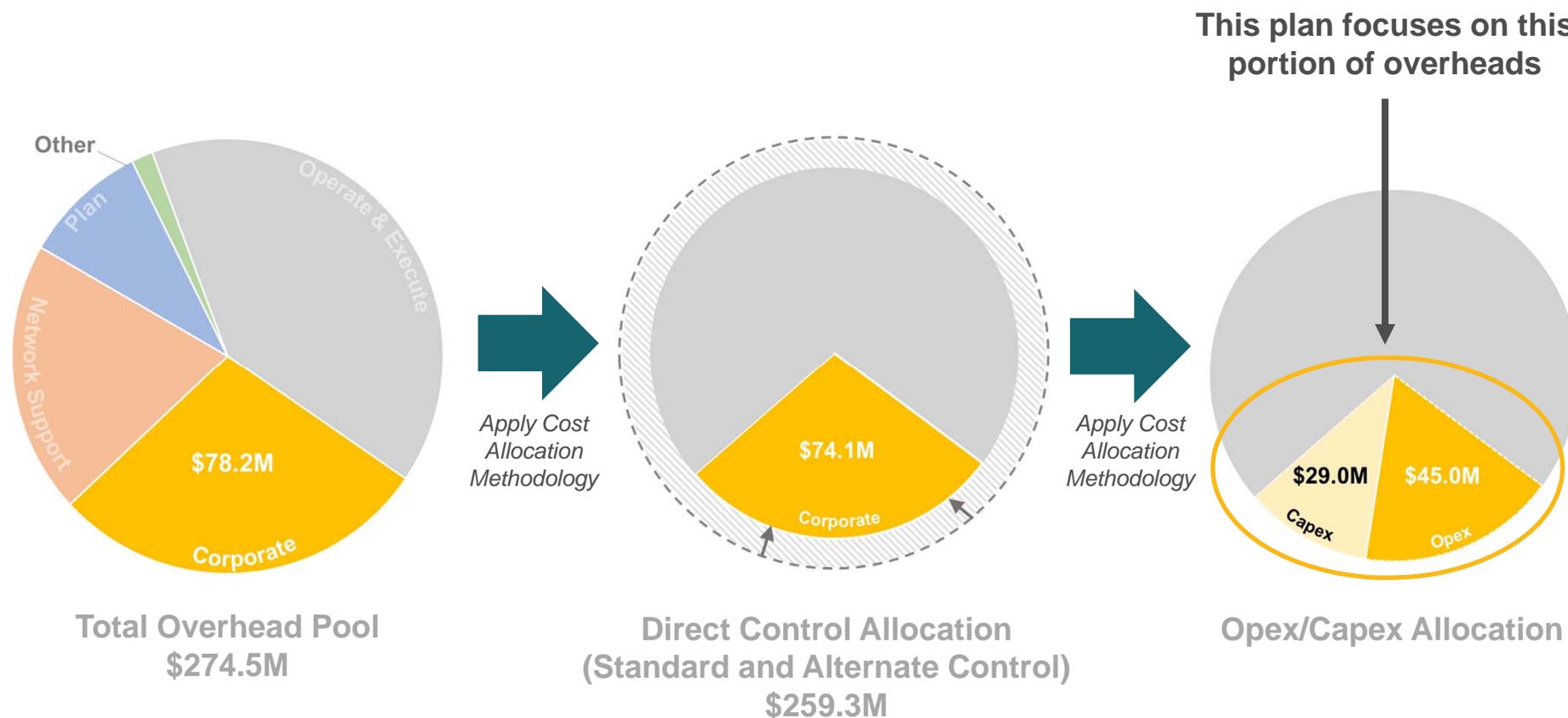


Contents

Document hierarchy and purpose	2
Contents	3
Allocation to Opex and Capex	4
Our Overhead Allocation Process	5
Executive summary	6
Functions – Finance, HR, OD & IR, Office of CEO	8
Functions – Company Secretary & General Counsel, Strategic Management Office, ICT	9
Key Legislation	10
Supporting documents	11

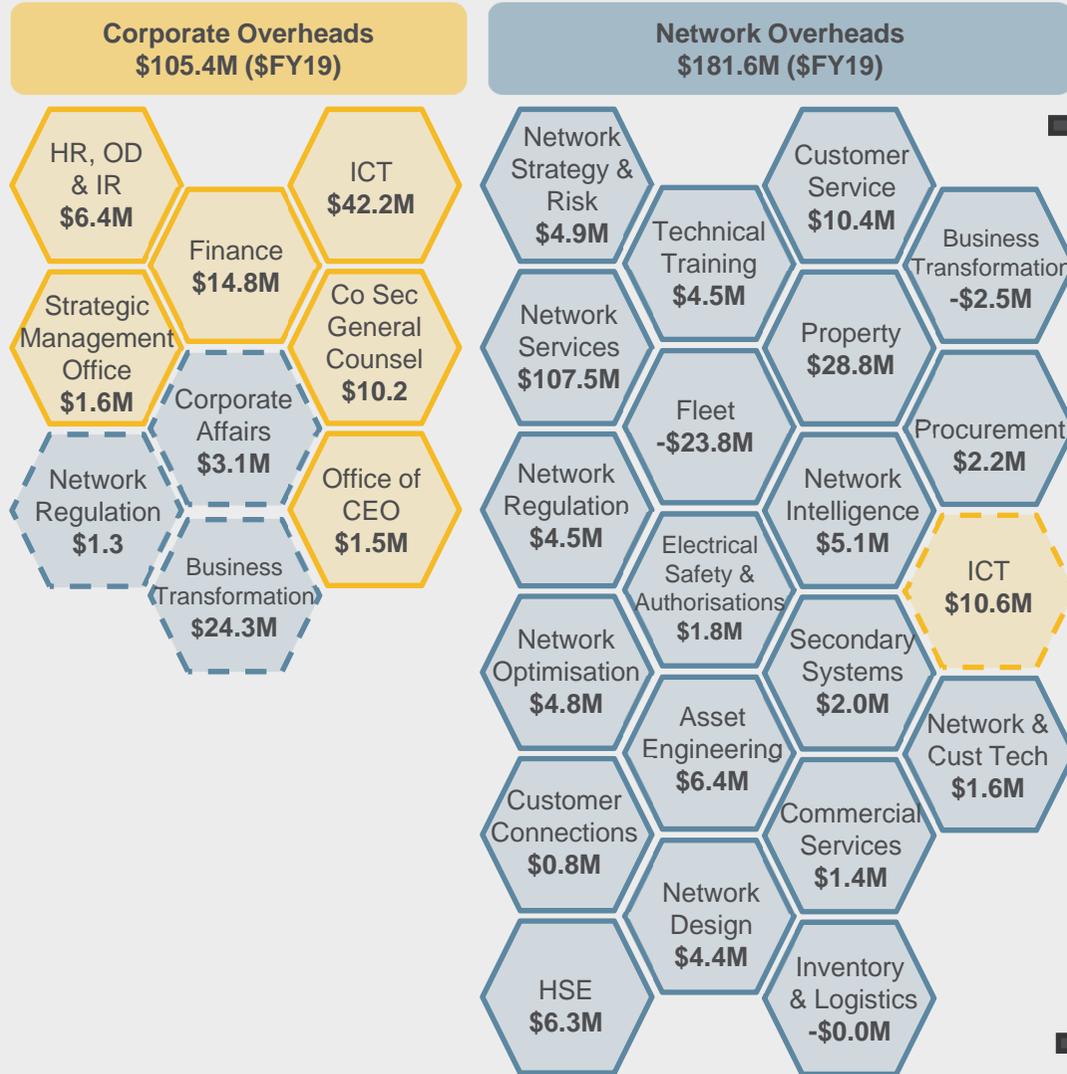
Allocation of 'Corporate' to Opex and Capex (\$FY19, 5 Year Average)

- > 'Corporate' 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.

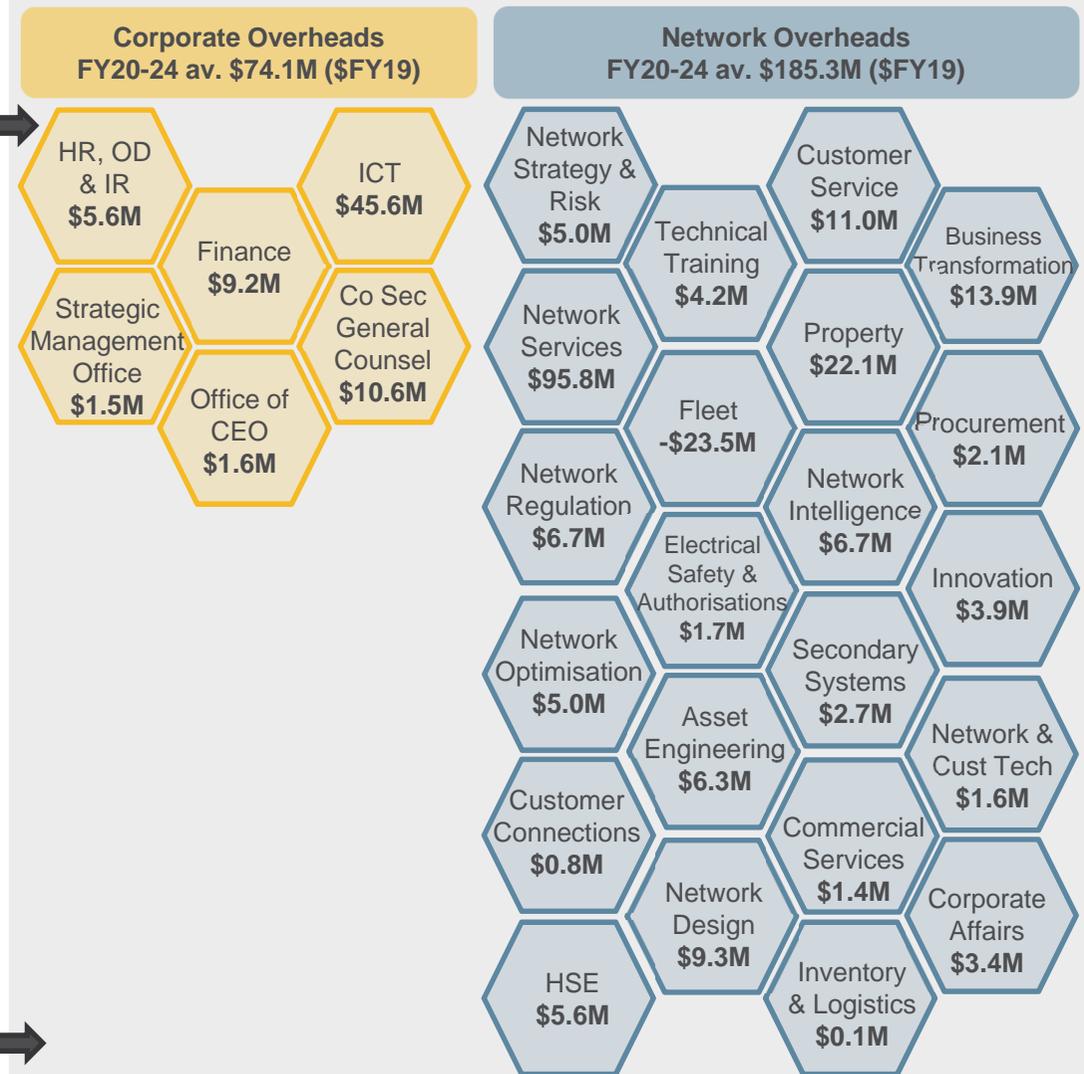


Our Overhead Allocation Process

FY17 Reported in CA RIN January 2018



FY18 – FY24 Reset RIN and Proposal

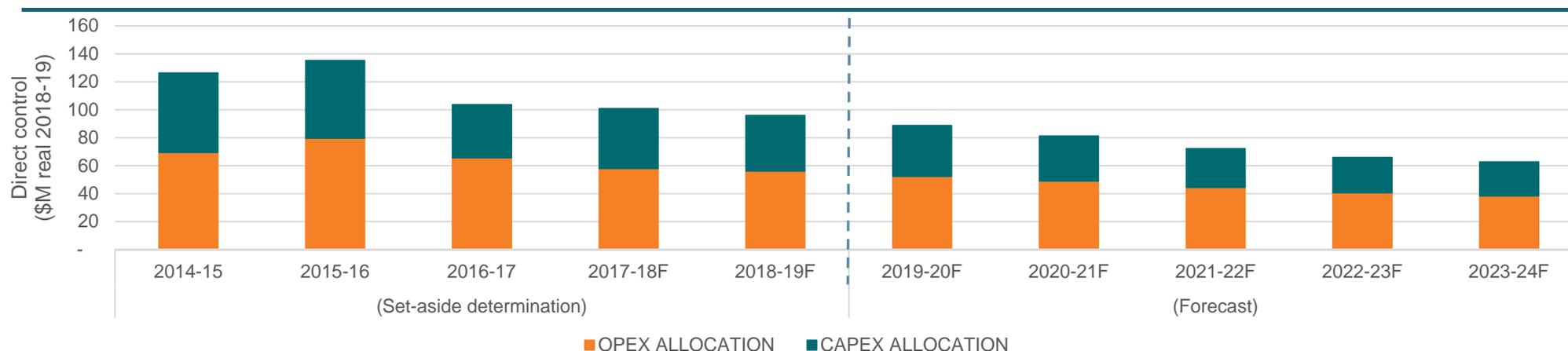


Executive summary – ‘Corporate’

6 OVERHEAD FUNCTIONS INCLUDED

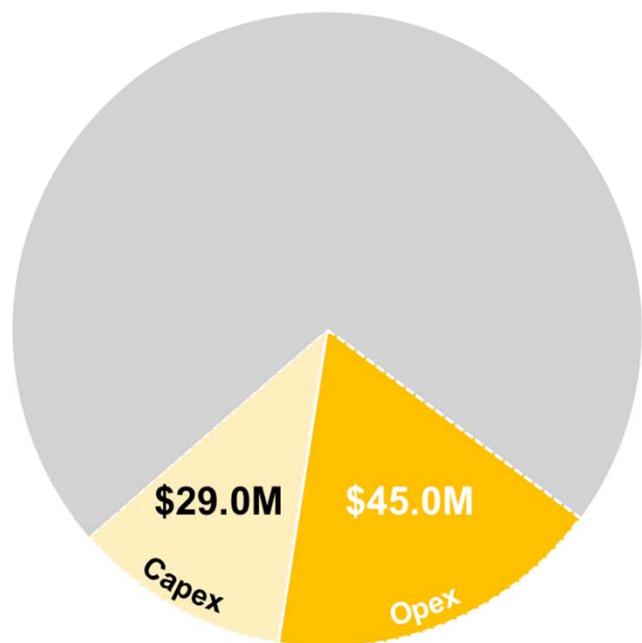
38% REAL COST REDUCTION BY FY24 FROM FY18

29% 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)
Finance	\$9.3	\$12.8	\$14.6	\$13.1	\$11.6	\$10.1	\$9.2	\$9.0	\$8.8	\$8.7	\$9.2
HR, OD & IR	\$4.8	\$5.9	\$6.3	\$6.1	\$5.9	\$5.7	\$5.6	\$5.5	\$5.6	\$5.5	\$5.6
Office of CEO	\$8.8	\$2.8	\$1.4	\$1.4	\$1.5	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6	\$1.6
Company Secretary & General Counsel	\$7.3	\$11.9	\$10.0	\$12.8	\$13.6	\$10.7	\$10.4	\$10.5	\$10.6	\$10.5	\$10.6
Strategic Management Office	\$0.7	\$1.1	\$1.6	\$13.8	\$9.6	\$1.9	\$2.0	\$2.0	\$1.9	\$2.0	\$2.0
ICT (excl. non-system capex)	\$58.2	\$45.6	\$41.5	\$53.6	\$53.7	\$58.4	\$52.3	\$43.6	\$37.2	\$34.3	\$45.2
Fleet (excl. non-system capex)	\$-0.1	\$-0.0	-	-	-	-	-	-	-	-	-
Property (excl. non-system capex)	\$31.5	\$28.1	-	-	-	-	-	-	-	-	-
Procurement	\$0.8	\$1.3	-	-	-	-	-	-	-	-	-
Electrical Safety & Authorisations	\$1.0	\$1.7	-	-	-	-	-	-	-	-	-
Business Transformation	\$1.5	\$20.6	\$23.8	-	-	-	-	-	-	-	-
Corporate Affairs	\$2.4	\$3.3	\$3.1	-	-	-	-	-	-	-	-
Network Regulation	-	-	\$1.3	-	-	-	-	-	-	-	-
'CORPORATE' OPEX ALLOCATION	\$69.5	\$79.7	\$65.7	\$58.0	\$56.2	\$52.4	\$49.1	\$44.5	\$40.7	\$38.4	\$45.0
'CORPORATE' CAPEX ALLOCATION	\$56.7	\$55.4	\$37.8	\$42.7	\$39.7	\$36.2	\$32.1	\$27.6	\$25.1	\$24.2	\$29.0
'CORPORATE' TOTAL	\$126.3	\$135.1	\$103.6	\$100.8	\$95.9	\$88.6	\$81.2	\$72.1	\$65.8	\$62.6	\$74.1

'Corporate' functions that contribute to forecast



'Corporate' consists of...

- > Finance
- > HR, OD & IR
- > Office of CEO
- > Company Secretary & General Counsel
- > Strategy Management Office
- > ICT

...allocated to Standard and Alternate Control

'Corporate' functions that contribute to forecast continued

Scope: Management of the financial health of Essential Energy, drive organisational excellence and leadership.

'Corporate' Functions	Activities	Investment proportion
Finance	<ul style="list-style-type: none"> > Manage the financial health of Essential Energy in a manner that protects financial value and delivers balanced outcomes for both customers and the shareholder > Billing for all company wide revenue > Core Finance functions including financial and management accounting services, cash management and taxation accounting. > Payroll and accounts payable services. 	 <p>12%</p> <p>of 'Corporate' Direct Control allocation</p>
HR, OD & IR	<ul style="list-style-type: none"> > Drive organisational excellence through a diverse, engaged, collaborative and commercially focused workforce. 	 <p>8%</p> <p>of 'Corporate' Direct Control allocation</p>
Office of CEO	<ul style="list-style-type: none"> > The Office of the CEO leads and governs Essential Energy in achieving it's operational and strategic objectives. 	 <p>2%</p> <p>of 'Corporate' Direct Control allocation</p>

'Corporate' functions that contribute to forecast continued

Scope: Management of key corporate risk, governance and strategic planning functions.

'Corporate' Functions	Activities	Investment proportion
Company Secretary & General Counsel	<ul style="list-style-type: none"> > Management of enterprise risk including insurance activities, compliance with legislation and obligations, the provision of legal advice for the organisation and internal audit assurance. > Developing a culture of integrity and compliance, internal audits evaluating and improving risk management, controls, governance, and efficiencies in processes. > Deliver a consistent risk management framework based on the principle of the management of risk to deliver outcomes that are aligned to company objectives. 	 <p>14% of 'Corporate' Direct Control allocation</p>
Strategic Management Office	<ul style="list-style-type: none"> > Provides services that creates the Company Strategic Plan and Corporate objectives > Manages and monitors the portfolio of work and corporate metrics designed to achieve these corporate objectives. 	 <p>2% of 'Corporate' Direct Control allocation</p>
ICT (excl. non-system capex)	<ul style="list-style-type: none"> > ICT activities and expenditure forecasts are provided in the ICT Business Plan. 	 <p>62% of 'Corporate' Direct Control allocation</p>

Key Legislation

Key Legislation

Legislation	Relevance to the Overhead Plan
National Electricity Rules	Directs the development of operating expenditure forecasts and compliance with relevant obligations
National Electricity (New South Wales) Act 1997 (NSW)	
Electricity Supply Act 1995 (NSW)	Essential Energy is required to comply with a number of legislative requirements as indicated (but not limited to) State and Federal legislation listed.
National Energy Retail Law (Adoption) Act 2012	
State Owned Corporations Act 1989 (NSW)	
Public Authorities (Financial Arrangements) Act 1987 (NSW)	
Energy and Utilities Administration Act 1987 (NSW)	
Insurance Act 1973 (Cth)	
Annual Reports (Statutory Bodies) Act 1984 (NSW)	
Public Finance and Audit Act 1983 (NSW)	
Independent Commission Against Corruption Act 1988 (NSW)	
Privacy Act 1988 (Cth)	
Fair Work Act 2009 (Cth)	
Government Sector Employment Act 2013 (NSW)	
State Records Act 1998 (NSW)	
Essential Services Act 1988 (NSW)	
Employment Protection Act 1982 (NSW)	

Supporting documents

Supporting Workbooks

Workbook	Relevance to the Overhead Plan
Finance_overhead_planning_workbook	Provides detailed forecasts for each 'Corporate' function.
HRODIR_overhead_planning_workbook	
CEO_overhead_planning_workbook	
Co_Sec_GenCounsel_overhead_planning_workbook	
Strat_Mgmt_Office_overhead_planning_workbook	
ICT_overhead_planning_workbook	

Supporting Documents

Document	Relevance to the Overhead Plan
12.1.16 Information Technology Business Plan	Provides details of ICT expenditure forecast (including non-system capex)

Essential Energy

CONTACT US

General enquiries 13 23 91
Power outages 13 20 80
essentialenergy.com.au
info@essentialenergy.com.au



EssentialEnergyAU



essentialenergy



essentialenergytv



engage.essentialenergy.com.au