Cost Recovery Methodology
2019-20 Bushfires Cost Pass Through

August 2021

essential energy

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1.   Cost Categories

1.1   Operating Expenditure

1.1.1   Direct Labour Ordinary

Discreet project numbers have been set up to capture the cost of significant fire impact. These projects are recorded on the timesheets of the employees assisting in the Network rectification to directly charge ordinary time labour.

A total of 117,000 ordinary hours have been direct costed to the rectification for the bushfires.

1.1.2   Direct Labour Overtime

Discreet project numbers have been set up to capture the cost of each fire event. These projects are recorded on the timesheets of the employees assisting in the Network rectification to directly charge overtime labour.

A total of 105,000 overtime hours have been direct costed to the rectification for the bushfires.
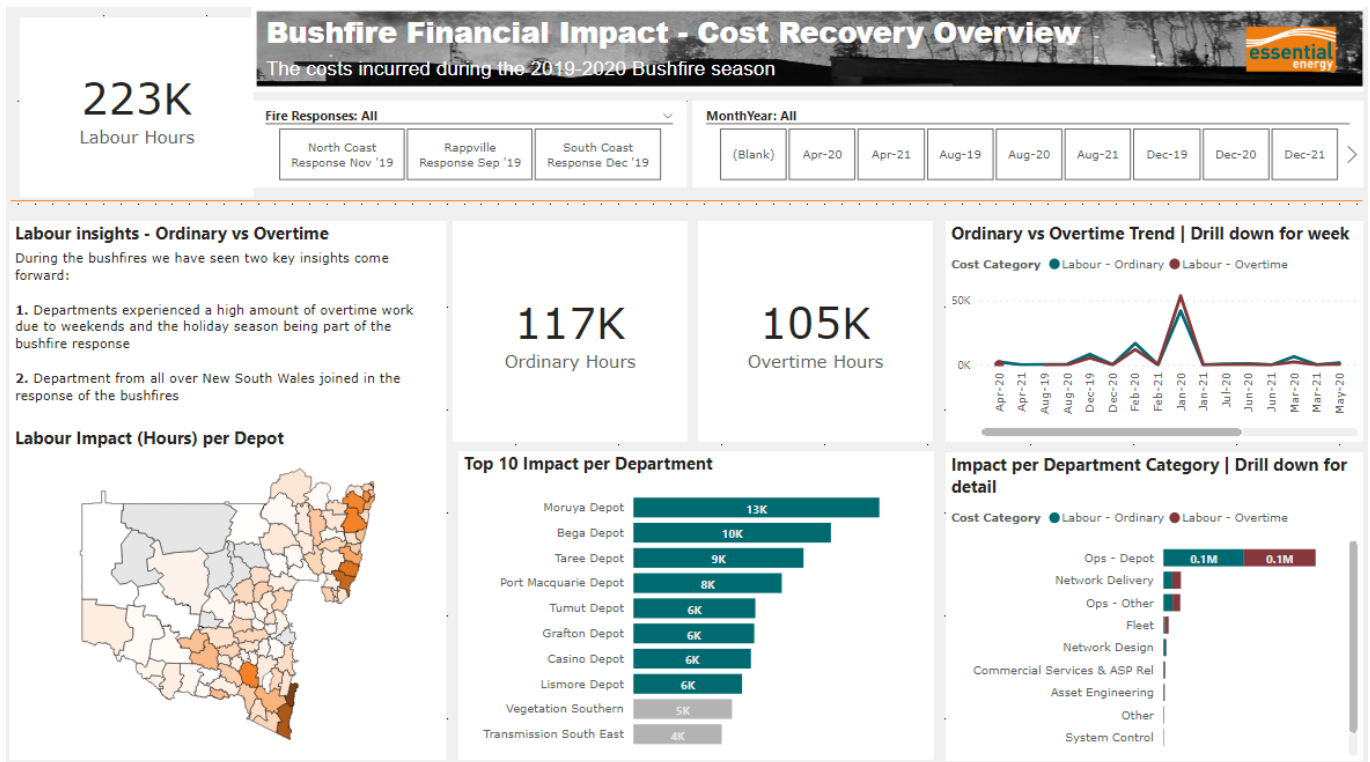
1.1.3   Direct Materials

Direct materials refer to the poles, crossarms, transformers, conductors, etc. that have been directly charged to the rectification.

During the initial stages of the various fires, large quantities of materials were ordered and charged to the projects to ensure there was sufficient supply to allow the recovery effort to proceed unimpeded. Once the initial response was completed for each fire unused stock was returned to inventory and credited from the projects.

1.1.4   Fleet

Fleet costs have been captured by way of the fleet project recovery charge. This takes the total pool of fleet costs from across Essential Energy and recovers it to projects. Each ordinary labour hour that is charged to the project attracts an overhead cost for the fleet recovery.

1.1.5   Contractors

A range of contracted services were utilised during the recovery effort. Examples include:

- Traffic Control
- Earth Moving
- Crane Hire
- Laundromats
- Vacuum Excavation

1.1.6   Materials Management

Essential Energy made the decision to supply generators to residential customers where it was anticipated supply would not be restored within a reasonable timeframe. Some larger generators were also utilised to temporarily restore supply to larger centres to allow for essential services (sewerage, water supply) to continue until supply was properly restored. This makes up most of the expense in the materials management cost category.

Other examples of costs that were incurred, include tools and equipment, gravel, cement and replacement network labels.

1.1.7   Travel & Accommodation

Each fire rectification effort required employees to travel to the affected areas from across Essential Energy's footprint. Costs incurred in this category reflect the cost of accommodation, travel and meals.

1.1.8   Property Expense

The disposal of destroyed assets was a contracted service and the incremental disposals have been recorded under the property expense cost category.

1.1.9   Aerial Inspections

Aerial Inspection was utilised in the rectification effort to scope the fire grounds ahead of the ground crews to locate damage and the areas for deployment.

1.1.10 Other Expenses

Vegetation

The large vegetation rectification effort related to the clearing of trees that presented a risk to the network as a result of the fires.

2.   Future Cost Categories

2.1   Unidentified Network Damage

Aerial inspection flights of the fire grounds are scheduled from July 2021. The purpose of the flights is to ascertain what damage remains to the network caused from the 2019-20 bushfires. An estimate of cost has been added to the current pass-through amount to cover expected costs related to:

- Charred Copper Chrome Arsenate (CCA) Poles – When a CCA pole is charred but not completely burnt to the point of failure, the CCA preservative can cause possible health risks. We need to identify these poles with a view to inspecting and treating them with a paint product to cover the charring.

- CAT 1 & 2 defects in the firegrounds that were missed in the initial inspections (i.e. damaged hardware, burnt conductors).

- Construction defects or hazardous situations left from the recovery efforts.

- Waste material left onsite after the recovery efforts – burnt CCA poles require special disposal for safety.

- High definition imagery to support the restoration of lines yet to be restored.

The estimate is based on categories of tasks that have been identified so far in the aerial inspections, and extrapolated to the number of poles in the firegrounds. Further information on how we developed the estimate is included in the Attachment K - Detailed Cost information.

2.2 Identified Network Rebuild (including Peak Alone, Cabramurra)

Some planned rectification work is still to be undertaken, but primarily this relates to two fire affected sites that have been supplied by temporary SAPS since the fire destroyed the Network in those areas. Refer to Attachments D and E – Peak Alone and Attachments F and G - Cabramurra for further details on these rebuilds and the estimated costs.

2.3 Vegetation Management

2.3.1 Hazard Tree Removal

The estimated cost of removing trees that are a fall in risk to the Network that were not removed during the initial response. For example, a secondary inspection of the fire grounds in the months since the fire has identified trees that have not grown back after the fire and are therefore a risk to the Network.

2.3.2 Tree Disposal

The estimated cost of disposing of trees that have been cut down where criteria has been met that they can't be left in a cut and stack state.

2.3.3 Regrowth Control

The estimated cost of deploying additional herbicide in the fire affected areas to reduce the amount of extra regrowth that can occur in the vegetation corridor, following the fires as a seeding event, and extra regrowth on previously burnt trees.